

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

Volume 31

Dallas, Texas, January 1, 1946

Number 1

POSTWAR PROSPECTS IN THE SOUTHWEST

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Economic activity during 1945 was governed largely by the military developments and the war outlook prevailing at the moment. In successive periods during the year, the country was engaged in a two-front war, achieved complete victory in Europe, found it necessary to make an immediate acceleration of its offensive action in the Pacific, and was then faced with the economic problems growing out of the unexpectedly sudden and final collapse of Japan.

From January until May of 1945, the nation's economic system and its labor force were directed toward providing the materials necessary to push forward with increasing vigor strong offensives on the two war fronts. Despite this situation, however, there was evidence of the first signs of readjustment from an all-out war economy to a peace economy. During 1944, and with respect to some developments even earlier, the nation had reached those productive peaks which were necessary for it to build up its military facilities and machinery and to accumulate and stockpile sufficient materials of war to meet any eventuality.

By 1945, to a considerable extent the war problem of the nation had shifted from one of building up its military power to irresistible strength and striking force to the problem of maintaining at full operating efficiency the huge military machine which had been created. This development did not tend particularly to relieve greatly the wartime stresses and strains on the civilian economy, nor did it permit significant relaxation of the restrictions which had been imposed. It did avoid the necessity of subjecting the civilian economy to greater pressures than those to which it had been subjected during the preceding war years and tended to relieve some of the tensions in the economic system. Moreover, in numerous instances, production shifts were made possible which tended to set the stage for a more rapid and smoother reconversion when the war demands could be further reduced or eliminated and when manpower would become available.

Prior to the outbreak of the war it was probably generally believed that a nation engaged in a major all-out war effort could not enjoy the "luxury" of a "guns and butter" economy. By the early months of 1945, however, it was increasingly evident that the American people as a nation would be able to supply themselves with "guns" and still enjoy a surprisingly large quantity of "butter." The fact that it proved to be true that our people as a whole were able to have an increasing supply of civilian goods, even though many civilian goods were removed in whole or in large part from the market, is not only a tribute to the American productive system but is also revealing as to the tremendous capacity of that system.

Following the German surrender in May, government and military officials were confronted with the understandably difficult problem of maintaining the war effort and intentness of war purpose of a unified people at that high pitch which had been attained and, at the same time, of bringing about those adjustments in military, industrial, and agricultural production which were necessary as a consequence of the shift to a single war which was obviously of quite different character from the German war which had just been concluded. Production shifts to different types of military equipment quickly

became apparent, and war contract cancellations became much more numerous and reached much larger totals.

Labor lay-offs and shifts from one war industry to another became more common, but because of the extremely tight situation which had developed in the labor market there was no significant increase in unemployment. Labor displaced from contracted war industries was quickly absorbed in other war industries which either were expanding or were suffering labor shortages. There was also a shift, although to a lesser extent, to the labor-starved peace industries. Overtime work and wage rates were maintained, and the no-strike pledge for the war period was generally observed.

The suddenness of the Japanese collapse brought an end to the partial and piecemeal readjustment to a one-war economy before any of its effects could be felt significantly. Instead of being confronted with problems which would have characterized a gradual reconversion to a peace economy, the country was brought face to face with the full problem of drastic and sudden economic adjustment.

Although the country has withstood the shock of sudden reconversion much better than might reasonably have been anticipated, it is probably not possible at this time to make an accurate and comprehensive estimate of the extent to which reconversion of our economic system to peacetime activity has been accomplished. Analysis of most of the measures of economic activity appears to indicate favorable progress and seems to belie the probability of occurrence of some of the more drastic fluctuations and changes which were not uncommon predictions in the months before the end of hostilities. However, it should be recognized that there are many very difficult and serious problems ahead—problems, the solution of which is fundamental to a stable operation of our economic system at a high level of output. These problems are both domestic and international in character, and although considerable progress has been made toward reaching desired solutions to some of them much still remains to be accomplished before we can conclude that we are secure in our progress toward economic stability.

Among the most important and basic problems of a domestic character which are of national proportions and which demand solution are the labor problem, a determination of the extent of government participation in the economic activity of the nation, the reabsorption of perhaps 10 million returning veterans into productive economic channels quickly and with a minimum of friction, the control of the dangerous inflationary potential which exists in the financial structure as a consequence of almost four years of war, the serious housing shortage which exists in practically all cities and sizable towns, and the disposal and most effective utilization of surplus war goods and war facilities.

On the international front, the problems of political, financial, and economic reconstruction are many and are of the greatest difficulty and complexity. The fact that the United States has emerged from the war as the greatest of world powers and, in fact, as the only power financially and economically able at present to take a leading part in solving these problems places a very heavy responsibility on the nation. We have found from experience during the last 20 years that the nations of the world cannot insulate themselves from the economic, financial, and political developments which occur in different parts of the world. We have also found that no major nation long can enjoy economic stability and progress in a world of nations whose economic systems are shattered. The choice of isolation or world participation and cooperation for the United States seems clearly obvious. Demands will be made of this country for financial assistance, food, clothing, and many industrial capital products. The task of working out and meeting such demands soundly and equitably will be difficult; but such developments as the recent financial agreement with Britain, the creation of the framework of the United Nations organization, the Bretton Woods Agreements, and the expansion of the lending power of the Export-Import Bank, while possibly in some part or in some features not wholly satisfactory, are indicative of progress in the international field.

These problems indicate clearly the character, magnitude, and complexity of the task ahead of us as a nation during this New Year. But reflection upon our wartime accomplishments leads to an optimistic view for the outlook during 1946. The successful culmination of the war was certainly the result of the total effort of a united people—the cooperative supporting effort of a strong home front combined with great military power. All economic groups—industry, finance, agriculture, and labor—joined their forces toward the single goal of bringing about a speedy conclusion to the military conflict. In the course of the struggle each of these economic groups continually exceeded the goals which had

been set and which were believed to measure limits of reasonable attainment. As a result of this fact we have come to recognize and to expect new potentials and higher levels of economic activity for the future than we formerly considered possible.

Our war experience has established the fact that this nation has the economic strength in materials and labor, together with the productive "know-how" in their efficient utilization, to reach inordinately high objectives under the driving force of a war motivation. The challenge to all of us as a people during 1946 and the following years is to utilize those factors and characteristics which were revealed during the war, with the attainment of higher standards of living under conditions of peace as the motivating force.

Assuming that reasonable progress is made toward the solution of the broad national economic problems which lie ahead and which exert their influence and impact on all regional areas of the country, the business and financial prospects for the Eleventh Federal Reserve District during 1946 appear to be particularly favorable.

This regional area experienced a greatly accelerated industrial expansion and development during the war years, the rate of growth having been above the average rate of expansion for the country as a whole. Although confronted with many of the uncertainties of reconversion and such retarding factors as shortages of materials and labor, the industry of this area appears to be making a speedy and comparatively smooth reconversion to peacetime activity. This is particularly true of the many small industries which, collectively, were an important factor in the war potential of the area. Also, certain of the more important industries, e.g., petroleum, and some of the smaller industries merely diverted the marketing of their products to war use during the past four years and, consequently, now need only to regain and expand their former peacetime markets. The backlog of demand and an expanding market appear to assure favorable prospects for such industries very quickly. In terms of reconversion progress, the principal exceptions in the area are the very large aircraft installations, shipyards, and other large war plants whose disposition must, in part at least, depend upon government policy.

Several developments of the war period seem to indicate favorable prospects for industrial expansion in the Eleventh District. Certainly among the most significant results of the wartime industrial growth in this district is that a skilled industrial labor force has been developed. Equally important is the fact that the war production experience taught a great many small producers the productive and managerial skills which are essential in an industrial area and which may serve as a foundation upon which a healthy, lasting postwar industrial growth may be developed. The rubber industry has been brought to this district, while the chemical industry has been greatly expanded. This district supplied a large part of the nation's petroleum requirements during the war, and the refining facilities of the area have been substantially increased. It is quite probable, therefore, that in the future a larger proportion of our petroleum may go out of this area in the form of refined products, thus giving to the area the gain of value added by processing. It is also likely that some part of the wartime gain in aircraft construction and shipbuilding may be retained. Certain of the smaller aircraft plants in the area either already have converted to civilian production or are in the process of doing so.

In common with banking institutions over the country, the banks of the Southwest established an enviable record in the full support and assistance which they gave to the war financing program. They met the more or less normal financing requirements of business and industry in the area and, in addition, participated with the Government in its special programs which were designed to aid in facilitating rapidly the financing of war production. The banks of the district rendered a great service in handling a tremendous volume of Treasury items and government business, including ration banking. A very great majority of bankers gave their full support and effort to the Treasury during the several war loan drives. By their support of the Series E bond sales program and their general compliance with Treasury policies and requests bankers aided in holding the inflationary potential during the war period to a lesser amount than might otherwise have been the case.

Resources of banks in the Eleventh District have increased tremendously and at a substantially greater rate than the average for the country as a whole during the war years. Although it is possible that in the postwar years there will be local area deposit shifts and even regional area movements, it is highly probable that a substantial proportion of the deposits gained by the banks as a whole in this area will be retained.

Figures of principal assets and liabilities of member banks in this district reported in the Call Reports for June 30, 1939 and June 30, 1945 clearly reflect the growth in the resources and financial strength of banks in the area during the war period. Total deposits of member banks in the Eleventh District increased from \$1,436 million to \$4,933 million; loans of these banks increased from \$475 million to \$921 million; their holdings of direct obligations of the United States Government increased from \$215 million to \$2,383 million; and cash assets increased from \$71 million to \$199 million. Reserve balances with the Federal Reserve Bank increased from \$186 million to \$666 million during the period, while balances on deposit with other banks rose from \$401 million to \$831 million. Favorable operating conditions during the period, together with a conservative dividend policy and numerous new issues of bank stock, enabled the member banks in this district to strengthen their capital structure by increasing capital accounts from \$166 million as of June 30, 1939, to \$246 million at the end of June, 1945. It is obvious that the banking institutions of this district are in a strong financial position and able to meet the postwar financing requirements of an expanding business and industry.

Despite the very liquid current financial condition of business and industry in the area, the probability of a higher level of postwar economic activity in this district as compared with prewar levels indicates a favorable loan outlook for the banks of the area. Attraction of new industries to the Southwest and a possible increase in the number of small businesses further support this view. In anticipation of a possible increasing demand for term loan financing of small business establishments, bankers in some of the larger financial centers have established credit pools to strengthen their ability to meet any reasonable requirements that may arise.

As international financial conditions become more stabilized and trade restrictions are removed, it is likely that financing of foreign trade by some of the larger banks of the area may be in greater volume than it has been in the past. The prospect for expansion of bank participation in the consumer financing field is especially favorable. Many banks, recognizing the expansion possibilities in this field, are now making plans to meet the anticipated demand when consumer durable goods begin to appear in the market in large volume.

The replacement of farm equipment which has worn out during the war years, together with the greater mechanization of agriculture which seems likely to occur in parts of the area, will also offer additional loan possibilities to the banks. Moreover, the serious study and increasing interest that are being directed toward development of a broader soil conservation program in the Southwest also points toward more favorable loan prospects in the field of agriculture, for such a program would involve financial requirements which banks might consider meeting.

The serious housing shortage and the anticipated large volume of building construction also suggest increased loan outlets to the banking institutions. It is virtually certain that as soon as materials and labor become available and when the government policies affecting construction and housing have been worked out, construction on a large scale will develop. Furthermore, most of the estimates on this subject indicate that the backlog of demand is so great as to assure several years of very high activity.

Banks, business, and industrial institutions of the Eleventh District are particularly favored by being a part of the economic system of an area which is progressive, forward-looking, and for which the prospects of sound expansion and growth are so favorable. In any expanding economy numerous problems frequently arise which may at the time seem to impede the desired progress. That will be particularly true in this district which has been, and may continue to be for some time, predominantly agricultural in character but which is developing as an industrial and business economy of increasing importance. Many of the problems of industrial areas, which have not been common to this district in the past, will arise and will demand fair, sound solution. If these matters are equitably resolved on a sound basis in the adolescent stage of the development, assurance of a lasting, stable growth is much more certain. Business and financial leaders of the area have demonstrated during the war period their ability to cope with management and administrative problems of such character. Moreover, the Eleventh District possesses the financial and economic resources, including materials and labor, together with the potential markets for its goods, which are essentials for a sound growth during the postwar period.

FINANCIAL AGREEMENT BETWEEN THE GOVERNMENTS OF THE UNITED STATES AND THE UNITED KINGDOM

On December 6, 1945 it was announced in Washington by the President of the United States and in London by the Prime Minister of Great Britain that the economic and financial discussions between officials of the two nations meeting in Washington had been completed. The discussions covered the questions of financial assistance from the United States to the United Kingdom, the demobilization of wartime trade and monetary restrictions, the settlement of lend-lease, the disposal of surplus war property in the United Kingdom owned by the United States, and long-range commercial policies in the broad sense.

Subject to the approval of their Legislatures, officials of the two countries reached agreement on three major subjects:

1. The extension by the United States to the United Kingdom of a line of credit of \$3,750,000,000 on terms stated in the Financial Agreement.
2. Final settlement of lend-lease and reciprocal aid, the disposal of surplus war property in the United Kingdom owned by the United States, and the final settlement of the claims of each government against the other arising out of the conduct of the war. This agreement was expressed in a Joint Statement Regarding Settlement for Lend-Lease and Reciprocal Aid, Surplus War Property, and Claims.
3. Broad principles of commercial policy for which the two countries will seek general international support. This agreement was expressed in a Joint Statement Regarding the Understanding Reached on Commercial Policy.

In view of the general interest of the public, and among financial institutions, in the settlement of the loan discussions, a synopsis of the terms of the Financial Agreement is presented in the following paragraphs.

The effective date of the Financial Agreement will be the date on which the Government of the United States notifies the Government of the United Kingdom that the Congress of the United States has made available the funds necessary to extend the line of credit in accordance with the provisions of the Agreement.

The Government of the United States will extend to the Government of the United Kingdom a line of credit of \$3,750,000,000 which may be drawn upon at any time between the effective date of the Agreement and December 31, 1951.

The purpose of the line of credit is to facilitate purchases by the United Kingdom of goods and services in the United States, to assist the United Kingdom to meet transitional postwar deficits in its current balance of payments, to help the United Kingdom to maintain adequate reserves of gold and dollars, and to assist the Government of the United Kingdom to assume the obligations of multilateral trade.

The amount of the line of credit drawn by December 31, 1951 is to be repaid in fifty annual installments beginning on December 31, 1951 with interest at the rate of 2 per cent per year. Interest for the year 1951 is to be computed on the amount outstanding on December 31 of that year, and for each year thereafter interest will be computed on the amount outstanding on January 1 of each such year. The Government of the United Kingdom may accelerate repayment of the amount drawn under the line of credit.

In any year in which the Government of the United Kingdom requests the Government of the United States to waive the amount of interest due in the installment of that year, the Government of the United States will grant the waiver if the Government of the United Kingdom finds that a waiver

is necessary in view of the present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves, and the International Monetary Fund makes a certification of necessity based upon a formula involving home-produced exports, net income from invisible current transactions, and average annual imports during 1936-1938.

Any amounts required to discharge obligations of the United Kingdom to third countries outstanding on the effective date of the Agreement are to be obtained from resources other than the line of credit. Also, the Government of the United Kingdom agrees not to arrange any long-term loans from governments within the British Commonwealth between December 6, 1945 and the end of 1951 on terms more favorable to the lender than the terms of the line of credit. Furthermore, waiver of interest will not be requested or allowed in any year unless the aggregate of the releases or payments in that year of sterling balances, accumulated to the credit of overseas governments, monetary authorities, and banks before the effective date of the Agreement, is reduced proportionately; and unless interest payments due in that year on long-term loans obtained between December 6, 1945 and the end of 1951 from governments within the British Commonwealth are waived.

The Government of the United Kingdom will complete arrangements within one year after the effective date of the Agreement, or sooner if possible, to eliminate any discrimination arising from the so-called sterling area dollar pool. The principle of this point of agreement is that each member of the sterling area will have its current sterling and dollar receipts at its free disposition for current transactions anywhere.

Subject to the Articles of Agreement of the International Monetary Fund regarding scarce currencies, it was agreed that after the effective date of the Financial Agreement the United Kingdom would not apply exchange controls to restrict payments or transfers on account of current transactions between the two countries. Furthermore, it was agreed that within one year after the effective date of the Financial Agreement the two countries will impose no restrictions on payments and transfers for current transactions in any part of the world, except that such elimination of controls shall not apply to balances of third countries and their nationals accumulated before the effective date of the Agreement, or to restrictions imposed in conformity with the Articles of Agreement of the International Monetary Fund, or to restrictions imposed to uncover and dispose of assets of Germany and Japan.

The two countries agreed in general principle that not later than December 31, 1946 quantitative restrictions of either country shall not be administered in such a manner as to discriminate against imports from the other country in respect to any product. Certain exceptions to this point of agreement were stipulated and relate to the use of inconvertible currencies accumulated prior to December 31, 1946, to cases where the restriction is for the purpose of assisting a country whose economy has been disrupted by the war, and to restrictions imposed under the provisions of the Articles of Agreement of the International Monetary Fund.

The Government of the United Kingdom intends to make agreements with the countries concerned, varying according to the circumstances of each case, for an early settlement covering the sterling balances accumulated by the sterling area and other countries prior to the date of such settlement. It was agreed that every effort will be made to secure the early completion of such arrangements on the basis set forth in the Financial Agreement. Inasmuch as the purpose of the line of credit granted under the Financial Agreement is to promote the development of multilateral trade and facilitate its early resumption on a nondiscriminatory basis, the Government of the United Kingdom agrees that any sterling balances released or otherwise available for current payment will, within one year from the effective date of the Financial Agreement, be freely available for current transactions in any currency area without discrimination.

Under the terms of the Joint Statement Regarding Settlement for Lend-Lease and Reciprocal Aid, Surplus War Property, and Claims the various claims between the two countries which have arisen out of lend-lease or otherwise out of the war were settled. The Joint Statement provides for the payment of \$650,000,000 by the United Kingdom in full settlement of such items. The settlement is payable over a 55-year period on the same terms as the terms of repayment of the line of credit agreed upon in the Financial Agreement.

Review of Business, Industrial, Agricultural and Financial Conditions.

DISTRICT SUMMARY

Consumer buying in this district has continued in exceedingly heavy volume. Sales at department stores during November increased seasonally and exceeded those in November last year by 12 per cent; a similar gain is indicated for December. Sales of furniture stores were about one-fifth higher than a year earlier. Petroleum production and refinery operations expanded substantially during November, with indications that petroleum production will rise further during December and January. Construction activity is apparently gaining momentum, but shortages of labor and materials have continued to retard operations. The open weather prevailing during November and early December enabled farmers to make rapid progress with harvesting operations, to complete the seeding of small grains, and to proceed with winter plowing. Range conditions declined seasonally during the past six weeks, and moisture is needed throughout the range territory to stimulate the growth of winter wheat, and winter feeds and grasses, and to replenish stock water. Livestock have suffered some shrinkage in the dry areas but elsewhere are in generally good condition.

BUSINESS

The unusually heavy volume of consumer purchases during recent weeks indicates that Christmas shopping is in record-breaking proportion. Sales at department stores in this district increased by about the usual seasonal amount from October to November and were 12 per cent about those in November last year. Sales of weekly reporting firms during the first half of December suggest that approximately the same margin of gain over a year ago will be maintained during December. Despite the rapid expansion in sales during recent months, the proportion of cash sales to total sales has been maintained above 50 per cent or about the same as was the case during the corresponding period last year. Collections on outstanding accounts have also been maintained at a high level, department stores having collected during October and November more than two-thirds of total accounts outstanding on the first of the respective months.

The high level of sales has continued to aggravate the inventory difficulties of department stores. Although the value of stocks of reporting stores at the end of November were 5 per cent higher than a year ago, there was a further decline of 4 per cent during the month and the distribution of stocks among the several departments became more unbalanced. Reports indicate that shortages are especially acute in men's and boy's wear, women's and children's shoes, piece goods, women's hosiery and women's underwear. At the end of November, stocks of these items ranged from 10 per cent to 22 per cent below those a year earlier. The situation with respect to inventories of consumer durable goods is also acute as department stores have made little progress in accumulating supplies of these products in view of relatively small volume being received and the heavy demand for the limited supplies entering retail trade channels. At the end of November, the value of stocks of such items as refrigerators, stoves, washing machines, and cleaners was about 10 per cent lower than in October and was only 25 per cent above the abnormally low level prevailing a year ago.

The demand for furniture continued brisk during November when the sales of reporting furniture stores in this district were at a level 5 per cent above those in the preceding month and 22 per cent above those in November last year. The furniture stores, however, are experiencing difficulties similar to those in other lines of trade, in obtaining merchandise and in accumulating stocks. The value of furniture stocks at reporting stores at the

close of November was 4 per cent lower than a month earlier, which is about the same level as a year ago. In an effort to relieve the shortage of medium and low-priced furniture, the Office of Price Administration announced on November 29 that it was preparing to permit manufacturers to increase present ceiling prices on those lines by amounts up to 20 per cent. This program, however, even if carried out, is not expected to relieve the shortage at retail outlets until early spring of 1946.

AGRICULTURE

The relatively dry, moderate weather prevailing over most of the Eleventh Federal Reserve District during November and the first half of December was favorable to harvesting operations and field work, but rain is needed in the commercial truck crop areas and in the range territory. The estimated cotton production was reduced further on December 1, with indicated production throughout the district substantially below that of last year except in the southern and irrigated western sections of Texas. The cattle feeding situation in the Southwest is unimproved since last month.

The December 1 estimate placed this year's cotton production in the United States at 9,195,000 bales, representing decreases of 173,000 bales from the November 1 estimate and of 3,035,000 bales under the 1944 harvest. The reduction in production from last year, which occurred in all cotton producing states except California, was due to the smaller acreage and lower per acre yield.

The final estimate of the Texas cotton crop placed 1945 production at 1,820,000 bales, or 60,000 bales lower than the November 1 estimate and 826,000 bales below production last year. The 6,000,000 acres harvested this year are the smallest since 1895 and production is the lowest since 1889. The decrease in production from a year ago occurred in all sections of the State

WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in				Stocks †	
		Net sales		Jan. 1 to Nov. 30, 1945 from 1944	November 1945 from 1944		
		November 1944	October 1945		November 1944	October 1945	
Department stores:							
Total 11th Dist.....	48	+12	+3	+13	+5	-4	
Dallas.....	5	+17	+2	+16	+6	-3	
Fort Worth.....	4	+11	+9	+12	+3	-5	
Houston.....	7	+9	+5	+6	+4	-1	
San Antonio.....	5	+18	+1	+23	+26	-6	
Shreveport, La.....	3	-†	-4	+5	...	...
Corpus Christi.....	4	+4	-1	+14	+6	+†	
Other cities.....	18	+5	+4	+9	-7	-4	
Retail furniture:							
Total 11th Dist.....	54	+22	+5	...	-†	-4	
Dallas.....	3	+29	+12	...	...	...
Houston.....	6	+18	+7	...	...	...
Port Arthur.....	3	+12	+7	...	...	...
San Antonio.....	3	+22	+9	...	...	...
Shreveport, La.....	3	+24	-3	...	-1	+1	
Wichita Falls.....	3	+37	+5	...	...	...
Wholesale trade:*							
Machinery, equip't and supplies.....	3	-2	-15	...	...	...
Automotive supplies.....	5	+28	-11	...	+29	-6	
Drugs.....	7	+17	+2	...	+12	-3	
Electrical supplies..	4	+95	+12	...	...	...
Groceries.....	28	+12	-5	+2	-4	+7	
Hardware.....	7	+13	-5	+9	+10	+4	

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

†Stocks at end of month.

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales—(1935-1939=100)							
	Unadjusted*				Adjusted			
	Nov. 1945	October 1945	Sept. 1945	Nov. 1944	Nov. 1945	October 1945	Sept. 1945	Nov. 1944
District.....	352	318	292	314r	288	289	278	258r
Dallas.....	357	323	303	303	295	294	263	264
Houston.....	334	300	269	307	276	273	226	252
	Stocks—(1935-1939=100)							
	Unadjusted*				Adjusted			
	Nov. 1945	October 1945	Sept. 1945	Nov. 1944	Nov. 1945	October 1945	Sept. 1945	Nov. 1944
District.....	202	218	237	189	189	193	212	177

*Unadjusted for seasonal variation.

r-Revised.

except in the western and Gulf Coast areas, but the most pronounced declines occurred in northwest Texas where drought conditions prevailed during the planting and growing seasons and in east Texas where excessive spring rains reduced the planted acreage and insect activity caused considerable damage. Production in Oklahoma is less than one-half that in 1944 and in Louisiana it is less than two-thirds of last year's harvest. Harvesting operations, which had been delayed earlier in the season, have made good progress in Texas and Oklahoma, but were delayed in northeast Louisiana during the month by wet weather.

Except for the brief cold waves and frosts on November 22-23 and December 5-6, which caused considerable damage to tender vegetables in some parts of the Winter Garden area, open weather and moderate temperatures have prevailed throughout the commercial vegetable area. Harvesting and other field work made good progress during the month but the non-irrigated districts suffered from a lack of moisture, which delayed plantings for later season production. In the irrigated districts progress has been made in transplanting onions, in planting the spring crop tomatoes and in preparation of the land for the early spring potato crop. Despite the increased acreage, the December 1 estimate of Texas cabbage production of 157,500 tons this season is 5 per cent below the previous season's harvest but is about 16 per cent above the 10-year average. While the indicated per acre yield of carrots is larger than that last season, prospective production of 2,862,000 bushels from the smaller acreage is about 16 per cent below last season's harvest. The early Irish potato crop in the lower Valley is in good condition, but the production estimate of only 48,000 bushels is about 40 per cent lower than last season due to the reduced acreage. The movement of the Texas spinach crop is well underway and the indicated production of 4,940,000 bushels is slightly lower than last season. Carrot movement of beans, peppers, mixed vegetables and tomatoes from the irrigated sections increased considerably during the latter part of November, averaging about 50 per cent higher than at this period last year.

Prospective production of Texas grapefruit and oranges was revised downward by 4 per cent and 6 per cent, respectively, in the December 1 forecast, reflecting the failure of the fruit to size properly after development had been retarded by dry weather earlier in the season. The poor sizing during recent weeks on account of continued high temperatures and dry weather has rendered it difficult for shippers to obtain sufficient volume of desirable sizes. Shipments of Texas grapefruit between October 1 and December 10 totaled 4,942 cars, or about the same as a year ago but shipments of 893 cars of oranges were only about one-half the movement in the same period last year.

The condition of ranges in Texas declined seasonally during November but on December 1 were better than average. In New Mexico the condition of ranges declined further during November and are considerably below conditions prevailing a year ago or the 20-year average. Supplies of cured grass are short in south and west Texas, some Panhandle areas and in New Mexico and Arizona, and virtually all the range territory of the district is in need of moisture to stimulate the growth of winter grains and winter feeds and grasses. Stock water supplies are also short in the dry areas. Livestock in the dry areas have suffered some shrinkage but elsewhere they are in generally good condition. A strong demand has existed for fat cattle and marketings have been fairly active. Sheep and lambs are going into the winter in generally good condition, but due to the lack of adequate pasturage in some areas prospects for wintering are only fair. Ranchers are showing increasing concern over the potential shortages of feed grains and protein concentrates.

Developments during November in the cattle feeding situation indicate that the number of cattle fed this year throughout the United States will be larger than last and may reach a record level, but feeding operations in Oklahoma, Texas and New Mexico are being reduced on account of the smaller supplies of sorghum grains and cottonseed, and the prospective shortages of wheat pastures. In Arizona, the reduction in pasture feeding more than offsets the increased number in feed lots.

According to the October issue of *The Livestock and Wool Situation* of the United States Department of Agriculture, slaughter trends in 1945 indicate that the number of cattle on farms in the United States on January 1, 1946 will be moderately below the 81,800,000 at the beginning of the year, and not greatly lower than the all-time peak of 82,400,000 on January 1, 1944, when the high point of the cattle numbers cycle was reached. In the south central area, composed of Louisiana, Texas, Arkansas and Oklahoma, the total number of cattle

CASH FARM INCOME (Thousands of dollars)

	September 1945		Sept. 1945	Sept. 1944	Total receipts Jan. 1 to Sept. 30	
	Crops	Livestock*			1945	1944
Arizona.....	2,372	3,735	6,107	3,899	97,157	91,148
Louisiana.....	20,416	5,929	26,345	26,687	122,953	119,561
New Mexico.....	3,757	5,875	9,632	7,973	56,922	49,264
Oklahoma.....	13,206	23,561	36,767	45,782	307,832	325,968
Texas.....	62,764	42,814	105,578	106,417	787,572	761,472
Total.....	102,515	81,914	184,429	190,758	1,372,436	1,347,413

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	Nov. 1945	Nov. 1944	October 1945	Nov. 1945	Nov. 1944	October 1945
Cattle.....	94,167	118,912	101,387	37,268	32,521	32,375
Calves.....	81,134	83,490	91,783	42,790	47,913	54,389
Hogs.....	41,207	56,627	12,560	6,812	14,383	5,084
Sheep.....	104,371	128,561	125,033	36,856	33,662	43,711

COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundred weight)

	Fort Worth			San Antonio		
	Nov. 1945	Nov. 1944	October 1945	Nov. 1945	Nov. 1944	October 1945
Beef Steers.....	\$16.85	\$15.00	\$15.25	\$16.00	\$13.00	\$15.50
Stocking steers.....	13.50	12.50	13.50	.....	.....	.....
Heifers and yearlings.....	16.00	15.00	15.25	15.00	13.00	14.00
Butcher cows.....	13.00	12.25	13.00	12.00	10.50	11.50
Calves.....	13.75	13.25	13.60	13.75	13.00	13.50
Hogs.....	14.65	14.55	14.65	14.65	14.55	14.65
Lambs.....	14.10	13.75	13.00	12.00	12.00	11.75

TEXAS—COTTON PRODUCTION BY CROP REPORTING DISTRICTS (Thousands of 500-pound gross weight bales)

District	Forecast		10-year average 1934-1943
	Dec. 1, 1945	1944	
1-N. North High Plains.....	16	41	56
1-S. South High Plains.....	105	540	434
2. Permian Plains.....	390	554	531
3. North Central.....	17	41	63
4. Northern Texas Prairies.....	610	684	840
5. East Texas.....	112	204	440
6. Trans-Pecos.....	85	78	68
7. Edwards Plateau.....	25	34	59
8. Southern Texas Prairies.....	225	233	361
9. Coastal Prairies.....	100	94	137
10. South Texas.....	135	143	123
Total.....	1,820	2,646	3,112

SOURCE: United States Department of Agriculture, Bureau of Agricultural Economics.

TEXAS—COTTON ACREAGE HARVESTED AND YIELD PER ACRE BY CROP REPORTING DISTRICTS

District	Harvested acres		Yield per harvested acre	
	1945 (Thousand acres)	1944 (Thousand acres)	1945 (Pounds)	1944 (Pounds)
1-N. North High Plains.....	55	104	140	189
1-S. South High Plains.....	385	1,108	131	234
2. Permian Plains.....	1,390	1,472	135	181
3. North Central.....	90	154	91	126
4. Northern Texas Prairies.....	2,100	2,083	139	158
5. East Texas.....	600	728	90	135
6. Trans-Pecos.....	85	87	480	426
7. Edwards Plateau.....	90	129	133	125
8. Southern Texas Prairies.....	630	751	171	149
9. Coastal Prairies.....	265	245	181	184
10. South Texas.....	310	324	209	213
State.....	6,000	7,185	146	177

SOURCE: United States Department of Agriculture, Bureau of Agricultural Economics.

at the beginning of 1945 was 19,000,000 head, including 10,-600,000 head of beef cattle. If allowance is made for the small prospective decline, the total number of cattle on farms on January 1, 1946 will be about 16 per cent above the 1935-39 average, a period in which the number on farms was being reduced substantially.

In the past, after the peak of the cattle numbers cycle had been reached and cattle numbers were being reduced, the rate of slaughter continued large for several years. Therefore, it is expected that the output of beef and veal probably will continue at a high level in 1946 and 1947 and cattle numbers will decline for several years. An unusually large marketing of fed cattle is indicated during the first part of 1946 because of the very large number of cattle now in feed lots, the record high prices paid for these cattle, high feed prices and shortages of high protein feeds and the greater than usual uncertainty as to future fat cattle prices. However, this report also stated that the demand for better grades of beef is likely to continue exceptionally strong in 1946 if incomes remain high and expenditures for food are not much less than in 1945. If ceiling prices are removed in the near future, prices of better grades of beef cattle might advance, but the substantial cut in the canned meat program of the armed services might cause the price of lower grade beef to weaken. This latter factor, together with the removal of subsidy payments by mid-summer of 1946, might lower the returns to producers of beef cattle next year unless the demand, after the removal of price ceilings, should be strong enough to offset the price depressing factors.

Sheep numbers in the United States at the end of 1945 are likely to be at the lowest level since the late 1920's, according to the report of the United States Department of Agriculture. The record slaughter of ewes during the first eight months of this year and the saving of comparatively small numbers of ewe lambs are expected to reduce the number of sheep at the end of this year well below the 47,900,000 head on January 1, 1945. This reduction would bring the number to a level of 20 to 25 per cent below the peak on January 1, 1942. The uncertainty as to future wool prices is also expected to continue to limit any increases in sheep numbers. The prospective small production of lamb and mutton in the next few years relative to production of other meats indicates that lamb prices will remain high relative to the price of other meats. If direct subsidy payments to producers are continued, it is expected that prices will decline less than seasonally during the summer and early fall of 1946.

The price report of the United States Department of Agriculture on November 15 showed steady to slightly higher prices for all major Texas farm commodities with the exception of citrus fruits. Wheat, rice, cotton and potato prices remained the same as a month earlier while orange and grapefruit prices underwent a marked decline and prices of other commodities rose slightly.

FINANCE

Subscriptions to Government securities offered during the Victory Loan Drive were in exceedingly large volume, total sales on a National basis having reached approximately \$20,000,000,-

CONDITION OF THE FEDERAL RESERVE BANK

(Thousands of dollars)

	Dec. 15, 1945	Dec. 15, 1944	Nov. 15, 1945
Total cash reserves.....	\$503,136	\$542,319	\$495,561
Discounts for member banks.....	None	303	200
Foreign loans on gold.....	1,410	None	1,410
U. S. Government securities.....	909,500	663,169	910,980
Total earning assets.....	910,910	663,472	912,570
Member bank reserve deposits.....	755,561	620,709	749,420
Federal Reserve Notes in actual circulation.....	624,843	540,892	623,622

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS

IN LEADING CITIES

(Thousands of dollars)

	Dec. 12, 1945	Dec. 13, 1944	Nov. 14, 1945
Total loans and investments.....	\$2,198,923	\$1,668,823	\$1,978,386
Total loans.....	666,590	413,402	527,185
Commercial, industrial, and agricultural loans.....	358,553	269,577	323,701
Loans to brokers and dealers in securities.....	5,994	3,301	6,448
Other loans for purchasing or carrying securities.....	200,493	68,618	102,829
Real estate loans.....	27,600	21,486	27,023
Loans to banks.....	1,317	128	308
All other loans.....	72,633	50,292	66,786
Total investments.....	1,532,333	1,255,421	1,451,201
U. S. Treasury bills.....	96,138	85,250	76,373
U. S. Treasury certificates of indebtedness.....	441,875	323,325	402,919
U. S. Treasury notes.....	281,566	273,364	293,354
U. S. Government bonds.....	655,086	508,671	620,352
Obligations guaranteed by United States Gov't.....	263	20,321	893
Other securities.....	57,405	44,490	57,340
Reserves with Federal Reserve Bank.....	401,517	352,857	405,634
Balances with domestic banks.....	261,156	232,712	257,604
Demand deposits—adjusted*.....	1,346,350	1,137,549	1,389,725
Time deposits.....	279,632	209,917	279,167
United States Government deposits.....	493,416	277,596	244,362
Interbank deposits.....	660,335	560,196	646,434
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)

	November 1945	November 1944	Pctg. change over year	October 1945	Pctg. change over month
Abilene.....	\$ 21,501	\$ 20,880	+3	\$ 19,240	+12
Amarillo.....	51,015	45,889	+11	49,790	+2
Austin.....	71,234	58,285	+22	74,394	+4
Beaumont.....	59,563	57,273	+4	57,079	+4
Corpus Christi.....	59,287	56,322	+5	57,066	+4
Corsicana.....	8,566	6,908	+24	7,771	+10
Dallas.....	581,769	559,064	+4	549,922	+6
El Paso.....	84,342	64,814	+30	72,674	+16
Fort Worth.....	228,556	203,314	+12	203,893	+12
Galveston.....	44,559	44,148	+1	44,587	+1
Houston.....	595,625	541,686	+10	553,412	+8
Lubbock.....	11,859	11,700	+1	11,696	+1
Lubbock.....	37,972	34,536	+9	31,037	+22
Monroe, La.....	22,781	20,229	+13	22,727	+1
Port Arthur.....	21,534	23,311	-8	18,947	+14
Roswell, N. M.....	11,616	9,573	+21	9,914	+17
San Angelo.....	21,094	16,098	+31	19,483	+8
San Antonio.....	181,685	142,183	+28	169,360	+7
Shreveport, La.....	88,089	85,050	+4	79,439	+11
Texarkana*.....	20,912	22,549	-7	18,834	+11
Tucson, Ariz.....	37,534	29,278	+29	34,747	+9
Tyler.....	28,655	22,878	+25	30,510	+6
Waco.....	35,277	31,893	+11	36,125	+2
Wichita Falls.....	38,101	28,275	+35	34,592	+10
Total—24 cities.....	\$2,363,426	\$2,136,436	+11	\$2,207,239	+7

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

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

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

(Average daily figures—Thousands of dollars)

	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
November 1943.....	\$3,289,108	\$255,839	\$1,750,074	\$153,980	\$1,539,034	\$101,859
November 1944.....	3,844,475	333,153	1,977,295	210,317	1,867,180	122,841
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
September 1945.....	4,518,798	438,792	2,276,265	281,535	2,242,533	157,257
October 1945.....	4,562,119	438,196	2,290,933	278,991	2,271,186	159,205
November 1945.....	4,824,008	444,663	2,441,944	284,172	2,382,064	160,491

SAVINGS DEPOSITS

	Number reporting banks	November 30, 1945		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Nov. 30, 1944	Oct. 31, 1945
Beaumont.....	3	12,359	\$ 7,484,786	+24.1	+ .7
Dallas.....	8	128,883	65,799,640	+34.6	+ 1.1
El Paso.....	2	26,803	20,196,976	+36.3	+ .7
Fort Worth.....	3	39,105	30,277,989	+33.6	+ 1.3
Galveston.....	4	23,068	18,777,434	+19.5	+ .1
Houston.....	9	92,316	62,240,321	+24.8	+ .6
Lubbock.....	2	852	724,184	+30.5	+ 1.7
Port Arthur.....	2	5,673	5,261,265	+26.6	+ 1.1
San Antonio.....	5	34,660	39,718,598	+31.7	+ 1.3
Shreveport, La.....	3	32,334	24,358,178	+33.2	+ .9
Waco.....	3	8,961	8,324,541	+35.6	+ .7
Wichita Falls.....	3	7,070	4,781,299	+20.2	+ .1
All other.....	57	58,132	46,472,067	+28.5	+ .8
Total.....	104	468,216	\$334,423,868	+29.9	+ .9

000 by December 20, or nearly double the \$11,000,000,000 goal. In Texas, the total amounted to \$628,000,000 or more than twice the State quota. The huge volume of financial transactions associated with the drive continued to exert a strong influence upon changes in the resources and liabilities of banking institutions within the district.

In recent weeks, the expansion in the gross demand and time deposits of member banks has been accelerated greatly, and in the last half of November averaged \$5,372,000,000 or \$343,000,000 higher than a month earlier and \$1,167,000,000 greater than a year ago. Coincident with the deposit expansion, member banks increased their reserve balances with the Federal Reserve Bank and their balances with correspondents to new high levels. During the first half of December, reserve balances averaged \$746,000,000, representing increases of \$11,000,000 over the average in November and of \$33,000,000 over that in October. Required reserves continued to increase during November but declined considerably during the first half of December when the large volume of funds withdrawn by customers to pay for securities purchased during the Victory Loan Drive was credited to the reserve-free war loan accounts of the Treasury.

The expansion in the circulation of Federal Reserve notes of this bank was at a greatly diminished rate during the past thirty days. Although there is usually a heavy demand for currency during the Christmas buying season, the increase in Federal Reserve circulation amounted to only \$1,200,000 between November 15 and December 15. The diminished rate of expansion has been in evidence since August and it is probable that the use of currency to purchase Government securities during the drive has held down the net currency expansion in recent weeks.

The deposits of weekly reporting member banks in this district showed a further sharp rise of \$220,000,000 between November 14 and December 12, bringing total deposits on the latter date to a new high level of \$2,780,000,000. The net expansion in deposits during the six weeks of the Victory Loan Drive amounted to approximately \$341,000,000, which was substantially larger than during any preceding war loan drive. Although interbank deposits have increased sharply, the major expansion has been in Government deposits, consisting chiefly of war loan balances of the Treasury. On December 12, these deposits totaled \$493,000,000 which was nearly \$100,000,000 above the previous peak reached during the Seventh War Loan Drive. The deposits of individuals, partnerships and corporations showed little net change during the drive, indicating that the withdrawals of funds by customers to pay for securities purchased during the drive were counterbalanced by the flow to the banks of other deposits resulting chiefly from loan and investment transactions, Government expenditures in this area and transfers of funds from outside sources.

The loans of these banks, which rose \$139,400,000 during the four weeks, reached a new peak of \$666,600,000 on December 12. This amount was \$253,200,000, or 62 per cent, higher than on the corresponding date last year. During the period between November 14 and December 12, the major expansion took place in loans to others than brokers and dealers for security trading, but sizeable increases occurred in commercial, industrial and agricultural loans and in "all other" loans. The investments of reporting banks increased by \$81,100,000 during the four weeks. The largest expansion, amounting to \$39,000,000, was in certificates of indebtedness, although holdings of Treasury bonds

rose \$34,700,000 and those of Treasury bills by \$19,800,000. On the other hand, holdings of Treasury notes declined \$11,800,000, reflecting chiefly the Treasury refunding on December 1 of the issue maturing on December 15 into certificates of indebtedness. On December 12, holdings of certificates of indebtedness and Treasury bonds were at new peaks and holdings of Treasury bills were at the highest level in more than a year.

INDUSTRY

During the war period, manufacturing facilities in this district were greatly expanded and involved an expenditure of approximately \$1,500,000,000 for buildings and equipment which represented about 7 per cent of total expenditures of \$21,000,000,000 for such facilities throughout the nation. In this district, the Government-owned facilities were constructed at a cost of about \$1,150,000,000, or 77 per cent of the total cost of newly constructed facilities. The extent of the expansion in the several industries is indicated by the following data on expenditures by major industry groups:

Total All Plants.....	\$1,467,000,000
Chemical and Petroleum Products.....	816,000,000
Explosives and Loading.....	149,000,000
Aircraft	127,000,000
Iron and Steel.....	76,000,000
Shipbuilding	53,000,000
Ordnance	52,000,000
Other Manufacturing.....	36,000,000
Unapportioned	158,000,000

In line with developments throughout the United States, considerable progress has been made in recent weeks toward the disposition or utilization of these plants. Some plants have been sold to private companies and others have been leased for operation by private industry. In addition, eight plants of medium to large size are being utilized by the wartime operators on an interim lease basis. On November 30, the Reconstruction Finance Corporation was negotiating for the sale or lease of all or part of one aviation gasoline plant, one butadiene plant, six

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to November 30 This season	Last season	August 1 to November 30 This season	Last season
Cottonseed received at mills (tons).....	514,131	694,887	2,321,892	3,328,567
Cottonseed crushed (tons)....	346,107	346,281	1,481,402	1,593,926
Cottonseed on hand Nov. 30 (tons).....	252,223	380,252	1,058,838	1,852,897
Production of products:				
Crude oil (thousand lbs.)....	104,684	102,847	460,323	485,625
Cake and meal (tons).....	100,895	162,777	655,403	726,897
Hulls (tons).....	79,316	80,560	349,715	367,844
Linters (running bales).....	108,388	107,011	445,802	462,614
Stocks on hand Nov. 30:				
Crude oil (thousand lbs.)....	12,299	15,492	48,664	67,831
Cake and meal (tons).....	15,556	28,390	52,741	74,347
Hulls (tons).....	27,450	24,288	66,973	50,963
Linters (running bales).....	26,005	33,710	107,584	116,610

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	November 1945	November 1944	October 1945	August 1 to November 30 This season Last season	
Consumption at:					
Texas mills.....	15,775	15,084	15,666	63,511	63,418
United States mills.....	743,450	836,438	759,806	2,944,067	3,261,577
U. S. stocks—end of month:					
In consuming establm'ts...	2,202,498	2,208,291	.....	.....	.....
Public stg. & compresses...	10,623,198	13,174,894	.....	.....	.....

chemical facilities, one magnesium plant, four ordnance works, one lumber products mill, one metal working plant and three plants in the iron and steel industry.

Announcements made during December relative to synthetic rubber and magnesium are of significance to this area. The Office of Rubber Reserve announced that all plants producing butadiene from grain alcohol were being closed because of excessive costs as compared with petroleum base butadiene plants. While two high cost butadiene plants in this area are to be closed, this district will continue as the major source of petroleum base butadiene for use in the production of synthetic rubber. Although recommending that several magnesium plants throughout the country be taken out of production, the Surplus Property Administration has reported that two plants on the Texas Gulf Coast have the lowest unit production cost in the United States; and stated that these two plants could supply the national demand for magnesium.

From available information, it appears that employment in civilian activities in this district is expanding considerably. Although employment at some of the former war plants is declining as existing contracts are completed or the volume of operations is reduced, the number of employees released from these plants is relatively small. Large numbers of workers are finding temporary employment in retail establishments. According to the United States Employment Service, the number of unemployed workers in Texas had risen to nearly 100,000 in November. The employment problem in the State is becoming more acute because of the rapid increase in the number of former servicemen seeking jobs. The size of the problem is indicated by the fact that the total number of servicemen returning to the State during November was estimated to exceed 100,000 persons. Although there is still considerable dissatisfaction among unemployed workers regarding wage scales of available jobs, the rate of job acceptance has been accelerated. In consequence, the number of job openings has shown a decline. The United States Employment Service reports that about 50 per cent of the job openings now exist in unskilled occupations, and that job openings are more numerous in those cities having the largest supply of unemployed workers.

Petroleum production in this district during November recovered sharply from the low level reached in October. Daily average production during the month rose to 2,053,000 barrels which was 352,000 barrels, or 21 per cent, greater than in the preceding month and only 11 per cent below the high level of production in November 1944. The increased production in this district accounted for most of the expansion in United States production. Production during December is running at a higher rate than in November and the Texas Railroad Commission has made a further upward revision in production allowances for Texas in January. Although crude oil runs to refinery stills in this district have declined slightly from the high level reached late in October, daily average runs during November amounted to 1,427,000 barrels which was 27 per cent higher than the October average and only moderately below the peak rate in August this year. The higher refinery operations in this district have been chiefly responsible for the expansion throughout the United States where operations are being maintained at a high level in order to supply the strong demand for fuel oils.

Despite the expansion in petroleum production, stocks of crude oil in this district have shown a steady downward trend; on December 1, the total amounted to 114,666,000 barrels, which was 5 per cent below that a year ago and with one exception the lowest in more than two years. The recent decline in

crude oil stocks in this district contrasts with a slight increase in stocks outside this district.

Drilling activity in the Eleventh District, as measured by the daily average number of well completions, increased slightly in November to 23.6 wells, or only fractionally lower than the $3\frac{1}{2}$ years peak of 24.0 wells per day completed in April 1945. As compared with November last year, the November rate of completions in this district was 18 per cent higher as against a 5 per cent gain in the area outside the district.

Consumption of cotton at United States mills declined slightly to 743,500 bales during November; however, on a daily average basis consumption was 3 per cent greater than during October but 11 per cent smaller than November 1944. Stocks of cotton at mills in the United States increased by less than 300,000 bales during November; as a result, total mill stocks of 2,202,000 bales on November 30 were the smallest for that date since 1940. Stocks of cotton held in public storage and compresses on November 30 totaled 13,175,000 bales, which was virtually unchanged from a year earlier and about 2 per cent larger than the same date 1943.

The urgency of housing needs in the United States is re-emphasized by the President's plan to channel construction materials into this field by a modified reapplication of wartime priorities. Proposed plans would allocate fixed percentages of specific material to home building operations. Low-cost housing would be given precedence over more expensive types by the channeling of approximately 50 per cent of all construction supplies into units costing not more than \$10,000 each. Meanwhile, Government efforts are being increased to encourage a more rapid expansion in the production of key materials. An upward adjustment in the ceiling prices for Southern pine lumber at mill level was announced recently. Ceiling prices are being increased generally 4.7 per cent, or an average of \$2.25 per thousand board feet. For small mills without a planer authorized increases averaged \$5.00 per thousand.

CRUDE OIL PRODUCTION—(Barrels)

	November 1945		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Nov. 1944	October 1945
North Texas.....	6,833,100	227,770	— 17,713	+ 12,628
West Texas.....	13,626,600	454,220	— 20,810	+103,134
East Texas.....	13,278,600	442,620	— 70,360	+ 77,501
South Texas.....	8,951,100	298,370	— 47,997	+ 53,717
Texas Coastal.....	13,824,000	460,800	— 91,707	+105,218
Total Texas.....	56,513,400	1,883,780	—248,587	+352,198
New Mexico.....	2,826,350	94,212	— 10,656	+ 4,314
North Louisiana.....	2,238,800	74,626	+ 2,298	+ 4,050
Total District.....	61,578,550	2,052,618	—256,945	+351,934

SOURCE: Estimated from American Petroleum Institute weekly reports.

BUILDING PERMITS

	November 1945		Percentage change valuation from		Jan. 1 to Nov. 30, 1945		Percentage change valuation from 1944
	No.	Valuation	Nov. 1944	Oct. 1945	No.	Valuation	
Abilene.....	49	\$ 166,340	*	+270	196	\$ 784,353	+133
Amarillo.....	169	723,720	+392	+ 50	1,212	3,054,373	+152
Austin.....	314	1,258,333	*	+ 85	1,768	4,044,022	+506
Beaumont.....	209	176,145	+267	— 11	1,864	1,676,341	+110
Corpus Christi.....	221	816,917	+436	+ 70	2,023	3,949,928	+104
Dallas.....	1,018	2,412,173	+517	+ 13	8,360	13,235,914	+ 93
El Paso.....	157	242,870	+404	— 10	923	1,513,288	+ 14
Fort Worth.....	449	1,139,135	+312	+ 13	3,745	7,291,525	+128
Galveston.....	87	76,465	+212	— 6	732	1,290,669	+ 33
Houston.....	525	2,525,358	+394	+ 38	4,172	23,571,553	+169
Lubbock.....	213	474,706	+503	+ 16	1,602	2,670,752	+159
Port Arthur.....	130	165,415	+712	+ 93	1,037	769,868	+167
San Antonio.....	1,201	1,628,090	+298	+ 18	9,812	7,703,531	+ 80
Shreveport, La.....	172	177,377	— 17	— 63	2,333	2,484,162	+ 80
Waco.....	72	137,892	+186	+ 1	894	1,643,657	+ 29
Wichita Falls.....	84	122,639	+403	+ 30	516	653,256	+155
Total.....	5,070	\$12,243,575	+398	+ 25	41,189	\$70,337,192	+121

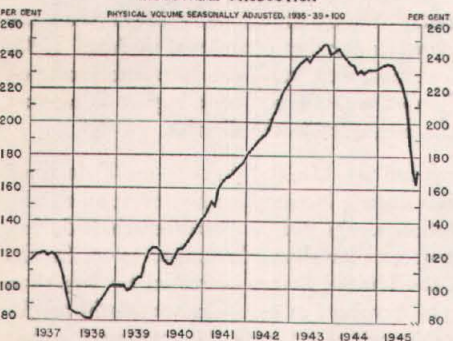
*Over 1,000 per cent.

JANUARY 1, 1946

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 November, 1945.

Output at factories and mines increased considerably in November and activity continued to expand in most other lines. Value of retail sales reached new record rates in November and the early part of December reflecting in part further increases in prices.

INDUSTRIAL PRODUCTION

Output in most industries showed important gains in November and the Board's index of industrial production advanced about 5 per cent. The index, at a level of 171 per cent of the 1935-39 average, was about the same as in September and in the autumn of 1941. Output for civilian use in November, especially of fuels, industrial materials, and producers' equipment, was larger than in those earlier periods. Production for civilians of many finished consumer products, however, like automobiles, radios, clothing, and shoes, while much higher in November than in September, was still greatly reduced from 1941 levels.

Steel production showed a large rise during November and in the first three weeks of December output was scheduled at an average rate of 83 per cent of capacity, which was higher than the November average. Activity at shipyards continued to decline considerably in November but increases occurred in most other metal fabricating industries. Further increases in output were indicated in plants producing electrical products and machinery and in the railroad equipment and automobile parts and assembly industries. Automobile production, however, was curtailed sharply in the last week of November and the first half of December by a strike in the plants of a major producer.

Lumber and glass production were at low levels in November owing partly also to industrial disputes. In the case of lumber, however, output in recent months before the West Coast strikes was below 1939 levels and one-third less than the rate in 1941.

Production of most nondurable manufactures and of fuels increased from October to November reflecting increased supplies of materials and labor and the end of work stoppages in the petroleum and coal industries as well as strong demand generally for these and most other goods for civilian use.

Incomes received by agriculture, business, and consumers appear to have continued to rise in November as a result of the widespread increases in production and employment and further rises in prices and wage rates. Payments to unemployed industrial workers and veterans also increased somewhat in November.

Employment in nonagricultural establishments rose by over 300,000 workers in November, after allowing for seasonal changes, reflecting increases in all major lines except Federal war agencies. A further decline of about 100,000 workers in munitions industries was more than offset by gains in employment in other manufacturing industries, mostly in reconverted metal-products plants. Employment in the trades and services, construction, and various other lines showed relatively larger increases than in manufacturing.

DISTRIBUTION

Department store sales increased sharply in November and the Board's seasonally adjusted index rose to a record level of 228 per cent of the 1935-39 average as compared with 213 in October. November sales were 11 per cent larger than last year and in the first half of December sales continued to show about the same increase. Sales at some other types of retail stores, especially those selling automotive supplies, men's apparel, furniture, building materials, and hardware, have recently shown much larger increases than department stores, while sales of foods and various other products have shown somewhat smaller increases.

Shipments of most classes of railroad revenue freight showed less decline than is usual in November and the early part of December and were only 4 per cent below last year's high level. Carloadings of agricultural commodities and l.c.l. merchandise were considerably above last year's level.

COMMODITY PRICES

Wholesale prices of most groups of commodities increased from the early part of November to the middle of December. With most farm products at ceiling levels, advances in prices of these products were smaller than in September and October. Ceiling prices were raised for newsprint, textile fabrics, building materials, and various other industrial products, but a general increase in steel prices was turned down.

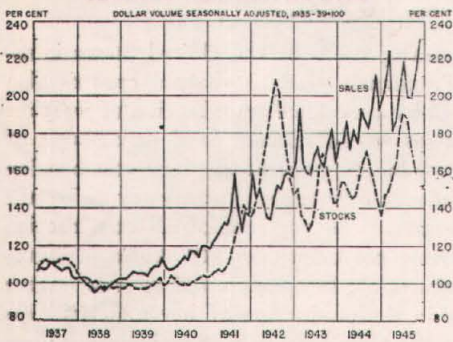
BANK CREDIT

Loans and investments at banks in 101 leading cities increased by over 7 billion dollars during the six weeks ended December 12; this period covered the major part of the Victory Loan Drive. Government security holdings increased by 3.7 billion dollars—a somewhat smaller rise than had occurred in the three prior drives. Loans for purchasing or carrying Government securities rose by 2.5 billion dollars, and at their mid-December levels loans both to brokers and dealers and to other bank customers slightly exceeded the high points of the previous drives. Commercial and industrial loans, which had been expanding since early fall, rose by an additional 800 million dollars during the six-week period. The increase in commercial credit extension has been at a rate substantially greater than at any time in recent years.

As payments for security purchases transferred funds from deposits of businesses and individuals to reserve-exempt war loan accounts, the average level of required reserves at all member banks declined by around 500 million dollars during the first half of December. Early in the month, excess reserves rose to above 1.5 billion dollars on a weekly average basis. Subsequently, however, excess reserves declined somewhat, as the amount of War Loan deposits at many banks reached the maximum limits and banks turned over to the Treasury current receipts from sales of Government securities.

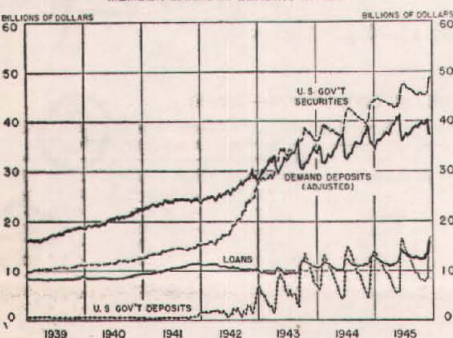
Currency overflow has continued at a slackened rate compared with wartime years; money in circulation increased by close to 350 million dollars during the six weeks ended December 12 compared with over 750 million in the 1944 period. On a seasonally adjusted basis, currency outflow has recently been at the lowest rate since the early part of 1941.

DEPARTMENT STORE SALES AND STOCKS



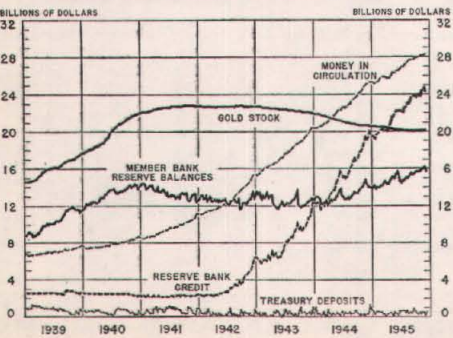
Federal Reserve indexes. Monthly figures, latest shown are for November, 1945.

MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for December 12, 1945.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, latest shown are for December 12, 1945.