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### ECONOMIC PROBLEMS OF THE RECONVERSION PERIOD

R. R. GILBERT, *President, Federal Reserve Bank of Dallas*

The end of the war has confronted the country with the problem of reconversion of our productive and economic system to civilian purposes. The tremendous responsibility which this task involves will require the combined efforts of the Government, banks, business, industry, labor and agriculture and, in general, the American public as a consuming body. The problem of reconversion will be infinitely more difficult, if not impossible of satisfactory solution within a reasonable period unless all of the various groups in our economy continue to work in harmony and with the same spirit of resolution and restraint which they exhibited during the war years.

During the period of reconversion strongly conflicting economic forces will be in operation and, consequently, we may expect that period to be characterized simultaneously by conflicting and inconsistent economic trends and developments. Government contract cancellations will lead to immediate unemployment of large numbers of war workers at the same time that labor shortages exist in some markets and in some industries. Shortages of some goods will persist for several months, while in other lines more rapid reconversion and declining civilian demand will quickly readjust supply and demand relationships. In addition, a large surplus of war goods suitable or adaptable for civilian use overhangs the market. Purchasing power in the form of liquid assets is at a record level, but many thousands of workers will be confronted with loss or decline of income.

The evaluation of the economic outlook and trend by various groups and analysts will be influenced by that set of economic developments which are most significant at the moment, or by that set of developments which appear to be most powerful as an economic force at the time to the particular group or analyst. Consequently we may find that predictions and fears of deflation will appear simultaneously with predictions and fears of inflation. The ever present danger will lie in the failure to appraise properly the strength and character of the underlying economic forces and their potential effect in retarding or aiding the achievement of the economic goal of reconversion. That goal must be to restore quickly with a minimum of dislocation and loss a stable economic system of private capitalism capable of operating for civilian purposes in such a manner as to maintain a high level of employment, production, and income for the country in the years of peace which are ahead.

We must recognize that the solution of the problem will not be easy nor can it be immediate. The "cease firing" order which ended hostilities did not end the monetary cost of the war nor did it terminate the actual or potential economic effects of the great dislocations within our economic system which are a heritage of our earlier conversion to a full war economy. The economic effects of war upon prices, production, employment and income will continue to exert their influence upon our peacetime economy. Unless managed with consummate skill and controlled wisely toward desired attainable objectives these influences may cause more damaging effects during the immediate postwar years than they caused during the war years.

Although it is true that there are many significant differences between the economic situation which exists at present and that which characterized the period at the end of the first World War, the record of what happened after that war should serve as a warning of the unpredictable character



of economic events and should indicate the potential dangers which may beset the nation's economic system during the period of economic reconversion.

More effective government controls were maintained during the second World War than during the years 1914 through 1918, with the consequence that the increase in wholesale prices from 1939 to date has been only approximately 34 per cent, whereas the increase in the price index of comparable commodities from the outbreak of the war in 1914 until the Armistice was approximately 94 per cent. Immediately after the first war economic controls were removed and prices did decline for a few months. In the first quarter of 1919, however, stimulated by a surge of speculative buying, consumer satisfaction of deferred demand, inventory hoarding, and a foreign demand for American products, prices began an inflationary ascent which did not reach its peak until May, 1920. During that postwar period prices rose approximately 45 per cent above the levels which prevailed at the end of the war. It is not necessary to elaborate on the details of the inevitable decline of prices and the depression which followed that inflationary surge, except to recall the fact that it was one of the most precipitous and disastrous economic collapses in our history. The American public and the various groups which comprise our economic system can not permit, by their action during the months of reconversion, developments to occur which will make possible a recurrence of the economic conditions which followed that first World War.

The strength of the present threat of inflation or deflation is a function of the relationship between production and effective purchasing power. Of utmost importance and, in fact, the key to the solution of the problem of reconversion is rapid expansion of production. Unfortunately there will be wide variation between different industries with respect to the speed and smoothness of reconversion. The problem of obtaining adequate supplies of raw materials and labor will vary from industry to industry. The time required to reconvert the productive factors of different industries to peacetime production will vary between those industries which can continue production but merely divert their output to civilian markets and those industries at the other extreme which will require weeks to reconvert their assembly lines. Furthermore, the length of the productive process will also be a factor in determining when an increased supply of certain goods will appear in civilian markets in significant volume.

The inflation potential in the present situation exists in several forms: (1) The enormous volume of liquid assets or potential purchasing power in the hands of individuals and businesses. (2) The huge backlog of deferred demand for consumer goods of many kinds, the necessity of inventory restocking by the nation's business, and the shortages, at least temporarily, in some basic raw materials and capital goods. (3) The fact that for some time into the future deficit financing by the Government will be a certainty and will increase the government debt and, to some extent, add increments to potential purchasing power through an expansion of bank deposits. (4) Foreign demand for American goods, supported by large foreign balances in this country.

The liquid assets of individuals and business consist of the currency in circulation outside of banks, adjusted demand deposits, time deposits and war savings bonds. In addition, the holdings of marketable government securities by many corporations are in reality, in the present situation, a type of liquid asset to the holder. Moreover, when such marketable securities are sold a substantial portion will probably be purchased by commercial banks thus creating additional purchasing power.

Currency outside of banks which totaled 6.4 billion dollars at the end of 1939 increased in amount to approximately 25.5 billion dollars by July, 1945. Adjusted demand deposits are estimated at approximately 72 billion dollars as of July, 1945 compared to 29.7 billion dollars at the end of 1939. Time deposits of banks, including postal savings, increased during the same period from 27 billion dollars to approximately 45 billion dollars. The amount of United States savings bonds outstanding as of July, 1945 was 46.5 billion dollars, of which 33.4 billion dollars were in the form of Series A-E bonds, the type largely held by individuals.

In other words, currency outside of banks and adjusted demand deposits which represent immediate available purchasing power increased during the period from 36.1 billion dollars to approximately 97.5 billion dollars. Time deposits and war savings bonds which can be readily converted into immediate purchasing power increased to a total of approximately 91.5 billion dollars in July, 1945. Further-



more, by reducing their outstanding consumer credit indebtedness by approximately 5 billion dollars during the past 3½ years, individuals have strengthened their potential purchasing power by the improvement of their credit position.

There are inherent in this great store of purchasing power potentialities which may be either constructive or destructive with respect to economic developments during the period of reconversion. To a very large extent, when this purchasing power will be used and how it will be used must depend upon the decision of the many thousands of individuals and businesses who hold ownership to it. If utilized wisely and in accordance with the holders' real need, or if its flow into the channels of effective demand coincides approximately in time and amount with the flow of goods into the market from reconverted and new industries, that volume of accumulated purchasing power will be a stimulating and stabilizing force to our productive system for several years. On the other hand, if unleashed in the market seeking scarce goods its inflationary force will be tremendous.

The enormous deferred demand for consumer goods and, in many cases, capital goods will continuously exert great pressure upon individuals and businesses to utilize competitively the purchasing power accumulated during the past years. Stocks of merchandise on merchants' shelves have been depleted during the war years, and therefore there will undoubtedly be a strong desire among business men to restock inventories rapidly. While there must be no deterrents placed in the way of reconversion, neither can we afford to disregard the strength of the pressures which will be so damaging to the economic system if they are not soundly controlled.

It has been suggested above that the termination of hostilities did not end the monetary cost of the war. The Government will be confronted for some time by expenditures substantially in excess of income. Large sums will be needed to maintain armies of occupation in Germany and Japan, to bring home the men who are overseas, to maintain a comparatively large military establishment, and to meet the many other costs of liquidating our war machine. To help meet these costs a Victory Loan has been scheduled in the near future. If individuals utilize their latent purchasing power for the purchase of these securities inflationary potentials will be absorbed and, to that extent, will ease the control problem. If the Government, on the other hand, is financed through the banking system additional inflationary fuel will be added in the form of an expansion of bank deposits. Consequently, not only must individuals be urged to hold their war bonds to the greatest extent possible until the supply of goods available has increased, but they should also be strongly urged to support the Victory Loan with their purchases to avoid creating additional inflationary pressures.

Finally, the demand for American goods will be significantly increased as a result of the attempt by foreigners to purchase a wide variety of needed materials and goods, utilizing loans and the large foreign balances which have been accumulated in this country during the war. Several European and Latin American nations hold substantial amounts of gold and dollar balances in this country. With other national markets and production disrupted the demand for American goods will be abnormally great, thus adding to the domestic demand which will persist in a temporarily short supply market.

On the other hand, the deflationary potentialities which exist in the current economic situation center around the employment problem, loss or decline of wages, labor-industry relationships, surplus war goods, and tax problems.

Most estimates of unemployment indicate that during the next several months it will reach large proportions and will constitute one of the nation's principal economic problems. The War Manpower Commission has estimated recently that unemployment will increase within three months from approximately 1.1 million (end of war estimate) to perhaps 5 million, and six months from now may reach as high as 8 million workers. The deflationary influence of that volume of unemployment, with its accompanying decline in purchasing power, cannot be ignored. At times during the next several months it may appear that this deflationary factor is dominant in the economic situation, but it must be accurately appraised and recognized as a transitional characteristic of the period through which we are



passing. It should be recognized that many displaced workers will be absorbed quickly in peacetime industries; others will gradually be absorbed, while still others who accepted employment during the war as a patriotic service will retire from the labor market.

In addition to the loss in purchasing power as a result of unemployment, there will be a decline in the "take home" pay of employed workers as a consequence of elimination of over-time work and the shift from higher paying war industries to the lower wage scale peacetime industries to which many war workers will ultimately shift back.

Although the "no strike" pledge may expire now that the war has terminated, both industry and labor groups must realize that not only from the point of view of the economic welfare of the country as a whole, but for their own particular interest the avoidance of strikes, lock-outs, and work stoppages is just as important and necessary during the reconversion period as it has been during the past several years. Sub-standard wage levels may be raised and individual cases of maladjustment must be corrected, but the attitude and approach to the problem by labor and management must be one of complete cooperation and understanding in order to facilitate a return to a high peacetime level of production, and shorten the transitional period of readjustment.

These and other deflationary factors are, in the present situation, temporary and must not be mistakenly accepted as characteristic of the type of factors which presage depression conditions for the economy as a whole. On the other hand, the inflationary factors which have been discussed, and probably others, will persist in the economic system and will constantly tend to exert their upward force. There is little basis for belief that the existing over-all total of potential purchasing power will shrink, although it may be characterized by shifts in ownership. Neither will there be a cancelling out of the pent-up demand for goods until that demand is satisfied by actual purchases.

An objective analysis of the current economic situation indicates that on balance the inflationary potential in the economic structure substantially outweighs the probable strength and lasting effect of the factors of deflation. That fact, however, should not bias our thinking with respect to the economic outlook. All of the economic essentials necessary to stimulate and produce a prolonged period of prosperity are present in the economic structure. Business, industry and agriculture have before them the opportunity to reestablish those conditions necessary to enable our economic system of private capitalism, stimulated by the profit motive and by equitable returns to all of the factors of production, to attain the highest stable levels of production, income, and employment which any country has ever enjoyed during peacetime. With that opportunity, however, must be accepted the responsibility for the full achievement of the task.

In the first flush of victory we must guard against the development of an apathetic attitude or a sense of security which will cause us to lose the determination and clear-sightedness which will be necessary to cope successfully with the current economic situation. The consuming public and various economic groups must not, by popular demand, attempt to force the relaxation or removal of necessary economic controls before the factors of supply and demand have been stabilized to that degree which assures that there is no longer a need for such controls. Controls should be removed when the emergency need has passed, but the duration of the emergency need will not be the same for all controls. Some controls have already been removed, others may be removed in the near future, while still others must be retained for an indefinite period.

Business and industrial groups must not permit the development of an attitude which will lead to inventory hoarding, or speculation and over-buying. Individuals must avoid an unreasonable attempt to satisfy their demand for consumer goods. When goods are not available in adequate supply, and cannot be made so during the earlier stages of reconversion, competitive bidding for the scarce goods can only lead to price inflation. Finally economic groups should not attempt to gain selfish or unreasonable advantages over each other during this difficult period. All economic groups must cooperate toward the end of achieving the objective of a stable, equitable relationship between the various factors of production so that a balanced high production economy will result.



## DISTRICT SUMMARY

Sales at department stores in this district declined by less than the usual seasonal amount from June to July and were 18 per cent larger than in July last year. The latter figure is the largest year-to-year gain since March and compares with an average increase of 14 per cent during the first seven months of the year. The July sales of reporting furniture stores were moderately lower than in June but exceeded those in the corresponding month last year by 12 per cent. Crude petroleum production increased slightly further in July and is being maintained at the higher level in August. In September, however, a substantial reduction from the wartime peak is anticipated to bring output in line with probable demand and to give relief to many fields that have been producing in excess of maximum efficiency rates. Construction activity was well sustained in July and the value of awards was greatly in excess of the small volume in July last year. Weather conditions during July and the first half of August, on the whole, were conducive to crop development and harvesting operations, and production estimates for several crops were increased. Livestock ranges over most of the district improved substantially during July and are in better than average condition. Livestock have been maintained in generally good flesh. Between July 11 and August 15, the weekly reporting member banks in this district increased their investments sharply but most of this expansion was offset by a decline in loans. Deposits of these banks showed little change during the period.

## BUSINESS

Consumer buying at department stores in this district has been maintained at a high level this summer. During the first quarter of the year, buying averaged about 19 per cent higher than in the corresponding period of 1944, but in April, it declined to approximately the same level as a year earlier. Since April, the year-to-year gain has widened each month and in July amounted to 18 per cent, which compares with an average increase of 14 per cent during the first seven months of the year. During the first two weeks of August, sales at weekly reporting department stores were 16 per cent larger than in the corresponding period last year. During July, department stores generally held "clearance sales" on many types of merchandise. There were also substantial increases over a year ago in departments carrying merchandise that had been in scarce supply. Sales of such items as stoves, refrigerators, other household appliances, and radios, while still in relatively small volume, were greatly in excess of those in the corresponding month last year.

The inventories of reporting stores increased further by 2 per cent in July and at the end of the month were 14 per cent higher than a year ago. Outstanding orders were maintained at approximately the previous month's level but were 16 per cent larger than at the end of July last year. Collections during July on outstanding accounts were sustained at about the previous month's level, amounting to 61 per cent on regular charge accounts and 28 per cent on installment accounts.

Sales at reporting furniture stores which had increased moderately in May and June, declined seasonally by about 6 per cent in July but were 12 per cent above those in July last year. During the first five months of the year there was a marked narrowing of the spread between sales this year and last year, and the increase amounted to only 1 per cent in May, as compared with 30 per cent in January. In June and July, however, the margin of gain widened substantially. Throughout the current year, cash sales have shown large increases over a year earlier and have accounted for most of the gain in total sales. Inventories of reporting stores, after having risen gradually during the first five months of the year, have shown little

change during the past two months, but at the end of July they were 8 per cent larger than a year earlier.

## AGRICULTURE

Dry, open weather in recent weeks has been favorable for harvesting of maturing crops and production estimates above those a month ago are now indicated for corn, rice, tame hay, and sweet potatoes. Moisture conditions continue favorable over most of the district except in the High Plains, south central and extreme southern counties of Texas, and in southern areas of Arizona and New Mexico. Cotton picking is well underway in southern counties and is spreading into the earlier districts of central and east Texas. Harvesting of small grains was completed earlier than usual, and commercial vegetable crops in late areas are developing rapidly. Ranges are in better than average condition although additional moisture is now needed in some sections of the Edwards Plateau and in western Texas. Livestock continued in from fair to good condition during July and movements to market, while showing a seasonal decline, were still relatively large.

Due to unfavorable weather conditions at seeding time, the Texas cotton crop is later than usual in all parts of the State, except in extreme southern counties. Excessive rains in northern, central, and eastern areas and droughty conditions in the High Plains counties prevented the planting of much of the intended acreage. The hot, dry weather prevailing since Mid-July, however, has been conducive to crop growth and has retarded insect infestation which had been considerably greater than average. The crop in general has developed rapidly in recent weeks and, except in the dry sections of the High Plains, is fruiting well. The crop in the Lower Valley, which was reduced by inadequate moisture, has been picked, and harvesting is well underway in other earlier Texas districts. The August 1 report of the Department of Agriculture estimated the United States cotton crop at 10,134,000 bales, indicating a decline of 17 per cent from the production of 12,230,000 bales in 1944, and is 2,159,000 bales less than the 10-year (1934-1943) average. The Texas production is placed at 2,100,000 bales, as compared with 2,646,000 bales produced in 1944, and represents the smallest production in 50 years. The relatively small crop this year is due chiefly to the greatly reduced acreage planted to cotton, which is also the smallest in 50 years. The per acre yield, estimated at 161 pounds, compares with 177 pounds produced last year and the 10-year average yield of 160 pounds. The indicated production of 540,000 bales in Louisiana and 380,000 bales in Oklahoma is also substantially below last year's harvest and the 10-year average, due both to the smaller acreage and the lower per acre yield.

The August 1 estimate places the Texas winter wheat crop at 37,881,000 bushels, unchanged from a month ago, and is 49 per cent under the record production of 74,746,000 bushels in 1944. Although intermittent showers interrupted harvesting operations in the High Plains, harvesting was completed ahead of schedule. Stocks of old wheat in Texas interior mills, elevators, and warehouses on July 1, 1945, were estimated at 965,000 bushels, as compared with 240,000 bushels a year ago, and the nine year, 1935-1943, average of 1,612,000 bushels. Stocks stored on Texas farms were estimated at 1,495,000 bushels, or about 64 per cent more than the 909,000 bushels held at the same time a year earlier. The combined stocks of old wheat on farms and in interior mills, elevators, and warehouses amounting to 11,485,000 bushels were approximately ten times larger than those held on July 1, 1944.

Timely rains during the growing stages greatly improved the Texas corn crop and the production on August 1 was indicated at 70,176,000 bushels, which is about 10 per cent above the July estimate and slightly more than the production in



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1944. Although some damage to the corn crop in southern and western areas resulted from insufficient moisture earlier in the season, the average condition of the crop on August 1 was good. The yield per acre is now placed at 17.0 bushels, which is an increase of 1.5 bushels above the July estimate. Seeding of grain sorghums was delayed in some sections of the heavy producing areas of the High Plains due to inadequate moisture, and total acreage in Texas this year, estimated at 4,542,000 acres, is about 560,000 acres less than in 1944. Acreage planted to peanuts, indicated at 796,000 acres, is 72,000 acres more than planted last year and more than double the 10-year average. The peanut crop has progressed under generally favorable conditions and the yield per acre, forecast at 525 pounds, exceeds last year's yield by 75 pounds. If the indicated peanut production of 417,900,000 pounds is realized, it will exceed that of last year by 28 per cent and will be the second largest of record. The Texas rice crop has progressed favorably since the early planting season and production on August 1 was indicated at 22,000,000 bushels, and if realized, will exceed last year's production by 16 per cent and will represent a new record. The 1945 Texas broomcorn crop is estimated at 5,500 tons, or about 35 per cent less than last year's record crop but is still 20 per cent above the 10-year (1934-1943) average. The initial forecast of the season places Texas pecan production at 39,000,000 pounds, or a decline of 13 per cent from last year's crop of 45,000,000 pounds.

Commercial vegetables made good progress in most sections with harvesting conditions remaining favorable in late producing areas. Supplies of cantaloupes and watermelons are abundant in late areas and harvest of the Panhandle potato crop is well advanced with good yields reported from all areas. This year's Irish potato production is estimated at 5,022,000 bushels, only fractionally larger than that in 1944, but is 31 per cent above the 10-year average. Sweet potato production, estimated at 4,500,000 bushels is 525,000 bushels less than the actual production in 1944 and is only fractionally above the average. Fall vegetables in the Laredo and Winter Garden districts made rapid progress. The transplanted eggplant, peppers, and tomatoes are growing well and preparation of onion seed beds is practically complete. The citrus groves in the Lower Rio Grande Valley showed very little growth during July due to high temperatures, but as most groves were irrigated, very little damage is apparent from lack of moisture.

Range feeds and pasturage in most of the district improved substantially during July except in sections of southern and coastal Texas, and in southern New Mexico and Arizona. Although rains over most of Texas in July were very beneficial, moisture is extremely short in the southern, most of north-western districts, and in local areas of west and west central Texas, and substantial rains would be beneficial in most of the cattle raising districts. Range feeds were mostly ample on August 1 with a reported condition of 85 per cent, 5 points above the preceding month and 4 points above the 20-year rain, there is still sufficient grass to maintain flesh and to permit substantial gains.

Reflecting the early season's favorable weather and range conditions, a record lamb crop is estimated for Texas by the Department of Agriculture. The 5,284,000 head raised this year is the largest number of any year of record, and also represents the largest percentage lamb crop ever recorded. Moreover, the 1945 Texas lamb crop is approximately 19 per cent of the United States total and 20 per cent of the western states lamb

(1924-1943) average. Cattle continued to show gains during July and there was a decided tendency to hold back marketings as long as gains were noticeable. The prospect of possible shortages of supplemental feed for use this winter may force more cattle on the market than was anticipated, and ranchers who expect to utilize grain pastures this winter will be influenced by moisture conditions and pasture prospects during the next two months. The condition of sheep on August 1 was reported at 86 per cent of normal, indicating a gain of 4 points during July, and 1 point above the 20-year average. Although some counties in the Edwards Plateau section are badly in need of

CASH FARM INCOME  
(Thousands of dollars)

	May 1945		May 1945	Total receipts	
	Receipts from Crops	Livestock*		May 1944	January 1 to May 31 1944
Arizona.....	5,565	5,443	11,008	9,122	66,103
Louisiana.....	8,784	5,150	13,934	13,228	71,187
New Mexico.....	517	6,144	6,661	5,315	29,183
Oklahoma.....	5,562	19,663	25,225	22,378	143,715
Texas.....	32,739	89,605	122,344	84,163	437,057
Total.....	53,167	106,005	159,172	134,206	747,245

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

SOURCE: United States Department of Agriculture.

## LIVESTOCK RECEIPTS—(Number)

	Fort Worth		June 1945	San Antonio	
	July 1945	July 1944		July 1944	June 1945
Cattle.....	79,483	67,679	79,493	30,754	27,760
Calves.....	33,288	37,509	28,308	30,192	23,584
Hogs.....	28,917	74,860	38,028	3,930	12,331
Sheep.....	287,842	351,763	586,046	120,286	68,824

COMPARATIVE TOP LIVESTOCK PRICES  
(Dollars per hundred weight)

	Fort Worth		June 1945	San Antonio	
	July 1945	July 1944		July 1944	June 1945
Beef steers.....	\$16.60	\$15.50	\$16.50	\$15.65	\$13.75
Stocker steers.....	14.00	11.00	14.00	.....	.....
Heifers and yearlings.....	16.00	15.50	16.25	13.85	13.00
Butcher cows.....	13.00	11.25	13.00	12.50	10.40
Calves.....	14.50	13.25	14.60	14.00	13.00
Hogs.....	14.55	14.55	14.55	14.55	14.25
Lambs.....	14.25	14.00	14.75	13.00	12.00

## COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to July 31 This season	Last season	August 1 to July 31 This season	Last season
Cottonseed received at mills (tons).....	986,542	940,815	4,361,675	3,984,022
Cottonseed crushed (tons).....	932,713	953,838	4,252,786	3,954,542
Cottonseed on hand July 31 (tons).....	84,725	31,646	219,745	118,256
Production of products:				
Crude oil (thousand lbs.).....	286,608	287,475	1,323,929	1,235,829
Cake and meal (tons).....	441,785	451,339	1,933,877	1,834,495
Hulls (tons).....	215,470	226,217	984,086	926,568
Linters (running bales).....	280,994	284,457	1,250,361	1,185,092
Stocks on hand July 31:				
Crude oil (thousand lbs.).....	2,458	2,004	11,307	8,636
Cake and meal (tons).....	10,245	8,830	52,657	28,500
Hulls (tons).....	16,472	3,344	62,119	14,793
Linters (running bales).....	5,726	17,878	19,326	61,920

SOURCE: United States Bureau of Census.

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

	July 1945	July 1944	June 1945	August 1 to July 31 This season	Last season
Consumption at:					
Texas mills.....	16,060	18,311	16,146	190,655	207,537
United States mills.....	673,087	723,402	786,063	9,575,829	9,943,370
U. S. stocks—end of month:					
In consuming establm'ts.....	1,962,602	1,710,225	.....	.....	.....
Public stg. & compresses.....	8,372,639	8,285,432	.....	.....	.....

## CROP PRODUCTION—(Thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Aug. 1, 1945	1944	Estimated Aug. 1, 1945	1944
Cotton.....	Bales	2,100	2,645	2,715	3,360
Winter wheat.....	Bushels	37,881	74,745	38,617	75,775
Corn.....	Bushels	70,176	69,622	82,393	82,016
Oats.....	Bushels	43,546	38,600	48,820	44,159
Barley.....	Bushels	5,075	10,780	10,585*	18,478*
Tame hay.....	Tons	1,542	1,526	2,115	2,115
Potatoes, Irish.....	Bushels	5,022	5,016	5,810	6,010
Potatoes, sweet.....	Bushels	4,500	5,025	15,058†	14,165†
Rice.....	Bushels	22,000	19,208	45,482†	41,368†

\*Arizona, New Mexico, Oklahoma and Texas.

†Louisiana and Texas.

SOURCE: United States Department of Agriculture.



crop, these being record percentages. The current year's lamb crop started to market earlier than usual. During the first six months of the year, shipments of all classes of sheep, which totaled 2,187,000 head, exceeded those during the same period last year by approximately 20 per cent. The Texas wool clip for 1945 is estimated at 78,908,000 pounds which is only slightly less than last year's record production of 80,180,000 pounds. The number of sheep shorn, estimated at 10,000,000 while fractionally less than in 1944 was 11 per cent above the 10-year (1934-1943) average. The weight per fleece placed at 7.7 pounds was the same as the preceding year and only fractionally under the 10-year average. Movements of cattle, calves, and sheep into Fort Worth and San Antonio markets during July were 30 per cent below the relatively high seasonal movement in June but were only 3 per cent under those in July a year ago.

Mid-July prices received by Texas farmers, as reported by the Department of Agriculture, showed moderate increases for wheat, oats, barley, grain sorghum, cotton, cottonseed, cowpeas, eggs, hay, and most meat animals. On the other hand, slight seasonal declines were indicated for corn, sweet potatoes, milk, and wool. Prices of rice, Irish potatoes, peanuts, butter, and butterfat remained unchanged.

## FINANCE

The gross demand and time deposits of member banks in this district expanded further during July, the average for the month being \$4,879,000,000 or about \$170,000,000 higher than in the preceding month and approximately \$975,000,000 above those in July, 1944. The reserve balances of member banks, which averaged \$667,000,000 during July, were slightly below the average in the preceding month but rose to a new peak of \$697,000,000 during the first half of August. During July, member banks increased their balances with correspondents to a new peak of \$795,000,000, which was \$30,000,000 higher than in June and \$160,000,000 above those in July last year. The required reserves of member banks showed little change from June to July and excess reserves amounting to \$133,000,000 were only moderately lower than the two-year peak reached during June.

During July, the circulation of Federal Reserve notes of this bank increased by \$13,200,000, the largest increase during any month of the current year, and rose further by about \$4,000,000 during the first half of August. In July, the return flow of currency in denominations of \$500 and above continued in substantial volume while the demand for such denominations was very light. The expansion in circulation occurred chiefly in denominations of \$20 and below.

The deposits of weekly reporting member banks in this district showed little net change between July 11 and August 15, since the decline in the war-loan deposits of these banks were about offset by increases in other classes of deposits. These banks withdrew from correspondents approximately \$21,100,000, of which \$16,100,000 was shifted to their balances with the Federal Reserve bank to meet the increase in required reserves. During the five-week period, the loans and investments of these banks showed a net increase of \$6,400,000 as the \$20,000,000 decline in loans was more than counterbalanced by the expansion of \$26,400,000 in investments. While virtually all classes of loans declined during this period, more than one-half of the net decrease occurred in loans secured by Government securities and represented the liquidation of advances to cus-

CONDITION OF THE FEDERAL RESERVE BANK  
(Thousands of dollars)

	August 15, 1945	August 15, 1944	July 15, 1945
Total cash reserves.....	\$476,611	\$581,773	\$481,435
Discounts for member banks.....	None	None	75
U. S. Government securities.....	894,174	527,090	840,742
Total earning assets.....	894,174	527,090	840,817
Member bank reserve deposits.....	705,049	574,808	693,133
Federal Reserve Notes in actual circulation.....	595,515	480,906	582,299

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

	August 15, 1945	August 16, 1944	July 11, 1945
Total loans and investments.....	\$1,892,796	\$1,576,132	\$1,886,437
Total loans.....	449,627	340,010	469,611
Commercial, industrial, and agricultural loans.....	280,912	233,127	288,158
Loans to brokers and dealers in securities.....	4,445	2,746	4,848
Other loans for purchasing or carrying securities.....	84,716	41,213	84,925
Real estate loans.....	23,564	20,444	23,711
Loans to banks.....	263	237	206
All other loans.....	55,627	42,243	57,763
Total investments.....	1,443,169	1,236,122	1,416,826
U. S. Treasury bills.....	78,185	135,824	74,604
U. S. Treasury certificates of indebtedness.....	411,074	356,657	409,979
U. S. Treasury notes.....	276,930	219,453	269,561
U. S. Government bonds.....	621,765	459,641	613,208
Obligations guaranteed by United States Gov't.....	893	20,629	145
Other securities.....	54,351	44,098	49,329
Reserves with Federal Reserve Bank.....	383,559	314,901	367,447
Balances with domestic banks.....	252,205	246,085	273,339
Demand deposits—adjusted*.....	1,274,327	1,061,588	1,221,599
Time deposits.....	260,975	191,624	254,025
United States Government deposits.....	318,927	300,077	383,783
Interbank deposits.....	596,547	491,822	590,465
Borrowings from Federal Reserve Bank.....	None	None	None

\*Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.

DEBITS TO INDIVIDUAL ACCOUNTS  
(Thousands of dollars)

	July 1945	July 1944	Pctg. change over year	June 1945	Pctg. change over month
Abilene.....	\$ 16,810	\$ 17,239	- 2	\$ 18,208	- 8
Amarillo.....	50,938	48,205	+ 6	51,197	- 1
Austin.....	70,051	70,759	- 1	81,083	-14
Beaumont.....	59,536	56,739	+ 5	62,065	- 4
Corpus Christi.....	39,351	53,162	+12	65,029	- 9
Corsicana.....	6,346	6,449	- 2	8,184	-22
Dallas.....	572,407	514,319	+11	685,839	-17
El Paso.....	57,886	52,246	+11	72,538	-20
Fort Worth.....	212,810	215,168	- 1	250,228	-15
Galveston.....	47,843	45,986	+ 4	53,969	-11
Houston.....	572,881	528,794	+ 8	661,860	-13
Laredo.....	12,753	11,380	+12	14,007	- 9
Lubbock.....	28,511	23,943	+19	33,731	-15
Monroe, La.....	16,170	16,668	- 3	17,951	-10
Port Arthur.....	21,378	24,133	-11	24,954	-14
Roswell, N. M.....	8,407	8,587	- 2	9,550	-12
San Angelo.....	18,857	18,563	+14	21,123	-11
San Antonio.....	162,198	154,536	+ 5	181,707	-11
Shreveport, La.....	72,297	73,879	- 1	88,754	-19
Texasarkana*.....	17,143	18,940	- 9	22,458	-24
Tucson, Ariz.....	31,457	27,364	+15	36,213	-13
Tyler.....	24,066	22,460	+10	28,850	- 5
Waco.....	26,207	26,403	- 1	31,248	-16
Wichita Falls.....	32,359	28,532	+13	37,543	-14
Total—24 cities.....	\$2,199,202	\$2,061,454	+ 7	\$2,555,319	-14

\*Includes the figures of two banks in Texasarkana, Arkansas, located in the Eighth District.

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
July 1943.....		\$2,874,871	\$241,779	\$1,562,343	\$143,301	\$1,312,528	\$ 98,478
July 1944.....		3,601,462	303,719	1,909,222	187,985	1,701,240	115,734
March 1945.....		4,050,000	397,380	2,045,585	232,600	2,004,415	134,780
April 1945.....		4,039,267	380,535	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	2,189,243	263,505	2,110,467	145,700
July 1945.....		4,481,169	398,157	2,309,773	249,764	2,174,396	148,393

## SAVINGS DEPOSITS

	Number of reporting banks	July 31, 1945		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	July 31, 1944	June 30, 1945
Beaumont.....	3	12,197	\$ 6,927,098	+25.1	+ 1.0
Dallas.....	8	125,114	60,254,229	+40.3	+ 2.7
El Paso.....	2	26,474	18,323,501	+39.5	+ 2.0
Fort Worth.....	3	38,614	27,974,554	+39.7	+ 2.7
Galveston.....	4	21,790	17,753,557	+21.4	+ 2.3
Houston.....	9	89,787	58,152,747	+28.7	+ 2.2
Lubbock.....	2	808	642,038	+31.0	+ 3.0
Port Arthur.....	2	5,709	4,758,664	+25.4	+ 1.8
San Antonio.....	5	33,545	36,788,128	+35.9	+ 2.0
Shreveport, La.....	3	32,612	22,490,006	+36.5	+ 2.9
Waco.....	3	8,704	7,503,123	+33.9	+ 2.4
Wichita Falls.....	3	6,903	4,512,918	+20.9	+ 3.9
All other.....	58	58,262	43,977,821	+31.0	+ 1.8
Total.....	105	460,519	\$310,057,884	+33.5 *	+ 2.3



tomers made during the Seventh War Loan Drive for the purpose of entering subscriptions. While commercial, industrial, and agricultural loans declined \$7,300,000 during the five weeks, the total on August 15 was still substantially higher than before the opening of the war loan drive. The reporting banks increased their holdings of all classes of securities, but most of the expansion occurred in Treasury notes and bonds and in non-Government securities. Holdings of Treasury bonds increased by about \$85,000,000 during the past three months and \$162,000,000 over the past year. The latter increase constitutes 80 per cent of the expansion in total investments during the period.

INDUSTRY

The sudden termination of the war with Japan created a serious temporary disruption of the Nation's economy, and emphasized the need for aggressive action in bringing about in the shortest possible time the resumption of full-scale output of peacetime goods. The immediate wholesale termination of war contracts resulted in the closing of war production plants and the releasing of thousands of workers. Although the Government has taken immediate steps to hasten reconversion through the removal of restrictions and other means, many problems lie ahead, the solution of which will require intelligent direction and cooperative action on the part of Government, industry, labor, and the general public.

Contract cancellations issued thus far by the War Department have stopped production of most types of war materials. Those which are still being manufactured are primarily experimental items, the output of which is on a very limited basis. The industries most affected by the cancellations were those manufacturing aircraft, artillery, tanks, all types of ammunition, tractors, bridging equipment, locomotives, radio and radar, telephones, and tires. On the other hand, the cancellations did not materially affect such industries as lumber, steel, petroleum, synthetic rubber, textiles, and foods, in so far as a reduction in employees is concerned. Cancellation of contracts by the Navy are taking place more slowly but will eventually reach huge proportions. Many producers, because of the nature of their products, may be able to reconvert quickly and absorb a considerable percentage of their workers. Other industries producing aircraft, guns, tanks, and ammunition may find the reconversion process slower and more difficult, and a considerable time-lag may occur before they are an important factor of demand in the labor market. Also, many plants built specifically for war production will cease operations entirely or will operate on a greatly reduced scale. Estimates and forecasts of reliable sources indicate that unemployment will be a major problem in the months of reconversion ahead.

Among the first steps taken to hasten the reconversion program was the immediate lifting of all manpower controls, giving complete freedom to workers in seeking new jobs, and permitting industry to obtain workers in the open market without going through the United States Employment Service.

The War Production Board has revoked all but a few remaining controls on production and distribution. Those retained are on scarce materials such as tin, rubber, hard fibers, textiles, and lumber. The War Production Board had expressed the belief that most materials necessary for reconversion will be available in vast quantities within a short time and that the government problem is to gear industry to use this material so as to prevent

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of firms	Percentage change in:			
		Net sales		Stocks	
		July 1945	from July 1944 to June 1945	Jan. 1 to July 31, 1945 from 1944	July 1945 from June 1944
Retail trade:					
Department stores:					
Total 11th Dist.....	48	+18	-4	+14	+2
Dallas.....	7	+23	-9	+16	+4
Fort Worth.....	4	+13	-4	+13	+10
Houston.....	7	+8	-4	+6	+3
San Antonio.....	5	+35	+2	+24	-4
Shreveport, La.....	3	+11	+5	+7	...
Other cities.....	22	+13	-2	+11	+4
Retail furniture:					
Total 11th Dist.....	57	+14	-3	...	+5
Dallas.....	5	+10	-9	...	+2
El Paso.....	3	+24	+9	...	+3
Houston.....	8	+12	+3	...	...
Port Arthur.....	4	+5	-9	...	-4
Wichita Falls.....	3	+24	+9	...	...
Independent stores:					
Oklahoma.....	361	+10	-5	+12	...
Texas.....	844	+12	-4	+10	...
Wholesale trade:					
Machinery, eq't & supplies.....	3	-10	+29	...	...
Automotive supplies.....	6	+19	+11	...	+3
Drugs.....	6	+2	+3	...	+3
Electrical supplies.....	5	+94	+4	...	-5
Groceries.....	31	+5	-5	+1	-16
Hardware.....	14	+6	-9	+10	+4
Surgical equipment.....	3	+39	+12	...	...
Tobacco & products.....	3	-9	-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*					
July 1945	June 1945	May 1945	July 1944	July 1945	June 1945	May 1945	July 1944	July 1945
District.....	228	228	248	194	300	268	264	255
Dallas.....	209	221	247	171	290	270	263	237
Houston.....	220	220	237	203	272	253	246	251

Stocks—(1923-1925=100)								
Unadjusted††			Adjusted					
July 1945	June 1945	May 1945	July 1944	July 1945	June 1945	May 1945	July 1944	July 1945
District.....	135	129	115	115	148	137	114	126

††Unadjusted for seasonal variation.  
\*Revised series.

CRUDE OIL PRODUCTION—(Barrels)

	July 1945		Increase or decrease in daily average production from	
	Total production	Daily avg. production	July 1944	June 1945
North Texas.....	7,436,950	239,902	+ 1,261	+ 4,698
West Texas.....	16,179,150	521,908	+ 57,584	+24,508
East Texas.....	16,097,650	519,279	+ 7,103	+ 1,746
South Texas.....	11,184,300	360,784	+ 41,131	+ 3,221
Texas Coastal.....	17,633,400	568,819	+ 37,269	+ 5,752
Total Texas.....	68,531,450	2,210,692	+141,826	+30,529
New Mexico.....	3,199,900	103,222	- 5,036	- 550
North Louisiana.....	2,180,250	70,331	- 1,772	+ 1,108
Total District.....	73,911,600	2,384,245	+135,018	+31,087

SOURCE: Estimated from American Petroleum Institute weekly reports.

VALUE OF CONSTRUCTION CONTRACTS AWARDED  
(Thousands of dollars)

	July 1945		July 1944		June 1945		January 1 to July 31 1945	
	No.	Valuation	No.	Valuation	No.	Valuation	No.	Valuation
Eleventh District—total...	26,334	\$ 9,451	25,715	\$ 165,899	21,063	\$ 139,565	16,107	\$ 123,458
Residential.....	4,956	1,894	4,368	21,063	1,152	1,014,495	1,114	1,482,399
All other.....	21,378	7,557	21,347	144,836	1,881	1,983,106	1,771	1,890,016
United States*—total.....	257,691	190,539	227,298	1,740,090	1,479	1,722,732	1,402	1,759,509
Residential.....	46,273	25,813	41,779	243,782	1,496	3,008,016	1,402	1,890,016
All other.....	211,418	164,726	185,519	1,496,308	1,496	3,008,016	1,402	1,890,016

\*37 states east of the Rocky Mountains.  
SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	July 1945		Percentage change valuation from		Jan. 1 to July 31, 1945		Percentage change valuation from 1944	
	No.	Valuation	July 1944	June 1945	No.	Valuation	No.	Valuation
Abilene.....	14	\$ 120,332	+995	+347	78	\$ 215,982	- 16	...
Amarillo.....	105	159,629	+ 59	- 40	666	1,261,804	+ 60	...
Austin.....	141	226,808	+172	- 16	876	1,315,652	+242	...
Beaumont.....	168	135,169	+289	- 67	1,152	1,014,495	+114	...
Corpus Christi.....	201	346,860	+ 96	+ 3	1,285	1,983,106	+ 71	...
Dallas.....	707	1,451,209	+211	+ 3	4,801	5,800,016	+ 7	...
El Paso.....	71	106,757	- 47	- 15	447	562,794	- 38	...
Fort Worth.....	323	630,628	+179	+ 28	2,213	3,747,522	+ 87	...
Galveston.....	76	82,493	- 72	- 28	441	514,427	- 36	...
Houston.....	417	1,969,245	+152	+ 93	2,407	15,722,732	+176	...
Lubbock.....	143	301,391	- 8	- 31	914	1,347,988	+102	...
Port Arthur.....	76	58,441	+ 54	+ 5	553	309,248	+ 54	...
San Antonio.....	801	467,909	+ 36	+ 12	5,669	3,106,894	+ 34	...
Shreveport, La.....	205	207,209	- 23	+ 33	1,510	1,305,363	+ 96	...
Waco.....	96	155,960	+147	+ 88	592	932,070	- 18	...
Wichita Falls.....	46	33,046	+ 84	- 38	302	329,352	+140	...
Total.....	3,590	\$6,453,086	+ 88	+ 16	23,906	\$39,460,445	+ 71	...



excessive unemployment. Such controls as are retained will be for the primary purpose of preventing the hoarding of scarce materials or the development of inflationary buying.

The Office of Price Administration has lifted rationing restrictions on gasoline, fuel oil, oil stoves, and processed foods with the promise that rationing of many other items will end at an early date. Price ceilings have been removed from numerous items that do not affect directly the cost of living. These actions have been made possible by the increase in the supply of goods for civilian consumption resulting from contract cancellations and the release by the armed services of surplus goods. On the other hand, many new producers of civilian products and many reconverting firms must obtain ceiling prices or price adjustments before entering into the civilian market.

The sudden termination of war contracts has displaced thousands of workers in the war plants of the Eleventh District. It is true, a substantial percentage of displaced employees are women, including wives of service men, who have discharged their patriotic duty and now will return to their homes. Also thousands of the displaced workers were recruited from the rural areas and many of these may return to their former homes and resume employment in those areas. Some shifts of worker population from war industry centers to other areas are already apparent. Moreover, peacetime industry, especially the service trades, is badly in need of workers, and within a reasonable period will be able to absorb a large segment of released workers. In this connection, however, one of the big problems thus far has been the hesitation of ex-war plant employees to accept other jobs at wage rates that peacetime industry can afford to pay. Nevertheless, the war centers of the Eleventh District face a serious unemployment problem. Fortunately, a considerable proportion of the so-called low-income group is in a better position to withstand readjustment than ever before as they have accumulated substantial amounts of cash and war bonds which will assist in making the necessary adjustments during the period of temporary unemployment.

The construction industry expects to absorb a large number of displaced workers in the immediate future. Public works programs set in motion by Federal, State, and municipal governments will create widespread employment on such projects as road construction and street improvements, for which construction supplies such as cement, asphalt, and reinforcing steel are now in ample supply. Commercial and residential building will accelerate rapidly as materials become available. These types of construction, however, involve an inevitable time-lag in their initiation.

Although the reconversion program has given the appearance of lagging because of the reluctance of the military services to release critical materials, some of the key industries actually have made substantial progress in preparation for the resumption of production of civilian goods. In some industries the reconversion period will be very short, since few adjustments will be required in order to shift from war production to civilian goods. In other industries, the reconversion will require a much longer period, thereby extending the period of maladjustments and economic stress, but since efforts can now be fully concentrated upon reconversion, it should be possible to reduce the interval to a minimum. It is now estimated that many durable consumer goods, such as automobiles, radios, washing machines, electrical appliances, and other household items, for which there is a large pent-up demand, will be coming off the production lines in quantity before the end of the year, although

supply will run far short of demand well into 1946. While the transition period will present many difficult problems, the elements of a prosperous economy exist in the form of a large backlog of demand for consumer goods, an enormous accumulation of buying power, and an ample supply of labor.

During July, production of crude oil in the Eleventh District reached a new peak for the fourth consecutive month, with a daily average of 2,384,000 barrels. This figure slightly exceeded the June average and surpassed that for July, 1944, by about 6 per cent. All producing areas in the district showed increases as compared with June, with the exception of north Texas and New Mexico fields, where decreases in daily output occurred. Production of crude oil outside this district remained at about the same level as in the preceding month but was approximately 8 per cent above that for June a year earlier.

The civilian demand for gasoline will increase substantially but this expansion will be insufficient to offset the decline in military consumption, with the result that a downward readjustment in petroleum production and in refinery operations is expected in the near future. Since this district has been responsible for most of the wartime increase in petroleum production, the major portion of the decline will occur here. The Texas Railroad Commission has requested the P.A.W. to reduce the September certification for Texas and a substantial cut is anticipated. Such a reduction would be desirable since the shipment of west Texas crude oil to California by railroad tank car has been stopped and many fields in the State have been producing in excess of the maximum efficiency rate.

Reflecting the effect of widespread paid vacations in the textile industry during July, cotton consumption at United States mills declined sharply. Mill consumption during the month which totaled 673,000 bales was 14 per cent less than that in the preceding month, and was the lowest for any July since 1940. Total cotton consumption for the cotton year 1944-1945 amounting to 9,576,000 bales was 4 per cent less than that last season, and represents the lowest total since the season ending July 31, 1940. The army recently terminated contracts amounting to about 275,000,000 yards of broad woven fabrics, mostly cotton duck and webbing, and announced that more drastic cutbacks in textile orders would be made in the fourth quarter. With military requirements for textiles being sharply reduced, civilian supply should become progressively larger in coming months.

Total receipts of cottonseed at Texas cottonseed oil mills were approximately 5 per cent larger during the 1944-1945 season than in the preceding season, but crushings of cottonseed declined about 2 per cent. Stocks of cottonseed at mills on Jul 31 this year were nearly three times larger than a year earlier. Production of cottonseed products during the season showed moderate declines ranging from 1 per cent in the case of linters to 5 per cent for hulls. Stocks of crude cottonseed oil, cake and meal, and hulls on hand at mills on July 31 were substantially larger than those held a year earlier and the highest since 1942. On the other hand, increased war demands for linters during the 1944-1945 season, combined with a slightly smaller production, brought about a decline of 68 per cent in end-of-season stocks, which were the lowest since 1925.



# ELEVENTH FEDERAL RESERVE DISTRICT REVISED ADJUSTED INDEXES OF DEPARTMENT STORE SALES, 1939 TO 1945, INCLUSIVE

The Research Department of the Federal Reserve Bank of Dallas has revised its adjusted indexes of department store sales for the Eleventh Federal Reserve District and for the cities of Dallas and Houston, Texas, for the period from January 1939 to June 1945, inclusive, with a view toward eliminating, so far as possible, submerged elements of a seasonal nature.

The sharp movements of department store sales during the war period, reflecting marked changes in consumers' buying habits, consumer credit controls and the scarcity of goods which affected sales volume in certain months have made proper evaluation of seasonal factors quite difficult until sufficient time had elapsed to permit a better appraisal of the effects of the several factors upon the seasonal patterns of consumer buying. During recent months the data for the past six years have been reviewed carefully and close examination revealed recurrent movements in the old indexes which made it necessary to revise the seasonal adjustment factors in order to make proper allowance for the changes that have occurred in the buying habits of consumers and for the other factors which were of a peculiar wartime nature. Accordingly, changes in the seasonal adjustment factors were made and the adjusted indexes have been revised. It is believed that the revised adjusted indexes more accurately reflect only the main nonseasonal movements of department store sales in the cities of Dallas and Houston, Texas, and in the district as a whole. The revised adjusted indexes are shown in the accompanying table.

## REVISED INDEXES OF DEPARTMENT STORE SALES ADJUSTED FOR SEASONAL VARIATION

1935-1939 Average=100

	Eleventh Federal Reserve District											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	108	108	108	112	111	112	112	108	110	116	109	117
1940	112	113	116	115	112	115	118	118	122	117	123	123
1941	123	128	127	131	141	140	142	161	141	132	141	141
1942	154	142	140	143	141	143	149	157	161	171	170	176
1943	190	240	189	195	204	215	211	210	217	225	220	212
1944	219	227	244	237	244	239	255	253	252	248	258	259
1945	261	271	269	256	264	268	300					

### City of Dallas, Texas

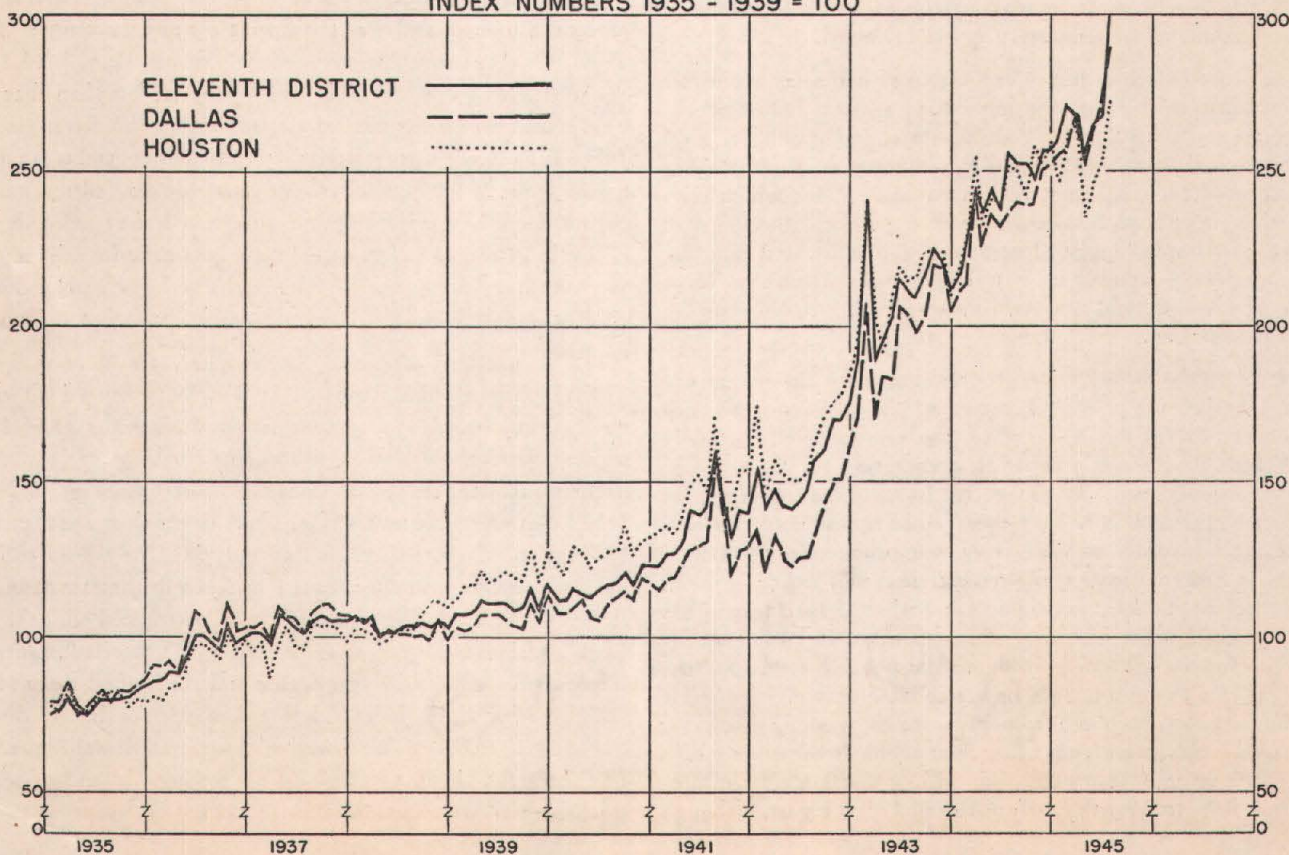
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	104	102	103	107	108	107	105	104	103	110	106	114
1940	109	109	111	112	108	107	111	113	115	113	119	118
1941	115	118	120	124	129	131	132	157	139	121	129	129
1942	135	122	134	125	122	126	125	138	143	152	151	162
1943	172	207	170	184	183	207	203	198	204	220	219	205
1944	211	216	244	227	235	233	237	241	240	240	251	252
1945	257	258	267	253	263	270	290					

### City of Houston, Texas

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	113	117	117	122	118	119	122	120	118	129	120	127
1940	123	121	129	127	123	126	128	128	138	128	132	133
1941	134	136	134	140	150	152	147	172	143	142	154	154
1942	175	145	153	153	151	152	153	165	171	176	178	184
1943	196	239	203	191	211	220	216	217	226	225	226	211
1944	219	230	256	233	241	240	251	251	244	257	254	259
1945	247	263	265	236	246	253	272					

## DEPARTMENT STORE SALES ELEVENTH FEDERAL RESERVE DISTRICT, DALLAS, AND HOUSTON MONTHLY, 1935 TO DATE

INDEX NUMBERS 1935 - 1939 = 100





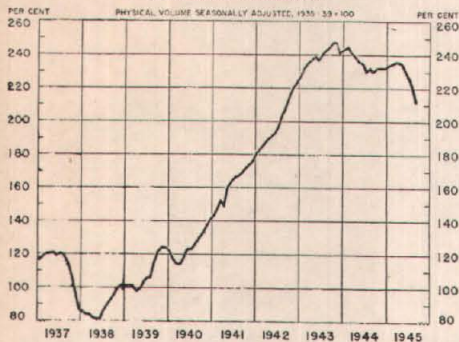
# MONTHLY BUSINESS REVIEW

SEPTEMBER 1, 1945

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

### INDUSTRIAL PRODUCTION



Federal Reserve index. Monthly figures, latest shown is for July, 1945.

Industrial activity declined further in July and the early part of August and was sharply curtailed in the latter part of the month as munitions cutbacks were greatly accelerated. Retail trade was maintained in July and early August at a high level for this season of the year.

### INDUSTRIAL PRODUCTION

Industrial production in July, the last full month of high level production for war, was 212 per cent of the 1935-39 average, according to the Board's seasonally adjusted index, as compared with 220 in June. Following the surrender of Japan most munitions contracts were cancelled, and as a result it is expected that munitions output and industrial production will show much larger declines in August.

Production of aircraft declined about 20 per cent in July and operations at shipyards and in other munitions industries were reduced considerably from the June rate. Steel production in July and the early part of August was about 5 per cent below the June level. In the week following Japan's surrender activity at steel mills decreased sharply to a rate of 70 per cent of capacity. Production of nonferrous metals continued to decline in July, while output of lumber and stone, clay, and glass products was maintained.

Production of most nondurable goods declined somewhat in July, but, as a group, output of these products was slightly above a year ago. Cotton consumption was 14 per cent below the preceding month and was 11 per cent below last July. Activity in the meatpacking, canning, and baking industries, after allowance for seasonal changes, was down somewhat from June. Production of alcoholic beverages rose sharply as distilleries were released from industrial alcohol production. Activity in chemical, rubber, and other nondurable goods industries declined slightly.

Coal production declined about 5 per cent in July and the first part of August from the June rate, while output of crude petroleum continued to increase and was in record volume.

Contracts awarded for private construction continued to rise sharply in July and were more than three times the low level prevailing last summer, according to F. W. Dodge Corporation data. Contracts for privately-owned non-residential building showed the largest increase. On August 21, all restrictions over the construction of industrial plants were removed.

### DISTRIBUTION

Department store sales declined much less than is usual from June to July, and the Board's seasonally adjusted index rose from 201 to 218 per cent of the 1935-39 average. Sales in July were 15 per cent larger than in the corresponding period last year. During the first two weeks of August sales were about 20 per cent larger than a year ago.

Carloadings of most classes of railroad freight declined somewhat in July and the early part of August and were below the volume shipped during the same period last year. Shipments of l.c.l. merchandise, however, were at about the same rate as prevailed during the same period last year.

### COMMODITY PRICES

Wholesale commodity prices generally showed little change from the early part of July to the early part of August. Following the announcement of peace negotiations prices of cotton and grains declined somewhat—especially contracts for delivery next year—while prices of most other basic commodities continued unchanged.

Retail prices advanced somewhat further in June. Food prices rose 2 per cent and retail prices of clothing, housefurnishings, and miscellaneous items continued to show slight advances.

### AGRICULTURE

Crop prospects improved during July and, according to indications on August 1, total output this year will be only slightly smaller than the record volumes of 1942 and 1944. Of the major crops only production of cotton, corn, and apples is expected to be less than a year ago. Marketings this summer of most livestock products except hogs have been about as large as, or larger than, the high levels of recent summers.

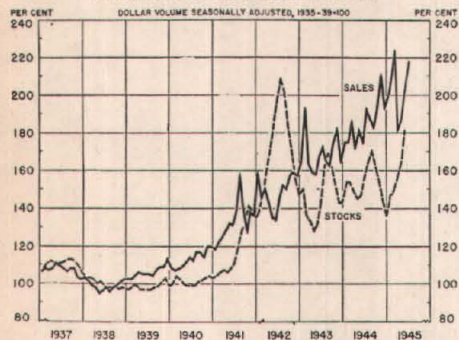
### BANK CREDIT

Loans and investments at reporting banks in 101 leading cities declined by 1.2 billion dollars between the close of the Seventh War Loan and mid-August. Reflecting repayments on advances made during the drive, loans for purchasing or carrying Government securities declined by a billion dollars. Loans both to brokers and dealers and to other bank customers decreased by approximately \$500 million dollars each, compared to drive and immediate pre-drive increases of 1.1 billion and 1.8 billion dollars respectively. While bank holdings of Treasury bonds continued their steady week-to-week increase, holdings of bills and certificates, which had increased during the drive, began to decline again in late July and August. On balance, the total portfolio of Government securities declined by 350 million dollars. Holdings of other securities showed a small increase over the six-week period.

Following the close of the Seventh Drive, deposits of businesses and individuals began to increase again as Treasury expenditures transferred funds from war loan to private accounts. The average level of required reserves accordingly rose by about \$500 million dollars between the drive-end low point and mid-August. Reserve balances increased by about 300 million dollars and excess reserves dropped by about 200 million to around 1.2 billion outstanding; this was still somewhat above the generally prevailing interdrive level of slightly less than a billion dollars.

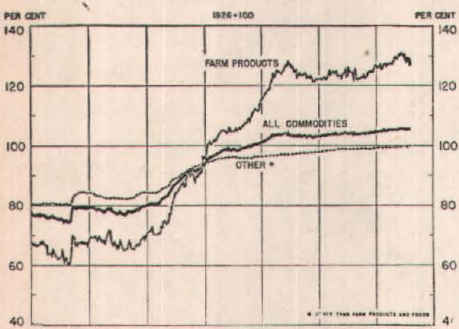
Member bank borrowing from the Federal Reserve Banks, which had declined to a minimum by the close of the Seventh Drive, increased by 275 million dollars in the subsequent six-week period ended August 15. Reserve funds were also supplied to member banks through an increase of 125 million dollars in Government security holdings at the Reserve Banks, as well as by temporary fluctuations in other Federal Reserve Bank credit and in Treasury deposits at the Reserve Banks. Only partially offsetting increases in such funds were a currency outflow of \$20 million dollars and a small decline in gold stock. The currency outflow during July, 360 million dollars, was the largest in the past few months; early August increases were also substantial.

### DEPARTMENT STORE SALES AND STOCKS



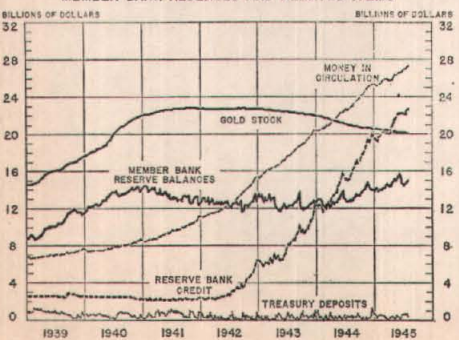
Federal Reserve indexes. Monthly figures, latest shown are for July, 1945.

### WHOLESALE PRICES



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending August 18, 1945.

### MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, latest shown are for August 15, 1945.