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WARTIME DEPOSIT GROWTH IN THE ELEVENTH FEDERAL RESERVE DISTRICT

Total deposits of member banks in the United States have shown a steady and substantial increase since the bank holiday in 1933, with the exception of a short interruption in 1937. During the war years and especially since 1941, the rate of increase has been greatly accelerated. Several factors have contributed importantly to this deposit growth. The devaluation of the dollar in 1934, large export balances and a substantial influx of foreign capital funds were responsible for the very large gold imports to this country from 1934 until the outbreak of World War II. All of these factors contributed to the deposit growth during the period. Simultaneously, however, the nation's continually increasing gold stock provided the monetary base upon which the Government was able easily to build a huge structure of debt, born of the depression and greatly and rapidly increased under the compulsion of the nation's all-out war program. While it is true that the Government might have accomplished the same end by other methods, its financing task was made less difficult as a consequence of the huge gold stock which this nation held.

Soon after Pearl Harbor, as war expenditures reached tremendous proportions, deficit financing became the principal factor underlying the tremendous war-born deposit increase. Gold imports continued in substantial amount until the middle of 1941. During the last half of that year and during 1942, there was little change in the gold stock. Since the end of 1942, however, the nation has lost gold to the amount of approximately 2.6 billion dollars. Throughout the war period, and in fact since 1933, a steady increase in the volume of money in circulation has represented a contra-force against the rise in deposits. This growth of currency in circulation outside of banks, however, has been greatest since 1941, the total having increased from 9.6 billion dollars to 23.5 billion dollars between December, 1941 and the end of 1944. As of August, 1945 currency in circulation outside of banks was estimated at approximately 26 billion dollars.

The chart on page 3 shows that whereas during 1940 the percentage growth in deposits for all member banks in the United States exceeded the rate of growth for member banks in the Eleventh Federal Reserve District, the situation was reversed by the end of 1941. The increase in total deposits for member banks in the Eleventh District from $1,576,744,000 in 1939 to $4,521,001,000 in 1944 represented a greater percentage growth than the rise in total deposits of all member banks in the United States from $49,340,152,000 to $110,916,546,000 for the same period. This relatively more rapid growth is also reflected by the fact that member bank deposits in the Eleventh District were 3.2 per cent of total deposits for all member banks in the United States in 1939; whereas by 1944, total member bank deposits in this district represented 4.1 per cent of the nation's total member bank deposits.

Although for the United States as a whole the wartime growth of deposits and its acceleration have been caused by the factors already mentioned, the relative growth in different regions of the country has been determined largely by the volume of Government receipts and expenditures in the various areas. In other words, to some extent there has been a shift of deposits between regions and a consequent greater stimulation of deposit growth in some regions as compared to others. Factors underlying this wartime development have included the allocation of war contracts, the location of military establishments, population shifts and the comparative demand for the various products and raw materials of the different regions of the country. As a result of the great wartime expansion of industrial plants, especially in such military requirements as aircraft, shipbuilding and others, the unprecedented

outflow of agricultural products, fuel and other raw materials and the large number of military installations in this area, the member banks in the Eleventh District have experienced the relatively greater deposit growth which is reflected on the accompanying chart.

War activity has not only stimulated a different rate of deposit growth in different regional areas but also has resulted in a very irregular pattern of deposit increase within such areas. This fact is not surprising in view of the character of the factors which have stimulated regional deposit growth. Within the Eleventh District there has been a wide variation in the deposit growth of member banks in different counties.

The accompanying map shows that whereas about one-half of the counties with member banks in operation throughout the period 1939-1944 experienced an increase in deposits of from 150.1 per cent to 250 per cent, the remaining counties reflected a considerable variation in percentage increase in deposits. Actually, the percentage increases of member bank deposits by counties range from 39.5 per cent to 736.4 per cent. Furthermore, the scatter within those extremes and within percentage classifications is wide. The following table indicates in greater detail the distribution of counties and banks within each percentage classification.

NUMBER OF COUNTIES AND MEMBER BANKS IN EACH DEPOSIT INCREASE PERCENTAGE CLASSIFICATION FOR THE ELEVENTH FEDERAL RESERVE DISTRICT

Percentage Increase in Total Deposits 1939-1944	No. of Counties	No. of Member Banks
0 — 50	2	4
50.1 — 150	36	69
150.1 — 250	121	312
250.1 — 350	59	120
350.1 — 450	7	14
450.1 and over	12	21
Total	237	540

Counties which have experienced the largest increase in member bank deposits are those in which one or another requirement of the war program has resulted in a degree of business, industrial and agricultural activity far above that which had been normal for those counties in the past. In some counties this increased activity has been the result of military production of various types; in other counties military installations and an influx of military personnel, often accompanied by families and relatives, have been the principal contributing factors. The deposit growth in still other counties is a reflection of the large increase in demand for the peacetime products and raw materials of those counties. In numerous instances, a combination of these factors underlies the wartime deposit growth.

The higher than average increase in deposit growth in many of the counties in the Panhandle region has been due in large measure to the increase in demand for the raw materials and products of the area, together with better than average crop production and a relatively high level of prices for agricultural products. The deposit increase in such industrial counties as Dallas and Harris and certain of the Gulf Coast counties has been supported in large measure by the increase in war production activity, although it should be recognized that to some extent war production displaced peactime production in many instances. Again, the increased demand for industrial products of war was accompanied by an assured market and a comparatively high level of prices for the products sold. Brown and Bell counties, the San Antonio area and numerous other localities throughout the district gained deposits substantially as a consequence of military installations and the influx of military personnel. These cited illustrations of principal factors, however, should not be over-emphasized because in many instances a number of war-born forces were operative and contributed to the deposit growth. Only a study on an individual county basis could determine the relative importance of the various contributing factors.

Although the distribution of war production and military installations aids considerably in understanding the large increases in deposits for certain counties, the aggregate of such contracts awarded

in any particular county must be considered relative to the volume of business normally transacted in such county. For instance, although approximately 90 per cent of the amount of war contracts in Texas were let in 15 counties,[1] only one[2] of these counties showed an increase of over 300 per cent in total deposits. Many of these 15 counties were characterized during peacetime by a high level of industrial and commercial business activity. Thus, to the extent that war brought a conversion of such activity to wartime pursuits, these war contracts served in part as a substitute and in part acted as a stimulus to wartime deposit growth. On the other hand, in many areas where agricultural and raw material production dominated the prewar economic scene, war production and military installations, though small in amount relative to the aggregate of such contracts let in the State, were sufficiently important to produce a business increment adequate to increase deposits significantly. For instance, of the 20 counties showing the highest percentage increase in deposits, war contract awards unquestionably played an important role in the deposit growth in at least six of these counties.[3] Al-

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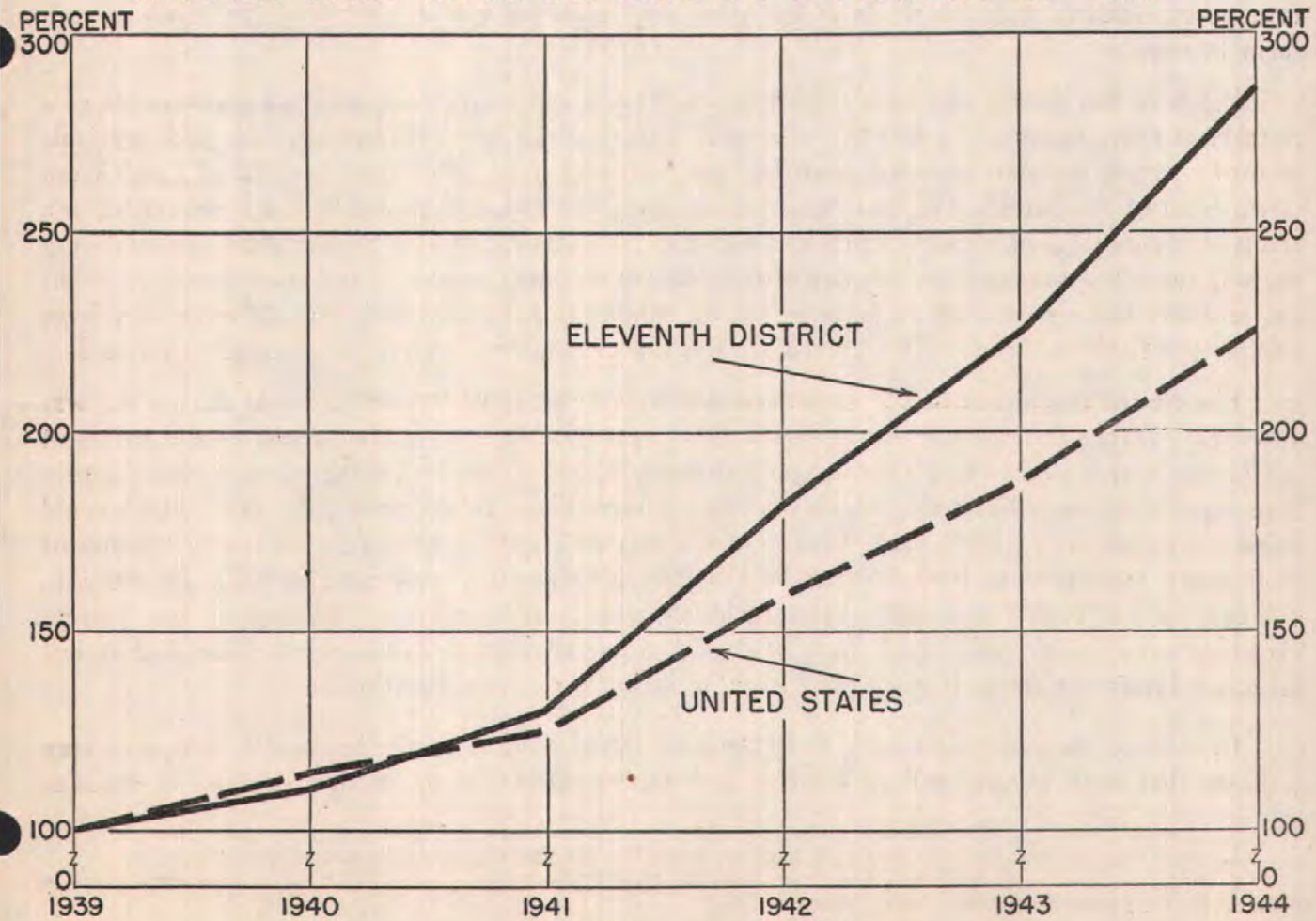
[1]Harris, Tarrant, Dallas, Jefferson, Orange, Galveston, Bowie, Nueces, Brazoria, McLennan, Hutchinson, Potter, Bexar, Harrison and Bell.

SOURCE: War Production Board, Summary of War Supply and Facility Contracts, by State, Industrial Area, and County. Cumulative through March, 1945.

[2]Bell County, 383.1 per cent.

[3]Hidalgo, Dallam, Deaf Smith, Bell, Lamar and Ector.

ELEVENTH FEDERAL RESERVE DISTRICT AND UNITED STATES MEMBER BANK TOTAL DEPOSITS AS A PERCENT OF 1939



though the amount of war contracts let in these six counties represented only 1.3 per cent of the total for Texas up to March, 1945, this amount was very large in relation to the prewar total deposits of banks in those counties.

In some counties which have experienced outstanding deposit increases while obtaining no war production or military installations, or at most obtaining such only in insignificant amount, the increased demand for wheat, cattle, oil, fruits and vegetables or other agricultural products and raw materials appears to have been the dominant factor. The relationship between the increased demand for agricultural products, coupled with large production and relatively high prices, and the growth of deposits in certain areas is indicated by the statistics on cash farm income.[4] The increase in cash farm income is, of course, only one factor affecting the increase in deposits but for the Eleventh District banks this has been an important factor generally, and in some areas apparently the dominant factor.

For the State of Texas, cash farm income increased 167.2 per cent from 1939 to 1944 compared with an increase of 187.6 per cent in deposits for all Texas member banks. As in the case of the percentage increase in deposits per county, the percentage increase in cash farm income for various crop reporting districts varied considerably. In fact, the reported increases range from 92.1 per cent for the East Texas Timber Plains District to 325.6 per cent for the Lower Rio Grande Valley District.

Likewise, within certain of the districts the trend of cash farm income tended to coincide with the trend of deposit increase during the period. For instance, the increase in member bank deposits in counties in the Lower Rio Grande Valley, while not the highest, has represented an increase far above the average. At the same time, that district led all other districts in the State in the increase in cash farm income. Similarly, several of the counties in the High Plains District have experienced high percentage increases in deposits, while at the same time registering high percentage increases in cash farm income.[5]

Funds in this district also have tended to accumulate and increase deposits as a consequence of a number of other factors. The fact that consumer durable goods have not been available in appreciable quantity during the war years has tended to prevent, perhaps, a substantial amount of funds from flowing out of the district. The same situation has prevailed, although probably to a lesser extent, as a result of the shortage of various capital and semi-capital goods which have been in short supply during the war years. Furthermore, the substantial reduction in accounts receivable and other consumer credit has probably had a similar effect. In other words, conditions have been such that although very large additions to funds in this district occurred, the outflow of funds has been in some respects restricted.

Despite the magnitude of the growth of deposits of the nation's member banks during the war years there is very little probability of shrinkage of aggregate deposits of the nation. Consideration of the factors which might cause a shrinkage of deposits indicates that during the postwar period aggregate deposits are more likely to increase than to decrease. There are six principal factors which could cause a decrease in aggregate bank deposits in the nation. These are bank failures, net liquidation of bank loans, retirement of bank holdings of Government securities, conversion of bank deposits into currency, sale of bank-held securities to individuals, and the conversion of bank deposits into foreign exchange to be transferred abroad. Some of these factors may operate to decrease deposits slightly but on balance their movement is much more likely to be in the opposite direction.

In view of the present strength and extremely liquid position of the banking system, it is very unlikely that bank failures will be a factor in bringing about any appreciable decrease in deposits.

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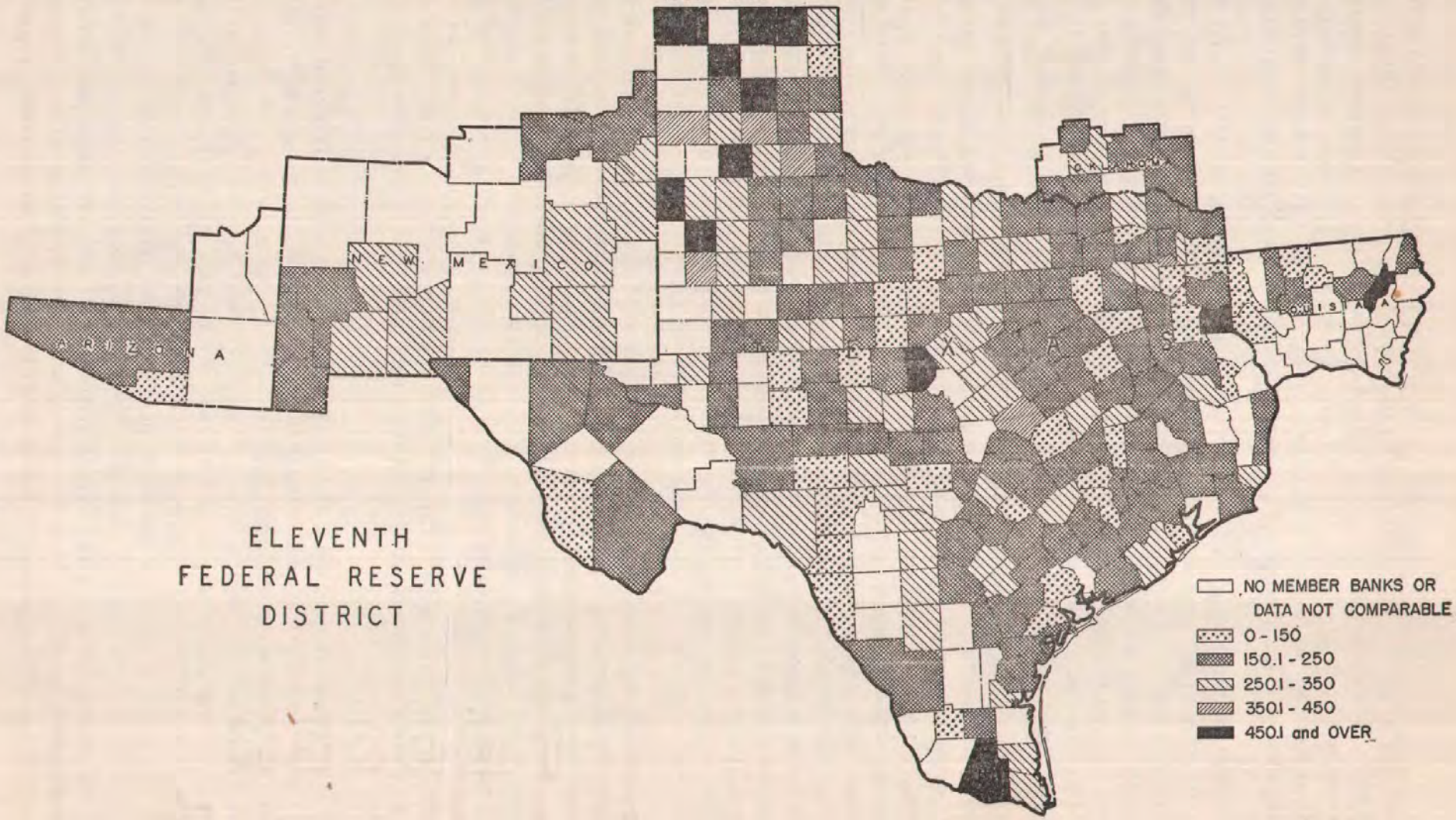
[4]Source: Texas Business Review, Bureau of Business Research, The University of Texas, Austin 12, Texas.

[5]The 253.9 per cent increase in cash farm income for the High Plains District was second only to the 325.6 per cent increase for the Lower Rio Grande Valley District.

PERCENTAGE INCREASE IN ELEVENTH DISTRICT DEPOSITS BY COUNTIES
AS REFLECTED BY 540 MEMBER BANKS
1939 - 1944



Although there will be loan retirement, on balance the volume of customer loans should increase. This should be especially true with respect to term loans to small business, loans for consumer purchases, and for housing renovation and new construction. Bank holdings of Government securities are not likely to decrease, and in fact may show some increase. In view of the heavy Government commitments, it seems probable that the Federal budget will show some deficit for the next few years, which will require the marketing of new issues of Government securities. A part of the new, as well as refunding, issues will probably be absorbed by the banking system. During the war the volume of currency in circulation has increased by more than 300 per cent. It may be expected that some of the factors which have contributed to this large increase will disappear as the nation reconverts to a peacetime basis. Consequently, the increase in currency circulation should taper off. In fact, it is not unlikely that there may be some return flow of currency to the banking system, thus tending to increase deposits.

Deposits would be converted into foreign exchange principally to send money abroad for safety or to pay for imports. Foreign balances held in this country and gold ear-marked for the account of foreign interests are substantial in amount. It is very probable that a large proportion of these funds will be used for the purchase of goods in this country rather than be withdrawn for transfer to the holder's country. In view of the comparative strength of the dollar relative to other currencies, a flight from the dollar can be dismissed as most unlikely. Indeed, there is a good prospect that foreign deposits may come to this country for safety. It is probable that exports will exceed imports for some time, thus being a factor of increase rather than decrease in deposits. In view of these facts and probabilities there is little basis to expect that deposits for the nation as a whole will show a decline in the foreseeable future.

Even though aggregate bank deposits for the nation should increase, any district, county, or bank could experience a shrinkage in deposits as the result of several factors. For instance, an exodus of population resulting from the cancellation of war contracts or the removal of military camps from a given area might initiate deposit shifts. The development of an unfavorable balance of trade, occasioned by large scale inventory restocking or similar developments likewise might cause banks in any given area to lose deposits. Also a shift in the terms of trade, or relative price levels, as between agricultural and industrial products might cause a shift of deposits from one area to another. It is virtually certain that banks in some areas will lose deposits while banks in other areas will find that their deposits increase. Obviously, every bank should be prepared to meet any deposit shifts which arise against it. Therefore, each bank might find it advantageous to analyze carefully its deposit structure, the factors which have caused the increase in its deposits, and the economic outlook for its community in order to estimate with reasonable accuracy its vulnerability with respect to deposit shifts.

The liquidity position of individual banks varies greatly in accordance with the investment policies adopted by the management of specific institutions. Some banks prefer to carry a large percentage of their assets in cash and balances with correspondents; others prefer to follow a policy of relatively full investment; while still others have policies ranging somewhere between the two. A requisite for such investment planning is a reasonable estimate of the deposits subject to shift. When that estimate has been made, an amount comparable to the sum estimated can be kept invested in such securities as the management feels would best facilitate the meeting of the estimated deposit shifts.

To emphasize the desirability of making some analysis of the deposit structure in relation to investment policy, one comparatively simple method of analysis that might be used as a pattern by the small bank is suggested below. The amount of deposit growth since 1939 in all accounts should be obtained. Through analysis and conferences between bank officials the percentage of this deposit growth which in all probability would shift could then be estimated. The amount of this estimated deposit shift should then be used in planning the investment portfolio.

A detailed analysis should be made of each account having a balance of over, perhaps, $1,000.[6] The amount of detail obtained would depend upon the extent of the analysis desired and the conditions in each bank. These large accounts might be classified as to age, that is new[7] or old, and according to ownership, that is commercial, agricultural or individual. Considering the task involved, the small accounts, in this illustration accounts with balances under $1,000, need be classified merely as to age.

For the large accounts, the amount considered vulnerable to shift might be the amount of deposit increase since December 31, 1939 in the old accounts, and in the new accounts the account balance on September 30, 1945. The same technique could be used to obtain the aggregate amount subject to shift for the small accounts. The actual procedure of obtaining the information would involve handling the ledger sheets for each deposit account in the bank. The principal difference in the handling of large and small accounts would be in the quantity of detailed information obtained. Analysis of the large accounts would involve more detail, especially with respect to such factors as ownership of the deposit and character of the business. For the small accounts, on the other hand, it would suffice to obtain the amount of increase in the old accounts since December 31, 1939 and the balance of the new accounts on September 30, 1945.

However, to consider all deposit increases vulnerable to shift is an extreme assumption and in all probability would carry a high factor of error on the conservative side. Therefore, an adjustment should be made to the estimated maximum vulnerability to compensate for those deposit increases which would remain with the bank. This adjustment figure could be obtained by drawing on the knowledge of bank officers and others regarding the large accounts, and from familiarity with and study of the economic characteristics of the community and especially the factors which contributed to its wartime growth. The aim should be to ascertain the increase in each account which is not vulnerable to shift. The amount of the total deposit increase considered not vulnerable to shift would then be subtracted from the estimated maximum vulnerability to arrive at the adjusted amount of deposit-shift vulnerability. Thus, the increase in all old accounts since December 31, 1939 plus the present balance of all new accounts, less an adjustment for the amount of the deposit increase estimated to be permanent would give the adjusted-deposit-shift vulnerability. This sum would serve as an estimate of the bank's liquidity requirements for the coverage of deposit shifts.

Of course, the extent to which a contra-movement, that is an inflow of funds, offsets the outward shift would represent a measure of excess liquidity and would, of course, indicate partial failure to achieve the absolute maximum in earnings while providing adequate liquidity.

On the assumption that bank size tends to be a limiting factor in the efficient application of the technique, it is doubtful whether such an analysis would be practical for the large bank. One of the greatest obstacles to the efficient operation of such a plan for a large bank would be the physical task involved in handling the accounts. Also, many of the more important accounts in large banks are highly sensitive to fluctuations in national economic forces. Furthermore, the somewhat intimate knowledge of depositor plans so often possessed by the small-bank executive is practically an administrative impossibility for officers in large banks. Thus, for the large bank, constant vigilance toward the course of economic indicators, together with added efforts to learn the postwar plans of their largest depositors, is necessary for sound management and solution of the problem of providing adequate liquidity for important postwar deposit shifts.

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[6]The banker's knowledge of his accounts and a preliminary analysis to determine the percentage of the bank's total deposits in accounts of certain size should indicate the size limit of accounts to select for detailed analysis, referred to in this article as "large" accounts.

[7]A "new" account might be considered as any account opened since December 31, 1939; all other accounts would be considered as "old" accounts.

DISTRICT SUMMARY

Considerable week-to-week variations in consumer buying at department stores in this district developed following the termination of the war, but total sales during August were 8 per cent larger than a year ago and buying at weekly reporting stores was about 6 per cent larger than a year ago during the first half of September. Sales in this district have held up better in comparison with a year ago than in most of the northern and eastern Federal Reserve districts. Petroleum production in the district reached a new all-time peak in August at a level 5 per cent higher than a year ago. The reduction of 395,000 barrels daily in Texas allowables indicates a sharp decline in September output. Construction contract awards for nonresidential building were maintained in large volume and were much greater than a year ago. Layoffs of war workers at industrial plants in Texas during the four weeks ended September 12 constituted about one-sixth of total such employment on August 14. The tropical storm on the Texas Gulf Coast late in August caused considerable damage to crops but brought beneficial rains to a large portion of the State. Production estimates for most crops showed no changes during August.

BUSINESS

Despite the wide week-to-week variations, the August sales of department stores in this district were 8 per cent higher than in August last year, which compares with gains of 18 per cent in July and of 13 per cent for the first eight months. After showing a large increase over a year ago during the first two weeks of August, sales declined sharply in the third week due to the holiday following the surrender of Japan and the decreased buying interest, but showed a substantial recovery in the fourth week. In the subsequent two weeks, sales were only slightly higher than a year ago but the margin of gain widened to 12 per cent in the week ended September 15. The sales experience in the various cities of the district varied considerably. On the whole, sales in this district since the end of the war have held up much better than in the northern and eastern Federal Reserve districts. Many department stores have featured clearance sales to dispose of war goods and seasonable merchandise, but reports indicate that consumers are showing increased selectivity in their purchases.

Developments in the present trade situation reflect the uncertainty regarding the full effects of war contract terminations on employment and consequently hesitation in consumer buying until sufficient time has elapsed to permit a better appraisal of the outlook. On the supply side of the trade situation, the problems of pricing the new merchandise, material supplies and shortages of labor have further delayed a rapid expansion in production of such eagerly awaited consumer durables as refrigerators, washers, cleaners, stoves, and radios. Department store stocks of these goods at the end of August stood at only 37 per cent of 1939 levels, and retailers are confronted with the necessity of building up inventories at the same time that they are meeting the public demand for these products. To the extent that these goods become available in large volume within a reasonable period and anticipated sales of these war-scarce goods offset possible declines in sales of "soft" goods other than scarce high-quality items, department store sales should probably remain at or near their present high level.

During most of 1944 and the early part of 1945, department stores greatly increased outstanding orders and in the first quarter of this year such orders were 74 per cent higher than in the corresponding period of 1944. In April and May, outstanding orders dropped sharply reflecting more cautious buying policies on the part of the stores and large receipts of merchandise previously on order. While orders during the past three months have been higher than at the end of May, the total at the end of August was only 19 per cent higher than a year earlier. The disposition to follow cautious buying policies with respect to certain types of merchandise which has been in evidence since spring is being emphasized by expected changes in the improved quality of goods that will be available within a reasonable time and the tendency of consumers to await the appearance of high quality merchandise before satisfying any but the most urgent needs.

Sales at furniture stores reached a level 6 per cent above a year ago and 1 per cent above July. Stocks at the end of August were 1 per cent lower than a year ago. Cash sales continue to account for an increasing proportion of total net sales as the ratio of cash sales to total net sales rose to 24 per cent as compared with 22 per cent in August 1944 and July 1945.

AGRICULTURE

The tropical storm along the Texas Gulf Coast on August 27-28, while causing considerable damage to rice, cotton and unharvested corn in the southeastern district, brought beneficial rains that extended over a large part of the State. The September 1 crop report indicated reduced production of rice, peanuts and pecans but most other estimates remained unchanged. August rains in New Mexico and Arizona improved range conditions in those states but dry conditions still continue in western and southern Texas. Preparation of land for fall grains has been slowed up awaiting rainfall and grains already planted are in need of rain. Dry weather and high temperatures have been

WHOLESALE AND RETAIL TRADE STATISTICS

		Percentage change in:				
		Net sales			Stocks‡	
Retail trade:	Number of firms	August 1945 from August 1944	August 1945 from July 1945	Jan. 1 to Aug. 31, 1945 from 1944	August 1945 from August 1944	August 1945 from July 1945
Department stores:						
Total 11th Dist.	48	+ 8	+13	+13	+10	+ 2
Dallas	7	+12	+19	+15	+13	+ 6
Fort Worth	4	+ 9	+17	+12	— 2	— †
Houston	7	— †	+ 8	+ 6	+ 4	+ 1
San Antonio	5	+17	+ 9	+23	+30	— 6
Shreveport, La.	3	— 1	+ 4	+ 6	....	....
Other cities	22	+ 6	+11	+11	+ 1	+ 1
Retail furniture:						
Total 11th Dist.	51	+ 6	+ 1	....	— 1	+ 2
Dallas	4	+11	+ 8	....	....	....
Houston	5	+19	— 8	....	....	....
Port Arthur	4	— 1	— 5	....	—10	— 4
San Antonio	3	+13	+ 2	....	....	....
Wichita Falls	3	+ 4	— 8	....	....	....
Independent stores:*						
Oklahoma	359	+ 6	+ 5	+11	....	....
Texas	912	+ 9	+12	+10	....	....
Wholesale trade:*						
Automotive supplies	6	+10	+ 7	....	+35	— 1
Drugs	4	+ 1	+14	....	....	....
Electrical supplies	3	+45	—24	....	+50	+15
Groceries	28	+ †	+ 4	+ 1	—29	— 2
Hardware	13	— 2	+ 6	+ 9	— 3	No chg.
Tobacco & products	3	—12	+11	....	....	....

*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			
	August 1945	July 1945	June 1945	August 1944	August 1945	July 1945	June 1945	August 1944
District	237	228	228	220	272	300	268	253
Dallas	227	209	221	205	258	294	276	233
Houston	221	220	220	221	248	268	224	254

Stocks—(1935-1939=100)

	Unadjusted*†			Adjusted†			
	August 1945	July 1945	June 1945	August 1944	August 1945	July 1945	June 1945	August 1944
District	215	212	201	199	190	196	208	176

*Unadjusted for seasonal variation.

†Revised series.

unfavorable for starting fall and early winter vegetables in southern Texas. Range conditions have remained favorable except in south Texas and parts of the Edwards Plateau where the supply of range feeds is low.

The September 1 report of the Department of Agriculture estimated the 1945 cotton crop for the United States at 10,026,000 bales which represents a decrease of 2,104,000 bales from the 1944 crop. A decline of 10.7 per cent in acreage and a decline in yield of 9.0 per cent accounts for this lower production. The forecast production for Texas was unchanged at 2,100,000 bales which is 546,000 bales below the 1944 crop and 1,012,000 bales below the 10-year (1934-1943) average. The indicated yield per acre for Texas was 162 pounds, as compared with 177 pounds in 1944 and a 10-year average of 160 pounds. The hurricane occurring in the latter part of August caused heavy losses in the coastal counties of Texas, reducing production in the southeastern area by about 45 per cent. As a result, estimated production on September 1 in that district is about 20 per cent below that in 1944. The damage to the crop in this area, however, was offset by improvements in other sections of the State. Total ginnings in Texas through August 31 amounted to 300,578 bales compared with 258,028 bales a year ago. Prospects of an improved yield raised the indicated production in Oklahoma above the August 1 figure but indicated production in Louisiana declined. Production in both states is expected to be much lower than that in 1944 or the 10-year average production.

Corn production estimates remain unchanged from August 1 at a yield of 17 bushels per acre, compared with 14 bushels in 1944 and an average of 15.6 bushels. Corn damage in the storm area was offset by improved prospects resulting from the August rains. The grain sorghum crop of the northern High Plains was greatly improved by the August rains but the southern High Plains and adjoining areas in the Low Rolling Plains were suffering from the lack of moisture. Indicated production on September 1 was 72,672,000 bushels with an estimated yield of 16 bushels per acre. This falls well below the 1944 production of 96,724,000 bushels and a yield of 19 bushels per acre. However, it is above the 10-year average production of 38,497,000 bushels.

The tropical storm delayed the rice harvest and caused an estimated loss of 4,000,000 bushels. Favorable weather conditions since that time have allowed the harvest to continue and made it possible to salvage a portion of the damaged crop. Continued dry weather in southern Texas has lowered the indicated production of peanuts from 417,900,000 bushels on August 1 to 398,000,000 bushels on September 1. The estimated production of pecans of 37,500,000 pounds was about 17 per cent below last year's production and almost 4 per cent below that indicated a month ago. The damage resulting from the storm in the important pecan production areas of the southeast more than offset improved conditons in other sections.

Harvesting of the potato crop is nearly complete except in areas of the Panhandle where it was delayed because of wet weather. Some damage to quality was expected to occur in these areas. Planting of the lower Valley potato crop is under way. Good yields of sweet potatoes were reported in east Texas where the harvest was making good progress. Late rains have greatly improved the prospects for commercial vegetables in spite of the unseasonably high temperatures that have hampered their progress. Insects are causing some damage, particularly the blister beetle, among the tomatoes of the Winter Garden section. Fall plantings in the Rio Grande Valley are somewhat late but transplanting is active and some crops may be seeded directly to the fields. Favorable moisture conditions were reported in the non-irrigated Coastal Bend area and planting is under way. Citrus fruits in south Texas suffered only slight wind damage from the tropical storm and the condition on September 1 was only slightly below that a year ago and was substantially above the average for that date.

Range conditions throughout the district are reported as good with the exception of south Texas and in parts of west and northwest Texas where little or no rain fell during the month. High temperatures brought further deterioration in range feeds in these areas. Rains which accompanied the tropical hurricane

CASH FARM INCOME

(Thousands of dollars)

	June 1945		Total receipts			
	Receipts from		June	June	January 1 to June 30	
	Crops	Livestock*	1945	1944	1945	1944
Arizona	6,915	4,823	11,738	11,004	77,841	74,376
Louisiana	3,579	4,867	8,446	9,573	79,633	77,372
New Mexico	646	3,921	4,567	4,633	33,750	28,971
Oklahoma	22,088	19,723	41,811	47,903	185,526	169,498
Texas	30,370	55,705	86,075	95,411	523,132	485,630
Total	63,598	89,039	152,637	168,524	899,882	835,847

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	August 1945	August 1944	July 1945	August 1945	August 1944	July 1945
Cattle	93,073	116,853	79,483	27,668	28,181	30,754
Calves	55,932	52,997	33,288	37,124	29,575	30,192
Hogs	18,493	68,127	28,917	4,231	14,932	3,930
Sheep	226,198	209,754	287,842	84,401	57,676	120,286

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	August 1945	August 1944	July 1945	August 1945	August 1944	July 1945
Beef steers	$16.00	$14.65	$16.60	$14.00	$14.00	$15.65
Stocker steers	13.75	11.50	14.00	.....	.....	.....
Heifers and yearlings	16.00	14.50	16.00	14.00	13.50	13.85
Butcher cows	12.50	12.00	13.00	11.50	11.00	12.50
Calves	13.50	13.50	14.50	13.25	12.65	14.00
Hogs	14.55	14.55	14.55	14.55	14.25	14.55
Lambs	13.00	14.00	14.25	11.75	12.00	13.00

CROP PRODUCTION—(Thousands of units)

		Texas		Eleventh District	
		Estimated		Estimated	
Crop	Unit	Sept. 1, 1945	1944	Sept. 1, 1945	1944
Cotton	Bales	2,100	2,646	2,663	3,360
Winter wheat	Bushels	37,881	74,746	38,617	75,775
Corn	Bushels	70,176	69,622	83,833	82,016
Oats	Bushels	43,546	38,600	48,837	44,159
Barley	Bushels	5,075	10,780	10,585*	18,478*
Tame hay	Tons	1,542	1,526	2,129	2,115
Potatoes, Irish	Bushels	5,022	5,016	5,822	6,010
Potatoes, sweet	Bushels	4,500	5,025	15,158†	14,165†
Rice	Bushels	18,000	19,208	40,880‡	41,368‡

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

SOURCE: United States Department of Agriculture.

TEXAS—COTTON PRODUCTION BY CROP REPORTING DISTRICTS

(Thousands of 500-pound gross weight bales)

District	Forecast 1945	1944	10-year average 1934-1943
1-N. North High Plains	25	41	56
1-S. South High Plains	175	540	434
2. Permian Plains	485	554	531
3. North Central	25	41	63
4. Northern Texas Prairies	675	684	840
5. East Texas	145	204	440
6. Trans-Pecos	85	78	68
7. Edwards Plateau	30	34	59
8. Southern Texas Prairies	240	233	361
9. Coastal Prairies	75	94	137
10. South Texas	140	143	123
Total	2,100	2,646	3,112

SOURCE: United States Department of Agriculture.

relieved the near drought conditions in parts of southern Texas, while other sections were temporarily relieved by local rains. In New Mexico and Arizona, August rains brought some improvement in range conditions. Southeastern Oklahoma reported the best range conditions for this period in many years.

Except in a few dry areas, cattle and calves are reported to be in better than average condition. Good gains were made in August in the former dry areas of New Mexico and Arizona. Sheep and lambs, which have withstood well the period of dry weather and short feed, should benefit from the betterment in ranges and the improvement in stock water supply resulting from late August rains in New Mexico and the eastern and northern parts of the Edwards Plateau of Texas. Some concern is being expressed by cattle and sheep growers regarding probable shortages of winter feed supplies.

The movement of cattle and calves to all markets was curtailed during the period of peace negotiations but an increase in the latter part of August brought the month's receipts up to about the level of the previous month. There has been a tendency to reduce herds in dry areas where prospects for range feeds are poor and where ranges are fully stocked. Culling of old cattle and marketing of cattle in top condition continued in other areas. The slow movement of sheep picked up after the establishment of the subsidy to the producer but remained well below the receipts for the same period last year. About 65 per cent of the receipts in the Fort Worth market for August were aged sheep, mostly ewes, and about 30 per cent spring lambs. The movement of hogs has been very slow with receipts in both local and northern markets falling far below those of last year.

The report of the Department of Agriculture for the period of July 15 to August 15 shows only moderate changes from the previous month in the prices received by Texas farmers. All meat animals underwent a slight decline during this period with the exception of hogs which remained unchanged at near the ceiling price for all classes. A rather sharp drop was registered in the price of rice and potatoes and a small decline in corn prices. Wheat, sweet potato, peanut and cotton prices were slightly higher than in July. All meat animal prices were substantially higher than levels of August 15 last year. Corn, rice and sweet potatoes were lower than a year ago, while cotton, wheat, sweet potatoes and peanuts were slightly higher.

FINANCE

During August, the gross demand and time deposits of member banks in the Eleventh District rose further by about $42,000,000. This expansion, combined with a decline in reserve-

CONDITION OF THE FEDERAL RESERVE BANK

(Thousands of dollars)

	Sept. 15, 1945	Sept. 15, 1944	Aug. 15, 1945
Total cash reserves	$467,300	$609,076	$476,611
Discounts for member banks	200	175	None
Foreign loans on gold	300	None	None
U. S. Government securities	895,884	534,567	864,174
Total earning assets	896,384	534,742	864,174
Member bank reserve deposits	700,419	587,776	705,049
Federal Reserve Notes in actual circulation	606,737	492,862	595,515

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

(Thousands of dollars)

	Sept. 12, 1945	Sept. 13, 1944	Aug. 15, 1945
Total loans and investments	$1,891,997	$1,556,168	$1,892,796
Total loans	442,443	334,884	449,627
Commercial, industrial, and agricultural loans	283,809	227,896	280,912
Loans to brokers and dealers in securities	4,290	2,245	4,445
Other loans for purchasing or carrying securities	74,731	41,535	84,716
Real estate loans	24,205	20,713	23,664
Loans to banks	382	214	263
All other loans	55,026	42,281	55,627
Total investments	1,449,554	1,221,284	1,443,169
U. S. Treasury bills	73,928	121,483	78,185
U. S. Treasury certificates of indebtedness	412,450	348,923	411,074
U. S. Treasury notes	283,271	218,419	276,930
U. S. Government bonds	624,796	467,423	621,766
Obligations guaranteed by United States Gov't	863	20,629	863
Other securities	54,246	44,407	54,351
Reserves with Federal Reserve Bank	384,435	329,628	383,559
Balances with domestic banks	248,102	260,769	252,205
Demand deposits—adjusted*	1,326,379	1,171,356	1,274,327
Time deposits	267,419	196,574	260,975
United States Government deposits	249,036	227,597	318,927
Interbank deposits	600,708	490,704	596,647
Borrowings from Federal Reserve Bank	None	None	None

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

DEBITS TO INDIVIDUAL ACCOUNTS

(Thousands of dollars)

	August 1945	August 1944	Pctg.change over year	July 1945	Pctg.change over month
Abilene	$ 16,011	$ 17,608	− 9	$ 16,810	− 5
Amarillo	45,568	45,170	+ 1	50,938	−11
Austin	58,245	74,603	−22	70,051	−17
Beaumont	54,740	51,538	+ 6	59,536	− 8
Corpus Christi	66,429	48,756	+36	59,351	+12
Corsicana	5,350	5,616	− 5	6,346	−16
Dallas	534,034	503,415	+ 6	572,407	− 7
El Paso	54,652	45,547	+20	57,886	− 6
Fort Worth	193,656	205,233	− 6	212,810	− 9
Galveston	44,749	42,916	+ 4	47,843	− 6
Houston	546,105	540,403	+ 1	572,881	− 5
Laredo	11,745	11,148	+ 5	12,753	− 8
Lubbock	26,188	23,690	+11	28,511	− 8
Monroe, La.	16,936	16,815	+ 1	16,170	+ 5
Port Arthur	22,956	22,450	+ 2	21,378	+ 7
Roswell, N. M.	8,691	7,548	+15	8,407	+ 3
San Angelo	16,070	13,843	+16	18,857	−15
San Antonio	160,939	137,156	+17	162,198	− 1
Shreveport, La.	74,895	76,956	− 3	72,297	+ 4
Texarkana*	16,979	19,202	−12	17,143	− 1
Tucson, Ariz.	29,848	26,592	+12	31,457	− 5
Tyler	24,126	22,743	+ 6	24,606	− 2
Waco	27,882	26,183	+ 6	26,207	+ 6
Wichita Falls	29,804	25,144	+19	32,359	− 8
Total—24 cities	$2,086,598	$2,010,275	+ 4	$2,199,202	− 5

*Includes the figures of two banks in Texarkana, Arkansas, located in the Eighth District

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

(Average of daily figures—Thousands of dollars)

	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
August 1943	$2,925,647	$245,390	$1,585,376	$145,304	$1,340,271	$100,086
August 1944	3,655,893	307,179	1,925,789	192,204	1,730,104	114,975
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
July 1945	4,481,169	398,157	2,306,773	249,764	2,174,396	148,393
August 1945	4,504,204	417,936	2,293,633	265,659	2,210,571	152,277

SAVINGS DEPOSITS

	August 31, 1945			Percentage change in savings deposits from	
	Number reporting banks	Number of savings depositors	Amount of savings deposits	August 31, 1944	July 31, 1945
Beaumont	3	12,333	$ 7,207,904	+27.2	+ 2.6
Dallas	8	125,996	62,040,319	+39.6	+ 3.0
El Paso	2	26,509	18,978,808	+39.4	+ 3.6
Fort Worth	3	38,789	28,781,361	+38.5	+ 2.9
Galveston	4	21,950	18,202,212	+22.1	+ 3.0
Houston	9	90,714	59,726,479	+28.4	+ 2.7
Lubbock	2	823	675,525	+35.4	+ 5.2
Port Arthur	2	5,777	4,981,967	+27.3	+ 4.7
San Antonio	5	33,857	37,613,560	+35.2	+ 2.2
Shreveport, La.	3	33,422	23,119,564	+36.6	+ 2.8
Waco	3	8,819	7,757,805	+33.9	+ 3.4
Wichita Falls	3	7,073	4,619,609	+21.4	+ 2.4
All other	58	58,789	45,154,479	+30.3	+ 2.7
Total	105	464,851	$318,859,592	+33.2	+ 2.8

exempt war loan deposits and a decrease in balances with correspondents, resulted in an increase of approximately $20,000,000 in the average required reserves of member banks. Inasmuch as member banks increased their average reserve balances by about $27,000,000, the average excess reserves, amounting to $137,000,000, were slightly larger in August than in July.

The circulation of Federal Reserve notes of this bank reflected a further expansion of $11,200,000 between August 15 and September 15. While this increase was slightly smaller than in the preceding thirty days, it was larger than during any other similar period during the current year. The circulation of currency in denominations of $500 and above continued the decline that has been in progress since March, while the most pronounced expansion occurred in the $20 and $50 denominations.

The deposits of weekly reporting member banks after remaining generally steady during the preceding five weeks, declined $7,300,000 between August 15 and September 12. The decline of $800,000 in their loans and investments was occasioned by a decline of $7,200,000 in loans which was not quite offset by an expansion in investments. Although commercial, industrial and agricultural loans were expanded seasonally by about $2,900,000, loans to brokers and dealers and to others for security trading declined by $10,100,000. This liquidation reflected the usual runoff following the sharp increase during a war loan drive when the proceeds of the advances are utilized to enter subscriptions for Government securities. These banks disposed of $4,300,000 of their holdings of Treasury bills but added substantially to holdings of other Government securities, particularly Treasury notes and bonds.

INDUSTRY

The transition to civilian production since the sudden termination of the war is progressing more rapidly than had been anticipated. Serious localized disruptions and problems of adjustment remain because of the difficulty of utilizing facilities designed for the manufacture of aircraft, explosives and other war material for other than the original purpose, of the significance of such various plants in the local economy, and of the absorption of released workers into other activities. With limited exceptions controls on production and distribution have been revoked and assurances have been given of the early lifting of most restraints which have been retained in order to prevent hoarding and inflationary buying of scarce items.

The widespread cancellation of war contracts was naturally accompanied by large-scale layoffs of industrial workers, but apparently these layoffs have not been as pronounced as was expected. According to the War Manpower Commission, approximately 300,000 workers were engaged in war activities in Texas on August 14 and total layoffs during the four weeks ended September 12 amounted to 51,300 workers, or slightly more than one-sixth of the total. The most serious situation created by the layoffs occurred in Dallas where 19,000, or more than half, of the war workers in the city were released. Sizable layoffs occurred in Fort Worth with 7,000 releases, in Houston with 5,200 releases, and in Shreveport with 4,150 releases. In several of the smaller communities having from one to five thousand war workers, from 50 per cent to 75 per cent of war workers were released, but in most instances, the re-employment problems were not serious because a considerable percentage of those laid off left the communities and most of the others returned to former employment or accepted other local employment. In Houston and other Gulf Coast cities, layoffs have been relatively small in relation to the total number engaged in war activity, largely because of the continuance of shipbuilding operations which will furnish employment for several months. In San Antonio layoffs have been very small due primarily to the large number engaged in work on military installations and on the construction of hospitals. Several industries, such as petroleum refining, textiles, lumber, synthetic rubber, and chemicals, have been able to utilize existing employees by turning immediately to the production of civilian goods. Job opportunities are numerous in agricultural, construction, distribution, communications, transportation, and service industries, but there seems to be a marked hesitancy on the part of many former war workers to accept civilian jobs at lower wage rates. Reports indicate that skilled workers are finding relatively little difficulty in making readjustments, but women and former unskilled workers, who have been trained in one or two specialized war skills which cannot be utilized generally in existing peacetime activities of the respective communities, present serious problems since the only outlets for their services are in activities which do not utilize those skills. The United States Employment offices in the State reported that a total of approximately 45,000 applicants were referred to jobs between August 14 and September 12 and that about 25,000 employments had been confirmed. In many of the cities of the State, large numbers of job openings are on file at unemployment offices and difficulties are being experienced in obtaining suitable employees for referral to employers.

Production of crude oil in the Eleventh District during August reached a new peak for the fifth consecutive month, with a daily average of 2,396,000 barrels. This figure exceeded the

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to August 31		August 1 to August 31	
	This season	Last season	This season	Last season
Cottonseed received at mills (tons)	64,682	81,429	108,898	164,203
Cottonseed crushed (tons)	34,490	29,791	122,014	101,710
Cottonseed on hand August 31 (tons)	114,917	83,284	205,637	180,749
Production of products:				
Crude oil (thousand lbs.)	10,350	8,634	37,247	30,258
Cake and meal (tons)	16,693	14,190	54,442	45,241
Hulls (tons)	7,305	6,537	28,334	24,128
Linters (running bales)	9,695	8,934	35,598	29,894
Stocks on hand August 31:				
Crude oil (thousand lbs.)	3,072	4,368	36,080	29,523
Cake and meal (tons)	7,869	8,388	40,069	31,023
Hulls (tons)	15,803	5,133	56,550	17,913
Linters (running bales)	6,274	15,055	18,045	44,949

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	August 1945	August 1944	July 1945
Consumption at:			
Texas mills	17,496	17,978	16,060
United States mills	739,811	841,540	673,087
U. S. stocks—end of month:			
In consuming establishments	1,833,487	1,709,924	.....
Public storage and compresses	7,839,009	7,970,446	.....

July daily average by 11,600 barrels and surpassed by approximately 5 per cent that of August 1944. It is expected that September production will show a sharp decline, since the Texas Railroad Commission reduced allowables in the State by 395,000 barrels daily in order to bring output more closely in line with anticipated demand and to relieve the pressure upon fields that have been producing in excess of the maximum efficiency rates. Moreover, a further reduction in allowables is anticipated for October. It should be borne in mind that this district accounted for the major portion of the wartime expansion in production and that a large share of the contraction will take place here. The production rate in this district during August was 675,000 barrels daily above that in November 1941, the month preceding the outbreak of the war, and nearly double the low level reached in April 1942. Following the outbreak of the war in December 1941 drilling operations showed a marked decline, reaching a low point in March 1943 at a level of less than one-third of the pre-war rate. In the past two and one-half years, well completions have shown an irregular but substantial expansion. While August completions, which averaged approximately 22 wells per day, were slightly fewer than in July, they were slightly above the average rate for the year to date. Total completions during the first eight months of the year aggregated 5,300 wells which represented an increase of about 20 per cent over the 4,350 wells completed in the same period of 1944. This contrasts with an increase of only 3 per cent in well completions at fields outside the Eleventh District.

During August there was a further substantial increase in nonresidential contract awards representing in considerable part the construction of commercial buildings and industrial plants. Residential awards were fairly well sustained and much higher than the small volume in August 1944. Awards for public works and utilities were relatively small as the projects being planned have not reached the contract stage. All controls on industrial construction have been removed, those on the distribution of lumber will be terminated on September 30, and those on residential building, commercial structures, public works programs, and other building will be removed on October 15. In order to speed the expansion of the building industry, action will be taken to increase the supply of scarce building materials, inventory control over building materials will be strengthened to prevent hoarding, and price controls over building materials will be tightened to counteract inflationary pressures. It is expected that construction activity will be accelerated rapidly as programs are completed and the necessary labor and materials become available.

The production and shipments of cement at Texas mills have shown an upward trend during the current year. July production of 726,000 barrels was the highest since November 1943, and was 37 per cent above that in July 1944. Production during the first seven months of 1945 exceeded that during the same period last year by 21 per cent. Shipments during the current year, which were 19 per cent higher than in the corresponding period of 1945, have run consistently higher than production, with the result that stocks on hand at mills have declined by 286,000 barrels. Stocks on July 31, amounting to 724,000 barrels, were the lowest in more than two years.

Lumber production in the United States during the first seven months of 1945 was 11 per cent below that during the same period of 1944, and it is estimated that total production during the current year of 28,750,000,000 board feet will be about 3,750,000,000 board feet under that of the preceding year. Since the termination of the war, substantial amounts of lumber have been released by the military service for civilian use and total requirements for the last half of the year have been reduced to approximately 20 per cent of the previously estimated total. Coincident with the heavy demand for lumber for building purposes, there will also be a need for building up stocks at mills and concentration yards to a more workable position. At the end of June such stocks totaled 3,259,000,000 board feet, which compares with a total of more than 10,000,000,000 board feet at the beginning of 1941. Production of lumber in this district thus far in 1945 has been running below that a year ago and lumber stocks are at a very low level, particularly at retail yards.

CRUDE OIL PRODUCTION—(Barrels)

	August 1945		Increase or decrease in daily average production from	
	Total production	Daily avg. production	August 1944	July 1945
North Texas	7,466,350	240,850	— 6,600	+ 948
West Texas	16,326,150	526,650	+ 41,700	+ 4,742
East Texas	16,323,050	526,550	+ 7,200	+ 7,271
South Texas	11,208,950	361,579	+ 39,929	+ 795
Texas Coastal	17,595,600	567,600	+ 32,400	— 1,219
Total Texas	68,920,100	2,223,229	+114,629	+12,537
New Mexico	3,189,050	102,873	— 4,125	— 349
North Louisiana	2,162,700	69,764	— 3,960	— 567
Total District	74,271,850	2,395,866	+106,544	+11,621

SOURCE: Estimated from American Petroleum Institute weekly reports.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(Thousands of dollars)

	August 1945	August 1944	July 1945	January 1 to August 31 1945	January 1 to August 31 1944
Eleventh District—total	$ 18,461	$ 16,456	$ 26,395	$ 184,080	$ 106,619
Residential	4,078	515	4,984	25,091	19,624
All other	14,383	15,941	21,411	158,989	86,995
United States*—total	263,608	169,341	257,691	2,003,698	1,320,101
Residential	42,711	23,273	46,273	286,493	252,978
All other	220,897	146,068	211,418	1,717,205	1,067,123

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	August 1945		Percentage change valuation from		Jan. 1 to Aug. 31, 1945		Percentage change valuation from 1944
	No.	Valuation	Aug. 1944	July 1945	No.	Valuation	
Abilene	19	$ 35,095	— 41	—71	97	$ 251,077	— 20
Amarillo	96	180,315	+ 51	+13	762	1,442,119	+ 59
Austin	163	380,710	+836	+68	1,039	1,696,362	+298
Beaumont	126	212,271	+ 41	+57	1,278	1,226,766	+ 96
Corpus Christi	148	356,665	+ 77	+ 3	1,433	2,339,771	+ 72
Dallas	747	1,381,521	+328	— 5	5,548	7,181,537	+ 25
El Paso	95	129,959	— 27	+22	542	692,753	— 36
Fort Worth	385	741,374	+152	+18	2,598	4,488,896	+ 95
Galveston	42	56,020	+407	—32	483	570,447	— 30
Houston	396	1,385,635	+101	—30	2,803	17,108,367	+168
Lubbock	130	215,024	+169	—29	1,044	1,563,012	+109
Port Arthur	76	74,197	+174	+27	629	383,445	+ 69
San Antonio	904	388,320	— 20	—17	6,573	3,495,214	+ 25
Shreveport, La.	200	295,145	+192	+42	1,710	1,600,508	+109
Waco	86	231,820	+845	+49	678	1,163,890	+ †
Wichita Falls	43	49,950	— 15	+51	345	379,302	+ 93
Total	3,656	$6,114,021	+115	— 5	27,562	$45,583,466	+ 76

†Indicates change of less than one-half of one per cent.

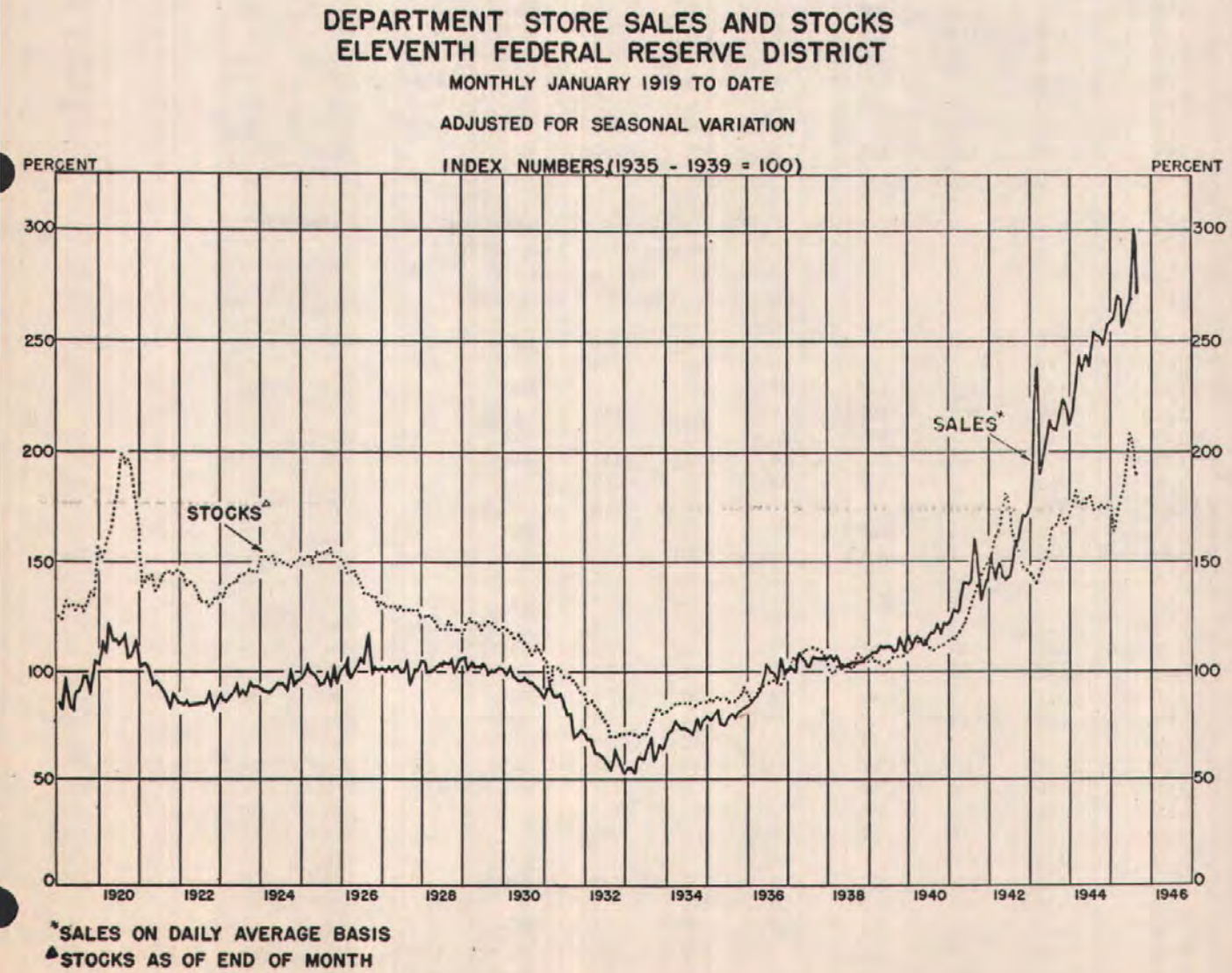
REVISED INDEX OF DEPARTMENT STORE STOCKS

Eleventh Federal Reserve District

The Research Department of the Federal Reserve Bank of Dallas has completed a revision of its index of department store stocks for the Eleventh Federal Reserve District, covering the period from January 1919 to August 1945, inclusive. It is believed that the revised index is more representative of the movements of stocks at all department stores in the Eleventh Federal Reserve District. The sample of stores on which the index is based has been expanded considerably and the index also has been tied to that of sales which is adjusted to Census data.

The department store stocks index should be useful in appraising the trade situation, particularly when considered in conjunction with the department store sales index in order to follow the relative movements of end-of-month stocks and daily average sales. For example, the ratio of the index of stocks to that of sales indicates that in the 1920's department stores in the district maintained stocks at a much higher level, relative to sales, than in the 1930's. Moreover, during the war, except for the brief period of inventory accumulation in 1942, the ratio declined further, reflecting the inability of department stores to maintain stocks at a level consistent with the high level of sales because of limitations placed on the production of civilian goods by the necessities of war production and, possibly to some extent, because of Government controls over inventory accumulation.

The revised indexes—adjusted and unadjusted—are shown in the accompanying table for the period January 1919 to August 1945. A detailed description of the method employed in developing the revised series is available on request.



DEPARTMENT STORE STOCKS—ELEVENTH FEDERAL RESERVE DISTRICT

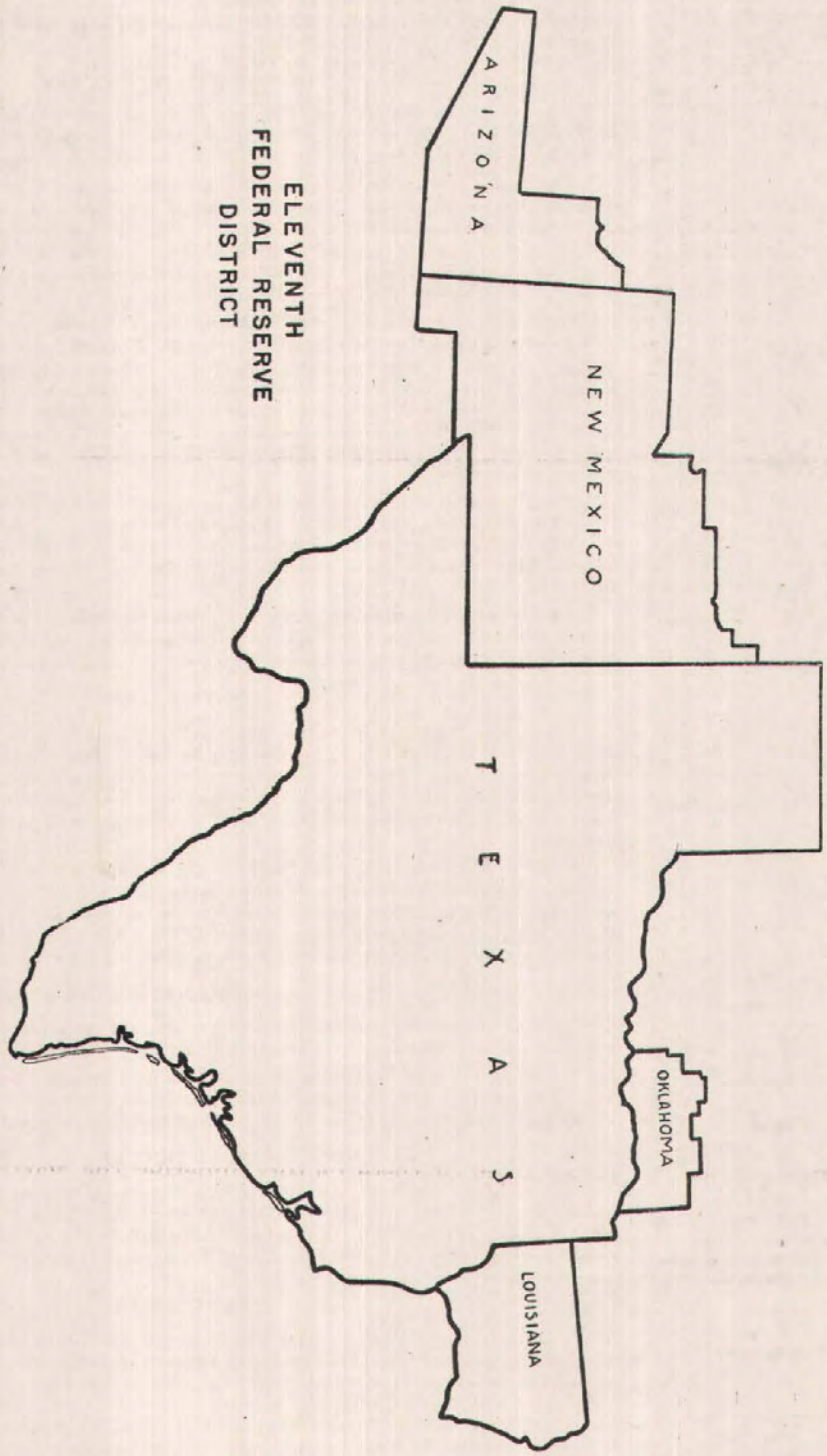
Monthly, January 1919 to August 1945
Unadjusted for Seasonal Variation
Index Nos.—1935-1939 average = 100

	Jan.	Feb.	March	April	May	June	July	August	Sept.	October	Nov.	Dec.
1919	111	117	130	126	134	128	118	135	146	155	151	130
1920	135	149	161	165	178	177	182	206	224	220	200	135
1921	123	136	143	145	139	136	132	152	163	163	163	123
1922	126	132	143	142	139	126	122	135	144	148	147	118
1923	118	133	143	147	144	135	134	150	158	162	160	131
1924	132	147	157	161	153	143	140	154	161	167	166	132
1925	132	147	158	158	158	144	144	159	171	170	170	131
1926	130	139	150	154	145	132	125	136	146	150	146	116
1927	113	126	135	136	132	122	116	129	141	146	146	111
1928	111	120	129	128	124	112	106	123	132	137	138	106
1929	108	119	126	127	124	111	108	122	135	140	141	111
1930	107	112	119	120	117	108	100	107	118	131	131	98
1931	93	89	105	104	99	94	87	95	105	108	109	83
1932	76	83	86	85	79	76	68	69	78	81	86	66
1933	61	68	71	72	70	67	66	77	92	95	96	73
1934	71	79	86	89	87	81	76	85	93	99	99	76
1935	74	81	89	91	89	81	78	86	97	102	106	79
1936	76	84	93	98	95	89	86	96	105	106	114	91
1937	89	100	109	114	111	103	101	110	123	123	122	91
1938	86	95	107	109	103	96	93	102	120	119	121	94
1939	94	101	109	109	102	95	95	106	118	121	125	98
1940	100	111	119	122	112	103	100	108	121	127	128	104
1941	103	108	119	124	119	118	123	136	150	163	166	136
1942	136	147	160	171	174	171	169	173	172	167	160	126
1943	130	125	137	145	144	151	178	188	191	192	180	145
1944	159	162	168	171	168	175	189	199	198	199	189	148
1945	148	155	166	176	186	201	212	215				

DEPARTMENT STORE STOCKS—ELEVENTH FEDERAL RESERVE DISTRICT

Monthly, January 1919 to August 1945
Adjusted for Seasonal Variation
Index Nos.—1935-1939 average = 100

	Jan.	Feb.	March	April	May	June	July	August	Sept.	October	Nov.	Dec.
1919	124	123	132	130	130	128	130	127	129	136	134	158
1920	152	157	163	167	175	181	200	197	198	193	178	163
1921	140	143	142	144	137	140	143	146	146	145	147	146
1922	144	139	140	138	137	133	132	131	129	132	134	136
1923	134	138	139	140	141	144	144	146	147	146	145	151
1924	152	153	152	153	150	152	150	150	148	151	151	152
1925	152	153	153	151	155	153	155	156	157	153	153	151
1926	149	145	146	146	142	141	136	135	134	134	131	133
1927	130	131	131	130	130	130	129	129	129	129	129	126
1928	126	125	125	123	122	121	121	124	121	121	120	119
1929	123	126	124	123	123	119	122	124	123	121	121	122
1930	121	119	117	116	117	115	114	111	108	114	110	107
1931	106	95	104	102	100	99	99	98	96	94	91	90
1932	87	88	85	84	81	80	78	71	71	71	72	72
1933	71	72	70	69	70	71	75	78	83	83	81	81
1934	82	84	86	86	85	86	86	86	84	86	85	85
1935	86	86	88	87	87	86	87	87	88	89	93	90
1936	89	90	91	93	93	95	96	96	95	94	99	102
1937	103	106	106	108	110	111	112	110	111	109	106	103
1938	99	100	103	104	103	104	103	103	108	105	105	106
1939	107	106	104	104	103	103	105	108	107	107	108	109
1940	112	115	114	116	114	112	110	110	111	112	112	115
1941	115	115	117	119	123	125	131	134	138	144	148	150
1942	153	161	165	170	181	178	164	161	156	148	147	145
1943	145	141	144	148	151	155	166	168	171	170	167	173
1944	176	182	176	177	177	180	175	176	176	176	177	177
1945	165	174	175	182	196	208	196	190				


ARIZONA
NEW MEXICO
TEXAS
OKLAHOMA
LOUISIANA
ELEVENTH
FEDERAL RESERVE
DISTRICT

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 August, 1945.

DEPARTMENT STORE SALES AND STOCKS

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

WHOLESALE PRICES

Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending September 22, 1945.

MEMBER BANK RESERVES AND RELATED ITEMS

Wednesday figures, latest shown are for September 19, 1945.

Production and employment at factories dropped sharply after the middle of August when most military contracts were cancelled. Activity in most other lines was maintained and the value of retail sales continued above last year's high levels.

INDUSTRIAL PRODUCTION

Industrial production declined 11 per cent in August, reflecting primarily the sharp curtailment of activity in aircraft, shipbuilding and ordnance plants in the last half of the month, and the Board's seasonally adjusted index was 188 per cent of the 1935-39 average as compared with 211 in July.

The largest part of the decline was in the machinery and transportation equipment industries, where activity during the month averaged about 20 per cent below July. Output of steel and of non-ferrous metal products likewise declined with the sudden elimination of almost all military demands. In September steel output increased with the receipt of orders in large volume from the automobile and other steel-consuming industries now rapidly converting to civilian production. Output of lumber and stone, clay and glass products declined slightly in August.

Production of nondurable goods in August was also below the July level, reflecting primarily military contract cancellations affecting output in the chemicals and rubber products industries. Cattle slaughter at Federally inspected plants rose sharply in August and the first two weeks of September. Output of shoes and newspaper publishing activity also increased in August. Output of textiles, most manufactured food products, and other nondurable goods showed little change or declined slightly. Immediately after Japan's capitulation, rationing was ended for gasoline, fuel oil, and canned fruits and vegetables. Increased supplies of dairy and meat products and tobacco products were also made available for civilians.

Minerals production declined somewhat in August reflecting chiefly a 4 per cent decrease in coal production. In the first part of September output of bituminous coal advanced. Crude petroleum output was maintained in August at the record July level, but due to the substantial decline in military demand for petroleum products, the production rate in the first half of September was about 8 per cent below August.

Awards for the construction of privately-owned factories and commercial buildings continued to increase sharply in August. Contracts for private residential construction were awarded at about the same rate as in June and July, which was about twice the value of awards in the summer of 1944.

DISTRIBUTION

Department store sales in August were smaller than in July on a seasonally adjusted basis but about 6 per cent larger than in August last year. In the first half of August sales were about 20 per cent larger than a year ago. In the last half of the month and the early part of September, following Japan's surrender, sales slackened and were little changed from last year's level. Sales in the two weeks ending September 22, however, rose sharply and were 11 per cent larger than in the corresponding period a year ago.

Railroad shipments of revenue freight in the last two weeks of August and the early part of September were in almost as large a volume as in the period prior to the week of Japanese surrender and only 7 per cent smaller than during the same period last year. In the middle of September shipments of most classes of freight were as large or larger than a year ago; loadings, however, of miscellaneous manufactured products which include munitions were at a reduced level.

COMMODITY PRICES

Prices of agricultural commodities declined from the early part of August to the early part of September but since that time have increased somewhat.

Maximum prices of petroleum products have been reduced somewhat since the early part of August, owing to lower transportation charges, while maximum prices of cotton goods, building materials, and various other industrial commodities have been increased.

AGRICULTURE

Crop prospects continued to improve during August and total production is expected to equal the record harvests of 1942 and 1944. Cotton production, however, is forecast at only 10 million bales, which is about 2 million smaller than last year's crop and the average for the past 10 years. Total carry-over of raw cotton in this country on August 1 was about 11 million bales, slightly more than in the two previous seasons.

BANK CREDIT

In the first month of peace, Federal Government expenditures though reduced were still well in excess of receipts, and war loan balances at commercial banks were accordingly reduced. Adjusted demand and time deposits of weekly reporting banks increased by 1.8 billion dollars during the five weeks ended September 19, while war loan balances at these same banks declined by 3.4 billion. Thus, as in other periods between Treasury financing drives, Treasury expenditures tended to increase deposits of business and individuals at small bank more than at large ones.

The currency outflow continued and totaled 425 million dollars during the five-week period, but it was somewhat below the outflow of last year for the comparable period. Time deposit expansion continued as rapidly as in recent months.

Loans for purchasing and carrying Government securities at reporting banks were further liquidated during the five weeks by 470 million dollars and, in addition, reporting banks reduced holdings of U. S. Government securities by 1.3 billion dollars to meet the increase in reserve requirements and net deposit declines. Smaller banks appear to have been purchasing Government securities during the period.

Reserve funds during the five-week period were supplied by an increase of 1.1 billion dollars in Reserve Bank holdings of Government securities and by a small increase in member banks borrowings from the Reserve Banks. This increase met the currency outflow and increased average reserve balances by close to 550 million dollars; this was about as much as the increase in required reserves, and excess reserves remained near one billion dollars.