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UNITED STATES SAVINGS BONDS— THEIR INVESTMENT MERITS AND ECONOMIC SIGNIFICANCE

November 11 through December 7 will be the period of the NOVEMBER PROMOTION during which the Treasury, supported by banks, the radio and press, business firms, and others, will re-emphasize the importance to individuals of continuing to buy and to hold United States savings bonds. This article is presented by the Federal Reserve Bank of Dallas in support of the purposes and objectives of the NOVEMBER PROMOTION.

The sales of United States savings bonds to individual investors provided a significant portion of the funds for financing the most costly war in history. Since May 1941, when Series E, F, and G bonds were placed on sale, the public has invested approximately sixty billion dollars in these securities, of which more than forty-five billion dollars in bonds are still in the hands of the original purchasers.

The raising of this huge sum of money involved the sale of more than one billion individual bonds to more than eighty-five million people. That individuals of small means participated extensively in this financing program is indicated by the fact that about one-fourth of total sales, or fourteen billion dollars, was in bonds of the \$25 denomination.

During 1943 and 1944, when the number of people engaged in remunerative employment and in the armed services was exceptionally large, more than twenty-six million individuals were buying savings bonds regularly through pay roll savings plans and an exceptionally large number of others, such as farmers, individual proprietors, day laborers, household servants, and other individuals who did not have access to pay roll savings plans, were buying bonds regularly or as their earnings permitted. Moreover, during war loan drives most of these individuals purchased additional bonds out of their current earnings.

A sober reflection upon this huge financing program leads to the inevitable conclusion that it was an outstanding success unequalled by any nation in any period. One also concludes that its success was made possible only by the willingness of the people to exert their utmost effort to win the war and to utilize a significant portion of their earnings to assist in financing it. It was natural that after V-J Day, when war workers were adjusting to peacetime employment, when soldiers were being demobilized, when individuals once more centered their attention upon the acquisition of new homes and durable consumer goods, and when the patriotic urge to buy bonds diminished, the aggregate monthly sales of savings bonds should decline. It is significant, however, that the decrease in war bond purchases was much less pronounced than was generally anticipated and somewhat smaller than the decrease experienced in the rate of liquid savings. During the first half of 1946 the annual rate of liquid savings of individuals was about 60 per cent lower than the peak in 1944, whereas the decline in purchases of savings bonds was only about 50 per cent.

This generally favorable picture might have been better had it not been for the occurrence of a number of developments which were a natural outgrowth of the end of the war. As might have been expected, some business establishments discontinued pay roll savings plans or permitted interest in them to wane, many employees who shifted their employment did not bother to authorize salary deductions with new employers, and numerous people, feeling a new freedom following the termination of the war, had an urge to spend their earnings in the purchase of consumer goods.

At the same time, redemptions of savings bonds have increased substantially, with the result that the reduced volume of sales during the past year has exceeded redemptions by only about two billion two hundred million dollars. It is probable that a substantial portion of the redemptions had their inception in the economic needs of the individual owners of the bonds, but it is likewise true that many owners have redeemed their bonds to satisfy temporary desires without realizing the financial loss they were sustaining or the ill effects upon the economic system of the proceeds of the bonds redeemed.

The Promotional Campaign

During the period from Armistice Day, November 11, through Pearl Harbor Day, December 7, the United States Treasury, aided by the state directors of the Savings Bond Division, their county and local organizations, newspapers, magazine publishers, radio stations, business concerns, and public spirited individuals deeply interested in national welfare, will carry on a promotional campaign to maintain public interest in buying and holding United States savings bonds. Although one of the objectives of the campaign is to assure the sale of eight billion dollars of savings bonds during 1946, the campaign has a much more far-reaching significance. The Treasury does not need at this time to sell securities to finance its operations. In fact, the Treasury thus far this year has redeemed out of its cash balance nearly twenty billion dollars of outstanding marketable Government securities held largely by the banking system. The funds raised through the sale of savings bonds will be used to retire additional securities held by the banks.

The primary objective of the campaign is to create an awareness on the part of the public of the economic significance of purchasing and holding savings bonds and to stimulate the interest of all groups in contributing to the soundness of the economic system through consistent purchases and widespread ownership of savings bonds.

Another objective of the campaign is to encourage business establishments to maintain and promote pay roll savings plans. Following the close of the war, many business concerns, feeling that the financing of the war had been completed, discontinued the pay roll savings plans without realizing the ill effects of such action. Many other concerns who kept the pay roll savings plans discontinued promotional work, with the result that monthly deductions declined and the number participating in the plan showed a large decrease. This situation was aggravated by the widespread shifting of employees from one job to another and the general loss of interest in regular savings. During the campaign special efforts will be made to induce firms that have discontinued pay roll savings plans to reinstate them and to encourage all employers with such plans to follow the policy of keeping before the employees the merits of regular purchases of savings bonds. In numerous instances where promotional work has been carried on in recent months, it has been found that employees willingly and readily authorized deductions when the merits of such a course were brought to their attention.

A third objective of the campaign is to induce farmers to invest a portion of their large cash income in savings bonds during the crop marketing season. The farmers during the war period made heavy purchases of savings bonds, but it is especially important that they make large additional purchases at this time. During the current year farmers are realizing a large cash income from the sale of record crops at high prices. In view of this large income, together with the scarcity of virtually all types of farm equipment, farmers might find it advantageous to build up a large backlog of savings against the time when the equipment will be more plentiful and when they may be confronted with the necessity of making readjustments on account of reduced demand for and the lower prices of their products.

A fourth objective is to highlight the merits of accumulating a backlog of savings bonds as a matter of individual self-interest. Few individuals are able to escape reverses of one kind or another which call for the expenditure of substantial sums. In this period of high incomes and scarcity of

quality goods, it behooves each individual to put forth extra effort to save a portion of his income as a protection against illness, loss of employment, or other adverse circumstances, as well as a means of providing ready cash to purchase essentials for more comfortable living when better quality merchandise becomes available and prices return to more normal levels. Savings bonds provide a most desirable medium for investing these funds and assuring their growth in value.

A fifth objective is to encourage owners of savings bonds to retain their holdings until maturity, thereby gaining maximum value from their investments and easing the problems of the Treasury in the management of the debt. It is important that investors in savings bonds, many of whom became investors for the first time during the war period, recognize the value of their investment and its importance to the economic system. Many small investors may feel that their holdings are of little consequence, yet when it is realized that more than half of the people hold savings bonds, the importance of the aggregate of these small investments becomes apparent. During the campaign information regarding the importance and significance of these small holdings will be brought to the attention of the investor. The importance of the campaign to the welfare of the country is recognized by leaders in every village and hamlet. Bankers, businessmen, newspapers, magazines, radio stations, and individuals are organizing throughout the country to promote the campaign and to bring to the attention of the public the merits of buying and holding savings bonds as one means of protecting the future of the country.

Characteristics of Savings Bonds

During the war period, United States savings bonds were designated as Defense Savings Bonds, War Savings Bonds, and Victory Savings Bonds and were sold in such large volume to so many people that they became associated with war finance. It should be remembered, however, that these bonds were not instituted as a new form of security designed for war financing, but represented the extension of a type of financing already being practiced.

The first series of United States savings bonds was first offered to the public in March 1935 and was instituted for its specific appeal to the small investor. During the subsequent six years these securities grew in popularity, and small investors in greater numbers turned to the savings bond as their principal medium of investment. Although the maximum amount which any investor could purchase in any one year was limited to ten thousand dollars maturity value, a total of four billion dollars of these bonds was sold from March 1, 1935 to April 30, 1941.

On May 1, 1941, the Treasury placed on sale three new series, namely, Series E, F, and G savings bonds, each of which serves a specific purpose and appeals to different types of investors.

The sale of Series E bonds is limited to individual investors. There is also a limitation of five thousand dollars maturity value, or three thousand seven hundred fifty dollars cost price, of bonds issued during a calendar year to and held by any one person, including bonds issued to that person individually or to him with another person as co-owner. In computing holdings, however, the amount of bonds issued to co-owners may be applied to either of the co-owners or apportioned between them. The bond is sold on a discount basis and becomes more valuable each year it is held. There is special inducement for the holder to retain the security until maturity because the rate of interest accrual accelerates as the bond approaches maturity, and, if held to maturity, yields 2.90 per cent.

The Series F and Series G bonds were designed to appeal more to the individual with larger sums to invest and to the institutional investor. A total of one hundred thousand dollars may be invested by each investor each year in either of these series or in a combination of the two series. The Series F bonds are sold on a discount basis and have characteristics similar to the Series E bonds, although the discount is slightly greater and the maturity runs twelve years, yielding 2.53 per cent to maturity.

The Series G bond is sold at par, has a maturity of twelve years, and a rate of $2\frac{1}{2}$ per cent per annum on the purchase price. In the event of redemption prior to maturity, they are redeemed at a stated amount below par so that the actual return closely approximates that on the Series F bonds. The Series G bonds are very popular for certain types of investors, particularly those who require the receipt of interest currently on their investment and individuals and corporations who have the responsibility of investing trust funds. Moreover, in the event of death of the holder, the bond may be redeemed at par.

The Series E, F, and G bonds, in addition to being the safest investment in the country, provide unusual flexibility in assisting the investor to meet his requirements. Some of the flexible features of the bonds are set forth below:

a. First of all, the investor can buy any amount of savings bonds at any time within the limitations specified above. Bonds of the various series are offered in the following denominations:

Series E—\$25, \$50, \$100, \$200, \$500, \$1,000;

Series F—\$25, \$100, \$500, \$1,000, \$5,000, \$10,000;

Series G—\$100, \$500, \$1,000, \$5,000, \$10,000.

In the case of Series E bonds, if the investor does not have \$18.75, the amount required to buy a bond with a \$25 maturity value, he can buy savings stamps until that sum has been accumulated. Moreover, the bonds and stamps can be purchased at any time from an authorized issuing agent, and the bonds are dated on the first day of the month in which they are purchased. For the convenience of the investor, there are one or more issuing agents in virtually every town or hamlet throughout the country. These issuing agents include all post offices, most commercial banks, and many other local organizations such as building and loan associations, credit unions, some corporations, and others. If there is no local issuing agent, the bonds may be purchased from any Federal Reserve bank or branch or from the United States Treasury Department.

b. The savings bonds provide a liquid investment since they are, in effect, demand obligations. They can be redeemed at the option of the holder at any time after 60 days from date of issue in the case of Series E bonds and after six months in the case of Series F and G bonds, thereby giving the investor absolute freedom over the use of the funds.

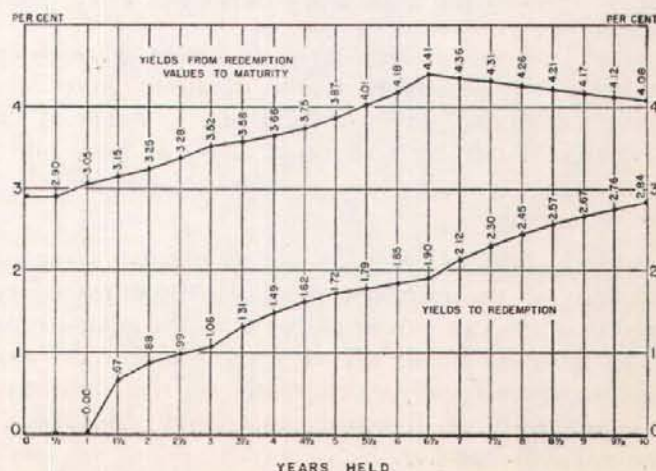
c. Since the bonds are demand obligations and are redeemable at the designated value stated in the bond, they are free of market risk. This means that the investor may request the return of his original investment, with accrued interest, at any time, relieving him of worry over market fluctuations that ordinarily occur in other investments as a result of economic conditions.

d. The individual has the means of redeeming the bonds without having to wait an undue length of time for the proceeds. With proper identification, the bonds may be redeemed upon demand locally at most commercial banks. The bonds may also be redeemed by mailing them directly to a Federal Reserve bank or branch or to the Treasury Department. Thus, if the individual holder should be confronted with an emergency requiring the immediate use of funds, the bonds could be redeemed through the local agency within a very short time.

e. There is also considerable flexibility in the authorized form of registration for savings bonds. The Series E savings bond may be registered only in the name of individuals, whether adults or minors. The registration may be in the name of one person only or in the name of two persons, either in co-ownership form or in beneficiary form. The Series F and G bonds may be registered in the above forms but may be registered also in the name of (a) executors, administrators, guardians, etc., (b) trustees, (c) private organizations, including corporations, associations, partnerships, etc., and (d) states and public corporations.

A Series E bond that is held to maturity earns an interest equivalent to one-third of the purchase price within ten years, or a rate of 2.90 per cent per annum. The attractiveness of this rate of interest will be better appreciated when it is realized that the United States Government has not sold a marketable issue of Treasury bonds at a rate in excess of $2\frac{1}{2}$ per cent since 1938, and the $2\frac{1}{2}$ per cent bonds sold during the war period had a maturity of 25 years in comparison with the ten-year maturity savings bonds. Moreover, the marketable Treasury bonds with a ten-year maturity that were sold during the early part of the war period carried a coupon rate of only two per cent. The rate of 2.90 per cent on the Series E bonds has not been altered since the bonds were first issued in March

YIELDS ON SERIES E BOND



1935, whereas the yield on all marketable issues of Government securities has declined very substantially. Even though the interest accruals on savings bonds during the years immediately after purchase may seem small, a Series E bond, after being held for six years, will have yielded the investor 1.90 per cent, whereas the two per cent Treasury bonds of 1954-52, which are subject to market risk, yield only 1.50 per cent. If held to maturity, or ten years, the Series E bond will have yielded about 1.10 per cent more than a marketable issue of similar maturity. Thus, the investor in the savings bond not only eliminates the market risk but also receives a much higher rate than is obtainable upon marketable issues of Government securities or high grade corporate bonds of similar maturity. Although some investors may prefer to accumulate savings in savings accounts at banks, the differential in interest favors an investment in savings bonds. The maximum amount that a commercial bank can pay upon savings deposits is $2\frac{1}{2}$ per cent, and generally the rate is substantially below that figure. At many banks, a rate of only one per cent or less is paid on savings accounts.

Another feature of the savings bond is that the investor can deposit his bonds for safekeeping at any Federal Reserve bank or branch. In many cases the small investor does not have access to a safe place for storing his securities, and, realizing this situation, the United States Treasury has made available to him, free of charge, this service at Federal Reserve banks.

Advantages of Investing in and of Holding Savings Bonds

The advantages and merits of the habit of thrift have long been recognized. Many individuals have found it difficult to accumulate a backlog of savings either because of economic conditions or because there were not readily available investment outlets that would stimulate their interest in savings. During the war period, when individual incomes in terms of dollars increased substantially and when many types of goods were not available for purchase by the individual consumer, a large percentage of the population saved a portion of their income. The fact that they could buy United States savings bonds regularly each month stimulated their desire to save and to accumulate an investment backlog for use in future years. As a result of this program, this nation has more individual investors than ever before in its history. Experience with the savings program brought many people to the realization that saving is merely a habit of action, that by carefully measuring outgo against income, they can set aside a regular amount to be saved and invested. This saving habit is made easy because they have readily available a form of investment in which the funds can be put to work immediately. Once the saving habit is definitely established, it is easy to continue. The flexibility of the savings bond as a medium of investment enables an individual to plan and execute a savings program for almost any purpose.

Perhaps the outstanding example of a savings program is that carried on among the school children of the nation. While it is true that many of the school children in the larger cities are able to carry on a savings program through their local banks, which make their facilities available for that purpose, most children do not have that privilege. Nevertheless, all school children, wherever they may be located, do have the privilege of planning and executing a savings program by investing in savings bonds and stamps. The school child who has only a few pennies each week may use them to buy a savings stamp and, through the regular saving of them, can ultimately become the owner of a savings bond. The millions of school children participating in programs for purchasing stamps and bonds emphasize the tangible results being obtained and the vast influence being exerted toward the development of a generation of thrifty individuals vitally concerned with the promotion of sounder economic principles and policies.

Another program of far-reaching significance is that followed by many parents who are looking forward to giving their children a college education. Instead of waiting until the child reaches college age, and depending on the vicissitudes of the times, they make advance preparation to meet the financial responsibility involved. To do so, they invest regularly in savings bonds so that the funds will be readily available when the child enters college. Thus, the funds are set aside regularly for a specific purpose and draw interest until they are needed.

Another type of program is that followed by numerous people during the war period. Realizing that various types of durable goods would be needed after the war, when they would again become available at reasonable prices, individuals saved regularly by buying savings bonds and setting them aside for the purchase of a specific type of goods. It was realized that funds invested in savings bonds

would increase in value until such time as the desired goods could be purchased, regardless of the time that might elapse. Moreover, they realized that when the money was set aside it would be available to make the purchase at the desirable time.

Another type of program which is gaining in popularity and in economic significance is that being followed by many individuals investing regularly in savings bonds as a means of providing an income during old age or of supplementing the income which might be received from Social Security. By setting aside a certain amount each month, the individual may determine in advance the amount he will receive each month as the bonds mature after he reaches, say, age 60 or 65. The individual knows exactly what his savings will provide, and he knows that the funds will be available in that amount when they are needed in his declining years. Too often people overlook the value of saving small amounts regularly each month, not realizing what even a small amount may mean in total savings over a long period of years. For instance, if an individual at age 25 should begin buying one small bond, representing a saving of \$18.75, per month and maintain that program regularly until he reaches age 65, he would accumulate a total of sixteen thousand three hundred twenty-five dollars. This sum may seem staggering to an individual at first glance, but when it is realized that the money saved earns interest at a rate of 2.90 per cent compounded semiannually, he can readily understand why the amount becomes so large.

A large percentage of the investors who created an investment backlog for the first time during the war period have come to realize the value of a savings program. To many it means a new outlook upon life, because that backlog of savings gives them a sense of security and a confidence in the future. To many it has made or is making easier the postwar readjustment period, and to others it gives a certain freedom of action in their future operations.

The meaning to individuals of the savings program in the form of savings bonds is indicated by the fact that a large percentage of those who inaugurated a savings program during the war period are continuing it. A recent survey revealed that a large percentage of the people who have bought savings bonds intend to hold them for an indefinite period and only a relatively small percentage of people are thinking in terms of using their backlog of savings as a means of satisfying their demands for durable consumer goods when they are placed on the market. In most instances these individuals prefer to buy the goods out of their current earnings and to hold their savings bonds to meet emergencies that might arise in the future. Moreover, many individuals who found it necessary to cash their bonds during the readjustment period have reinstituted a savings program to again build up a backlog of savings, because they have realized what it means to have savings that can be drawn upon in an emergency.

In addition to the advantages that accrue to the individual as a result of consistently purchasing and holding savings bonds, there are certain advantages to the economic system.

The most acute economic problem now confronting the country is the sharp increase in the prices of goods. These price rises, therefore, become an inflationary threat that must be combated with more production and less spending. During the war period we were unable to produce goods in sufficient volume to meet the demands of all consumers. The problem of holding down demand was met partially through Government price controls and rationing. Since the close of the war, however, we have removed virtually all rationing and have decontrolled prices on most commodities. Although production has increased substantially, it is not yet in sufficient volume to meet the widespread demands. Moreover, with virtually full employment at high wages, the current income of individuals is higher than at any time during the war period. Consequently, the pressure upon prices is extremely great. The means of combating these inflationary price advances, therefore, is reverting more directly upon the individual. It means that to make his money go further in buying goods, he must exercise restraints upon his demands. Thus, by holding his demands for goods to a minimum and utilizing the balance of his income to buy savings bonds, he not only adds to his backlog of savings but assists in preventing unreasonable price advances on goods and services.

As a legacy of the war, we have a Federal debt of some two hundred sixty-two billion dollars. It is desirable from an economic standpoint that the obligations of the Government representing this debt be widely held among individuals of all income levels and of all occupations throughout

the nation. This will assure a wide distribution of the interest payments and will contribute to a better understanding of the functions of government and a demand for wise administration of national affairs. A large body of investors interested in sound government and wise administration becomes the strongest force for stability in the economic system.

The Significance of the Pay Roll Savings Plan

The pay roll savings plan probably was one of the most significant developments to come out of the war financing program. This is true not only because it represented the backbone and the strength of the war savings program but also because of its very sound potentialities to the individual as an employee, business firms and management as employers, and the thousands of large and small communities throughout the nation. Moreover, one of the most encouraging developments with respect to the postwar attitudes of individuals and employers toward investment in United States savings bonds has been the continued interest and support given to pay roll savings, despite the natural occurrence of postwar developments and attitudes which might have been expected to militate strongly against continued adherence to the plan on a large scale.

It must have been perfectly obvious that, with the end of the war, savings of all types would begin to decline. That development did occur, of course, and it affected the support of the pay roll savings plan, along with other types of saving. The manner in which the American people have continued to accept the soundness of principle of the pay roll savings plan, however, is evidenced clearly by recent postwar estimates of its status. Over seven and a half million people continue to participate in the pay roll savings plan, and their monthly deductions from pay rolls are approximately one hundred forty million dollars. In terms of averages, that simply means that seven and a half million people every month are buying through pay roll savings a United States savings bond having a maturity value of \$25. Six million of these people are employed in large and small companies throughout American industry, nine hundred thousand of them are Federal employees, while each month about six hundred thousand of the men in our armed forces participate in pay roll savings.

That is part of the picture of support from the individual side, but the evidence of employer support is equally impressive. Approximately one hundred fifty thousand companies are now operating pay roll savings plans. Included in that total are twenty thousand firms having one thousand or more employees. It is estimated that about eighty-eight per cent of the nation's firms having over one thousand employees offer the advantages of the plan to their personnel.

Recognizing the importance of the support of these large groups of our population as participants who have understood and accepted the soundness of the pay roll savings plan and who have adhered to it despite the natural decline in promotional efforts, it seems in order to raise the question as to whether we can afford not to continue to promote the plan. The answer to that question, of course, must be found in an appraisal of what the plan means to each individual, what it means to the employers of the nation, and what it means to each community.

The large mass of the American people have neither the qualifications nor the time necessary to appraise the value of various types of investments which have inherent in them an element of market risk. Furthermore, only a very small percentage of the population is able to accumulate out of earnings a sum large enough to warrant employment of investment counsel. Even during periods of high income, the weekly earnings of the average individual are such as to require a steady, gradual savings plan if a fund of savings is to be accumulated. It is for these people who are the small savers of the nation, i.e., the average American citizen, that the pay roll savings plan holds the greatest promise.

Under the pay roll savings plan the thrift habit can be most easily developed. Moreover, the very nature of the pay roll savings plan is such as to make it a very convenient and comparatively painless form of saving. These features of the plan should be recognized because, as a practical matter considered in the light of the many temptations to spend, regular saving of small amounts is difficult for the average citizen.

Economic history has proved that the only element of certainty in the operation of our economic system is that fluctuations in employment, prices, wages, incomes, and other economic factors are virtually certain to occur. We have not yet succeeded in stabilizing economic activity to such an extent as to assure the average citizen a stable, real income year after year. It is virtually certain that there will be times when accumulated savings in some reasonable amount will be necessary for each individual if he is to enjoy the security which is desired. For the small saver, to whom such security is perhaps most important, a regular form of saving such as the pay roll savings plan offers great possibilities. The chart shown below illustrates clearly and forcefully the growth possibilities which are inherent in a plan of regular small savings.

| IF AN INDIVIDUAL SAVES EACH WEEK | HE WILL HAVE | | |
|-------------------------------------|--------------|------------|-------------|
| | In 1 Year | In 5 Years | In 10 Years |
| \$ 0.50 | \$ 26.00 | \$ 133.24 | \$ 285.99 |
| 1.00 | 52.00 | 267.23 | 574.61 |
| 1.50 | 78.00 | 401.48 | 863.98 |
| 2.50 | 130.00 | 688.97 | 1,440.84 |
| 3.75 | 195.00 | 1,004.20 | 2,163.45 |
| 7.50 | 390.00 | 2,009.02 | 4,329.02 |
| 12.50 | 650.00 | 3,348.95 | 7,217.20 |
| 15.00 | 780.00 | 4,018.67 | 8,660.42 |
| 18.75 | 975.00 | 5,024.24 | 10,828.74 |

During recent years much interest has been directed toward ways and means of improving employer-employee relationships. Farsseeing employers have taken steps which have improved greatly the economic status and the sense of security of their employees. These steps have been taken, at least in large part, because those employers have realized that an employee can only reach his full usefulness when he is satisfied with his working conditions and when he is not worried or disturbed because of various unpredictable events which may affect him. Consequently, there has been a significant advance in such developments as employee hospitalization plans, improved vacation programs, better retirement plans, development of group insurance programs, and other measures taken through joint action of employers and employees. These steps have been designed to improve the economic position of the large mass of individuals who make up the American working people. The pay roll savings plan fits admirably into this program. A program of employee economic security cannot be complete unless it assures a strengthening of the financial soundness and solvency of the individual. That is the principal function and purpose of the pay roll savings plan.

Support and growth of the pay roll savings plan are of interest to each community in the nation because as the program improves the financial stability of the individuals who participate in it, the citizenry of each community will be inevitably a more stable, productive, and civic-minded group. Moreover, as savings accumulate to the credit of individuals in a community, the aggregate of those savings represents in part a future demand for goods, some portion of which will almost certainly be satisfied by the business groups in the community. Finally, it is undeniably true that a financially sound and solvent individual is a better and more stable citizen.

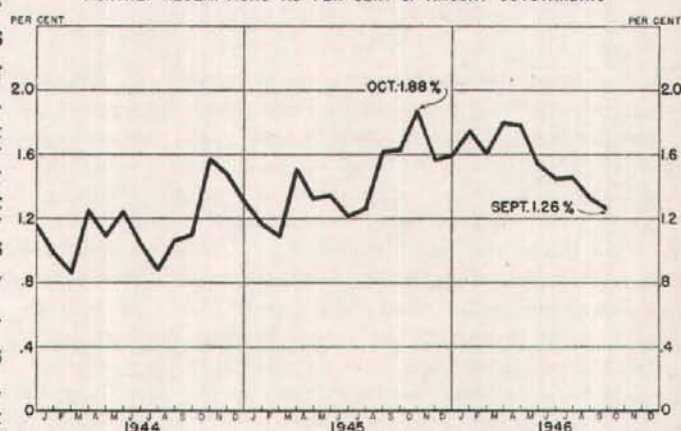
Importance of Holding Savings Bonds

The redemption privilege was incorporated in savings bonds for the specific purpose of enabling the investor to withdraw his funds whenever needed. It was anticipated that this privilege would be exercised to a considerable extent because the very nature of savings and the reasons for accumulating them suggest that the saver anticipates that conditions might develop which would necessitate the use of more funds than are available from current income. Those conditions often occur at the most unexpected time and require the immediate use of substantial sums. Experience has shown that the larger the number of people involved in accumulating savings and the wider the variation in their economic status, the greater is the probability that substantial withdrawals will occur. This principle is borne out by the experience of banking institutions with savings accounts, where a noticeable turnover of funds is expected from year to year.

The redemption of savings bonds has followed much the same pattern as withdrawals of savings accumulated in other forms. During the war period, the volume of redemptions increased from year to year, and there was likewise a steady upward trend in redemptions as a percentage of the total amount of savings bonds outstanding. The upward trend was probably accentuated by reason of the fact that through patriotic motives, or pressures exerted in war loan drives, many individuals bought bonds in excess of their capacity to hold them. Consequently, there was a tendency for redemptions to increase noticeably following the heavier purchases during those drives. Likewise, the widespread shifts in employment often necessitated the redemption of bonds to defray the costs of moving from one section of the country to another.

Another factor was the sharp increase in income tax rates, since many people were unable to meet their quarterly income tax payments without drawing upon accumulated savings. This was especially true prior to the passage of the Pay-As-You-Go Tax Law. The large-scale redemptions immediately following the termination of the war probably reflected to a considerable extent the temporary unemployment created by the closing of war plants, the return of many families to their prewar homes, and the rapid demobilization of armed forces. Redemptions of Series E bonds reached a peak in October 1945, when they amounted to 1.88 per cent of the total outstanding. Since that time, the rate of redemptions has shown an irregular decline, and during September this year averaged only about 1.26 per cent of the total outstanding.

SERIES E BOND REDEMPTIONS SINCE 1944
MONTHLY REDEMPTIONS AS PER CENT OF AMOUNT OUTSTANDING

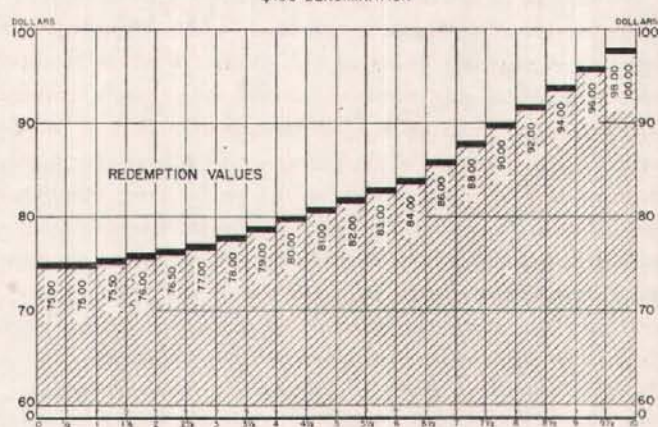


Although the experience with redemptions on the whole has been generally satisfactory, it is recognized that fewer bonds would have been redeemed if owners had understood fully the advantages of holding their bonds intact and the losses they would sustain by redeeming them.

Some of the advantages of holding savings bonds have already been presented. Some of the disadvantages of redemptions are: (a) The individual who yields to the urge to redeem bonds may find it difficult, if not impossible, to maintain a saving fund; (b) the disposition to redeem bonds frequently may tend to weaken, or even to break, the habits of thrift that have been developed; (c) when an individual redeems his bonds and uses the proceeds to purchase nonessential goods under present conditions of high prices, he not only fails to receive full value for his money but also contributes to a further rise in prices, which is a detriment to his own interest and that of his fellow citizens; and (d) he does not take advantage of the maximum interest return accorded him through investment in the savings bonds.

The latter factor is especially important from the standpoint of self-interest. During the early years that a savings bond is held, the rate of return is relatively small, but it accelerates very rapidly in the years immediately preceding the maturity of the bond. For instance, the owner of a savings bond would earn only \$8 on \$100 maturity value bond during the first six years it is held, but in the last four years he would earn \$17, or more than twice that during the first six years. This means that he earns an average of more than five per cent per annum on the redemption value of the bond at the beginning of the last four years, in comparison with only about 1.9 per cent during the earlier period. Thus, an individual gains tremendously by holding his bonds until maturity.

REDEMPTION VALUES - SERIES E BOND
\$100 DENOMINATION



In view of the advantages of holding savings bonds, individuals would find it to their interest to reflect seriously upon the need for funds and study carefully the possibility of making adjustments in their affairs before presenting their bonds for redemption. In so doing, they might be able to better their own financial position and, at the same time, contribute to the economic stability of their country.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

Late planted and late maturing crops, especially of feed and forage, were greatly improved by rains which began near the end of August and have recurred at timely intervals since that date. The October 1 estimates of the total Texas production of corn and rice, however, were unchanged from the forecasts of a month earlier, and the improvement in the yield of cotton in the High Plains was more than offset by deterioration and loss from wet weather in southcentral and eastern parts of the State. Activity in services and trade and in district industrial establishments, except manufacturing plants affected by shortages of metals and metal products, is being maintained at a level sufficiently high to bring nonagricultural employment near the wartime peak. Improvement in labor efficiency and a decline in the rate of labor turnover are reported by managers of representative manufacturing plants, with the encouraging prospect of reduced unit production costs. The moderate decline in district production of crude petroleum which began in July and continued during September and October may soon be reversed if expected increases in consumption of petroleum products occur. The index of weekly sales of reporting department stores in the Eleventh Federal Reserve District, which rose during the third week of September to the highest point since December 1945, dropped to a seasonal low at the end of the month. The upward reaction which occurred during the first half of October was less pronounced than the upward movement during the corresponding period in 1944 and 1945. Consumers generally are reported as manifesting an increasingly selective, or "choosy," attitude and a greater degree of price consciousness in buying. Reading these signs, experienced store executives appear to be exercising caution to avoid over-stocking of goods that are approaching or achieving adequate supply.

BUSINESS

The increase of less than one-half of one per cent shown during September over August in end-of-the-month inventories of reporting department stores of this district was the smallest for any month of this year over the preceding month. This by itself might be construed as evidence that sales showed an abnormally high increase in September or that consumer goods generally are still in short supply on the wholesale and manufacturing levels. Three facts, however, oppose such an interpretation. First, September sales showed a smaller percentage increase over August than August sales had shown over July; second, September inventories exceeded those of September 1945 by a wider margin than had been observed between inventories for any earlier month of this year and those for the corresponding month of last year; and, third, orders outstanding at the end of September continued the decline observable in August in the volume of such orders from the level of the preceding month. Therefore, the better warranted interpretation appears to be that department store executives, sensing a slow-down in the rate of consumer spending except for goods which are making a long-delayed appearance on the market, are reducing inventories of low-quality and off-brand merchandise, cancelling past-due orders for goods that are approaching or have

reached adequate supply, and are placing new orders with caution against over-expanding their inventories. This interpretation is rather generally supported by views and opinions recently expressed by executives of some representative department and apparel stores.

To the foregoing inference that the supply of consumer goods generally is coming into balance with demand, there are important exceptions, notably in men's and boys' clothing, women's shoes, and in such durables as dining room suites, refrigerators, electric washing machines, high-grade china, cabinet and console radios, and combination radio-record-player sets of standard brands. For the most part, these goods are reported as in short supply at the retail level, and such increased output as is being achieved by manufacturers passes through distribution channels so rapidly that it is not appreciably reflected in retailers' inventories. Nevertheless, some store executives report that they are not now over-ordering or duplicating orders for these scarce articles because of anticipated improvement during coming months in the supply of most of the articles and the belief that the widespread practice of consumers in placing multiple orders for the most keenly desired durable appliances has given an exaggerated picture of the backlog of unsatisfied demand.

WHOLESALE AND RETAIL TRADE STATISTICS

| | Number of reporting firms | Percentage change in | | | |
|--------------------------------|---------------------------|----------------------------|-----------|------------------------------------|---------------------------|
| | | Net sales | | Stocks ¹ | |
| | | Sept. 1946 from Sept. 1945 | Aug. 1946 | Jan. 1 to Sept. 30, 1946 from 1945 | Sept. 1946 from Aug. 1946 |
| Retail trade: | | | | | |
| Department stores: | | | | | |
| Total 11th Dist..... | 48 | + 37 | +11 | +31 | +38 |
| Dallas..... | 4 | + 36 | -11 | +27 | +37 |
| Fort Worth..... | 7 | + 38 | +18 | +36 | +41 |
| Houston..... | 4 | + 33 | + 4 | +25 | +22 |
| San Antonio..... | 7 | + 51 | +15 | +37 | +76 |
| Shreveport, La..... | 5 | + 33 | + 2 | +30 | +14 |
| Other cities..... | 3 | + 37 | +30 | +26 | ..... |
| | 18 | + 25 | + 7 | +23 | +36 |
| Retail furniture: | | | | | |
| Total 11th Dist..... | 47 | + 47 | + 5 | ..... | +63 |
| Dallas..... | 4 | + 49 | +11 | ..... | +78 |
| Houston..... | 4 | + 39 | -11 | ..... | ..... |
| Port Arthur..... | 3 | + 62 | -13 | ..... | ..... |
| San Antonio..... | 5 | + 47 | - 1 | ..... | ..... |
| Wholesale trade*: | | | | | |
| Machinery eqpt & supplies..... | 3 | +105 | - 7 | ..... | ..... |
| Automotive supplies | 4 | + 42 | -10 | ..... | ..... |
| Groceries..... | 24 | + 31 | - 2 | +23 | +39 |
| Hardware..... | 13 | + 54 | + 4 | +43 | +37 |
| Tobacco & products. | 3 | + 58 | - 5 | ..... | +11 |

*Compiled by United States Bureau of Census. Wholesale trade figures preliminary.

¹Stocks 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 | | | |
|---------------|-------------|-------------|-----------|------------|------------|-------------|-----------|------------|
| | Sept. 1946 | August 1946 | July 1946 | Sept. 1945 | Sept. 1946 | August 1946 | July 1946 | Sept. 1945 |
| District..... | 397 | 332 | 290 | 200r | 378 | 381 | 381 | 276r |
| Dallas..... | 412 | 325 | 273 | 303 | 371 | 383 | 379 | 273 |
| Houston..... | 405 | 326 | 298 | 269 | 378 | 371 | 368 | 226 |

Stocks—(1935-1939=100)

| | Unadjusted* | | | | Adjusted | | | |
|---------------|-------------|-------------|-----------|------------|------------|-------------|-----------|------------|
| | Sept. 1946 | August 1946 | July 1946 | Sept. 1945 | Sept. 1946 | August 1946 | July 1946 | Sept. 1945 |
| District..... | 299 | 296 | 272 | 237 | 267 | 262 | 252 | 212 |

*Unadjusted for seasonal variation.

r-Revised.

Total sales of monthly reporting department stores in this district during September were approximately 11 per cent greater than in August and nearly 37 per cent above the total for September 1945. If adjusted to reflect the difference in number of shopping days in August and September, the percentage of increase for the latter month would be raised to approximately 20 per cent. In weekly reporting department stores the peak volume of the early fall season came during the third week of September—a week later than in 1945 and two weeks later than in 1944. After declining to the seasonal low at the end of September, sales in these stores moved up moderately during the first part of October but, in contrast with the past two years, failed to regain the peak reached in the preceding month.

The ratio of cash sales to total sales in monthly reporting department stores during September declined to less than 49 per cent, or approximately three points below the previous month and more than 10 points below September a year ago. This development reflects a significant speed-up in the rate of expansion of consumer credit. It appears to be the result of two factors: a decline in the volume of liquid savings among wage earners and white-collar workers and a definite effort, of varying intensity, reported by many retailers to increase the number and volume of good credit accounts on their books. Despite this rapid expansion in credit buying, ratios of collections to accounts receivable, both open accounts and instalment contracts, continued during September at the highly satisfactory levels of the previous month.

Total sales of monthly reporting retail furniture stores in the district showed only a slight increase during September as compared with the previous month but were 48 per cent greater than in September a year ago. Instalment sales accounted for approximately 78 per cent of total sales. Inventories at retail prices were up five per cent as compared with August and 63 per cent higher than in September 1945. Representative dealers stated in recent interviews that their stocks are very unevenly apportioned among the important furniture items. Living room and dining room suites are generally reported in short supply, with some shortages also in bedsprings, mattresses, and floor coverings.

AGRICULTURE

Weather conditions during September and early October were mostly favorable for growing crops, particularly late feed and forage. Pastures were in better than average condition by mid-October, and cattle and calves were making good progress. Notable improvement by October 1 in the condition of late maturing crops of grain sorghums, peanuts, and sweet potatoes resulted in a substantial increase in the forecast production of these crops. On the other hand, the indicated production of corn and rice was unchanged from a month earlier, the cotton forecast was lowered slightly, and the estimated pecan production was reduced considerably. A new record production was indicated for grapefruit and oranges. Harvesting operations were slowed by rains during the latter part of September and early October, and some damage occurred to unharvested crops. Most of the grain acreage was seeded on the High Plains and on the Low Rolling Plains by the second week in October, and much of the crop was up to good stands by the middle of the month. Further seeding, however, has been retarded by wet fields.

A United States cotton crop of 8,724,000 bales was forecast by the United States Department of Agriculture on October 1. This is about five per cent less than the September 1 forecast and is the smallest production since 1921. It compares with the 1945 crop of 9,015,000 bales and the 10-year (1935-'44) aver-

CASH FARM INCOME

(Thousands of dollars)

| | June 1946 | | June 1945 | Total receipts | |
|-----------------|---------------------|------------|-----------|----------------|------------------------|
| | Receipts from Crops | Livestock* | | June 1945 | Jan. 1 to June 30 1945 |
| Arizona..... | \$ 9,849 | \$ 3,763 | \$ 13,612 | \$ 15,316 | \$ 79,225 |
| Louisiana..... | 3,397 | 4,552 | 7,949 | 8,370 | 73,547 |
| New Mexico..... | 1,799 | 4,228 | 6,027 | 7,221 | 32,323 |
| Oklahoma..... | 30,143 | 18,654 | 54,797 | 40,029 | 181,721 |
| Texas..... | 37,553 | 51,997 | 89,550 | 89,475 | 504,068 |
| Total..... | 88,741 | 83,194 | 171,935 | 161,411 | 870,884 |

| | July 1946 | | July 1945 | Total receipts | |
|-----------------|---------------------|------------|-----------|----------------|------------------------|
| | Receipts from Crops | Livestock* | | July 1945 | Jan. 1 to July 31 1945 |
| Arizona..... | \$13,606 | \$ 3,109 | \$ 16,715 | \$ 13,203 | \$ 95,940 |
| Louisiana..... | 2,674 | 5,550 | 8,224 | 7,534 | 81,771 |
| New Mexico..... | 2,774 | 5,986 | 8,760 | 7,362 | 41,083 |
| Oklahoma..... | 32,292 | 37,145 | 69,437 | 41,749 | 251,158 |
| Texas..... | 45,244 | 61,432 | 106,676 | 76,826 | 610,744 |
| Total..... | \$96,590 | \$113,222 | \$209,812 | \$146,674 | \$1,080,696 |

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

SOURCE: United States Department of Agriculture.

CROP PRODUCTION—(Thousands of units)

| Crop | Unit | Texas | | Eleventh District | |
|----------------------|---------|------------------------|--------|------------------------|---------|
| | | Estimated Oct. 1, 1946 | 1945 | Estimated Oct. 1, 1946 | 1945 |
| Cotton..... | Bales | 1,750 | 1,794 | 2,145 | 2,258 |
| Winter wheat..... | Bushels | 53,613 | 41,778 | 54,283 | 42,546 |
| Corn..... | Bushels | 67,456 | 66,832 | 77,746 | 80,483 |
| Oats..... | Bushels | 37,373 | 42,441 | 40,727 | 47,001 |
| Barley..... | Bushels | 3,616 | 3,837 | 8,442* | 9,167* |
| Tame hay..... | Tons | 1,385 | 1,344 | 1,980 | 1,937 |
| Potatoes, Irish..... | Bushels | 6,510 | 4,648 | 7,278 | 5,433 |
| Potatoes, sweet..... | Bushels | 5,760 | 4,524 | 17,210† | 16,098† |
| Rice..... | Bushels | 17,209 | 18,009 | 38,901‡ | 41,028‡ |

*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)

| | Oct. 1, 1946 | | 1945 | 10-year average 1935-1944 |
|---------------------------------|--------------|-------|-------|---------------------------|
| | forecast | 1945 | | |
| 1-N. North High Plains..... | 30 | 15 | 59 | |
| 1 S. South High Plains..... | 170 | 105 | 480 | |
| 2. Permian Plains..... | 320 | 380 | 563 | |
| 3. North Central..... | 15 | 17 | 61 | |
| 4. Northern Texas Prairies..... | 525 | 557 | 832 | |
| 5. East Texas..... | 110 | 119 | 417 | |
| 6. Trans-Pecos..... | 100 | 80 | 70 | |
| 7. Edwards Plateau..... | 15 | 37 | 58 | |
| 8. Southern Texas Prairies..... | 185 | 227 | 340 | |
| 9. Coastal Prairies..... | 50 | 106 | 133 | |
| 10. South Texas..... | 230 | 131 | 124 | |
| State total..... | 1,750 | 1,794 | 3,137 | |

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

LIVESTOCK RECEIPTS—(Number)

| | Fort Worth | | | San Antonio | | |
|-------------|------------|------------|-------------|-------------|------------|-------------|
| | Sept. 1946 | Sept. 1945 | August 1946 | Sept. 1946 | Sept. 1945 | August 1946 |
| Cattle..... | \$ 59,341 | \$ 94,727 | \$101,211 | \$ 18,598 | \$ 30,352 | \$ 41,813 |
| Calves..... | 45,827 | 64,228 | 55,339 | 14,923 | 51,994 | 25,009 |
| Hogs..... | 6,582 | 13,521 | 33,370 | 2,071 | 5,107 | 7,010 |
| Sheep..... | 144,075 | 222,713 | 168,483 | 81,575 | 106,907 | 55,397 |

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

| | Fort Worth | | | San Antonio | | |
|----------------------------|------------|------------|-------------|-------------|------------|-------------|
| | Sept. 1946 | Sept. 1945 | August 1946 | Sept. 1946 | Sept. 1945 | August 1946 |
| Beef steers..... | \$18.50 | \$15.75 | \$19.00 | \$16.00 | \$13.25 | \$19.50 |
| Stocker steers..... | 17.50 | 13.25 | 15.75 | ..... | ..... | ..... |
| Heifers and yearlings..... | 19.60 | 15.75 | 19.00 | 17.00 | 14.25 | ..... |
| Butcher cows..... | 14.25 | 12.50 | 14.00 | 13.25 | 11.50 | 14.00 |
| Calves..... | 18.00 | 13.00 | 17.00 | 17.00 | 13.00 | 17.00 |
| Hogs..... | 16.05 | 14.55 | 25.00 | 16.05 | 14.55 | 22.75 |
| Lambs..... | 17.00 | 13.00 | 22.00 | 15.00 | 10.25 | 15.75 |

age of 12,553,000 bales. The indicated yield of 235.6 pounds per acre is the smallest since 1941 and compares with 251.0 pounds in 1945 and an average of 243.2 pounds. Cotton ginned prior to October 1 this year was 27 per cent of indicated production, compared with 25 per cent of the total crop ginned prior to the same date last year. Ginnings during 1946 have averaged substantially higher in grade and longer in staple than during

the corresponding period last year. The forecast of 1,750,000 bales for Texas, which represents a decline of 25,000 bales from the estimate of a month ago, is the State's smallest crop since 1889 and compares with 1,794,000 bales harvested in 1945 and an average production of 3,137,000 bales. The indicated yield per acre of 139 pounds is five per cent below that of last year and 16 per cent below average. Some improvement in cotton prospects in northern and northwestern areas of the State during September was more than offset by reduced yields in southcentral and southeast counties. Weather conditions were satisfactory for harvesting operations in most areas of the State during the early days of October, but general rains during the second week of the month interrupted picking in many areas and resulted in some loss of open cotton. Continued plant growth resulting from recent rains has delayed maturity of the crop. In Louisiana the indicated production on October 1 of 275,000 bales is 15,000 bales below that indicated a month earlier and is the smallest crop since 1910. In Oklahoma the forecast was revised downward from 300,000 bales to 285,000 bales.

The October 1 forecast of the corn crop of Texas was unchanged from the September 1 figure. A considerable part of the crop had been gathered by mid-October despite the slowing of the harvest by general rains during the first part of the month. The estimate on October 1 of a grain sorghum crop of 58,592,000 bushels in Texas reflects improved conditions in the northwest part of the State and constitutes an upward revision of 7,000,000 bushels in the September forecast. Though falling somewhat below the 60,921,000 bushels produced in 1945, this year's indicated crop is far above the average production of 47,179,000 bushels. The indicated yield per acre of 16 bushels slightly exceeds that of 1945 and exactly equals the average yield. Late-planted sorghums, reported at mid-October to have plenty of moisture in all areas, were expected to mature a good crop if frost continued to hold off. Warmer weather was needed, however, to hasten maturity of the crop in the High Plains. Continued improvement in hay prospects during September resulted in a crop forecast of 1,618,000 tons for the State on October 1.

Texas peanut prospects were improved on October 1, and a crop of 362,900,000 pounds was forecast. This compares with the 1945 harvest of 330,960,000 pounds and an average production of 192,838,000 pounds. The condition of the late crop was improved in northcentral areas of the State. Harvest operations, which had reached into all sections by mid-October, were slowed by excessive moisture, and some losses resulted from wet weather. The Texas rice crop, forecast on October 1 as on September 1 at 17,200,000 bushels, is slightly below that of last year but about 24 per cent above average. Grassy fields and thin stands due to unfavorable spring weather, together with losses occasioned by recent rains, have tended to hold down the yield of rice. Pecan prospects were lowered as the set became more visible. The October 1 forecast for a crop of only 22,500,000 pounds represents a decline of 3,000,000 pounds from the September estimate.

A new record production of 24,500,000 boxes of grapefruit was forecast on October 1 for Texas in the 1946-47 season. This is an increase of two per cent over the previous record harvest of last season and is 75 per cent above the 10-year average. Good rains in the citrus area since late August have stimulated fruit growth, improved the condition of the trees, and provided more than usual soil moisture. The quality of this year's crop was expected to be good, with desirable sizes available at the beginning of the shipping season on October 21. A new record orange crop of 5,300,000 boxes was also forecast, exceeding the 1945 crop by 10 per cent and the average by more than 100 per cent.

Heavy rains during the latter part of September and early October interrupted field work in most winter vegetable districts of the State, damaged some growing crops in the Rio Grande Valley and Winter Garden areas, and made it necessary to rework earlier prepared land in the Coastal Bend area. Most fall-crop vegetables, however, made satisfactory progress, and good prospects were reported at mid-October, particularly in the Laredo, Winter Garden, and Eagle Pass districts. Planting of winter vegetables was active in these areas, but wet fields still delayed operations in the Rio Grande Valley and Coastal Bend. Tomatoes were holding only a light set in the Rio Grande Valley, and some loss of carrot acreage occurred in that area as a result of excessive weeds and grass.

The rains which brought an end to the summer drought on the ranges during the last of August and early September were followed in October by additional rains covering most of the district, and reports indicate that water supplies and ground moisture are generally satisfactory, with only a few localities in the west needing more rain to assure winter grazing. There is a good outlook for winter wheat pastures, since the rains have assured good stands and rapid growth. Hay and other roughage, though not abundant, will probably be adequate in most areas this winter. The fall rains came too late to be of much benefit to late-planted feed crops in some counties of the Edwards Plateau and the South Plains and in some areas of northeast Texas, but greatly improved the prospects for such crops on the High Plains. The average of all range feeds was reported at 83 per cent of normal on October 1, representing an improvement of about 19 per cent over a month earlier.

Cattle and calves gained rapidly during September on the new grass and were generally in good condition at mid-October. Many farmers in the Plains areas bought additional livestock to utilize the extra grazing afforded by winter wheat pastures.

Receipts of livestock at the Fort Worth and San Antonio markets during September were below those of preceding months, and were far below those of September a year ago. In terms of carload lots, the receipts of all livestock at the Fort Worth market were 67 per cent of those for September 1945, while receipts at San Antonio were 63 per cent of those for the earlier period. Livestock receipts continued at a low level until the President ordered price ceilings removed from livestock and meats on October 15. Farmers then began moving large numbers of livestock to market. Market receipts began to rise after sufficient time had elapsed for these shipments to reach the market but fluctuated considerably from day to day at levels generally above those prevailing prior to removal of price controls.

The September 15 price report of the United States Department of Agriculture showed declines from the levels of the previous month in prices received by Texas producers for grain crops and most livestock items, but higher prices for cotton, poultry, eggs, and dairy products. The drop in livestock prices was associated with the restoration of price controls in the latter part of August. The most significant decline occurred in the price of hogs, which fell 22 per cent from mid-August. Prices of all other meat animals except sheep underwent a moderate decline. Cotton prices continued to advance moderately to a level only 1.4 cents below the 1920 peak. Hay prices increased moderately, while potato and sweet potato prices declined slightly. Prices of most commodities were considerably above those prevailing a year ago. Livestock and meat prices rose sharply after the removal of ceilings. Prices of several classes of livestock showed some signs of weakening after the initial rise but continued at levels well above those that existed before the removal of ceilings. Cotton prices dropped sharply during the third week of October and fluctuated widely during the remainder of the month.

FINANCE

Average gross demand deposits of member banks in this district declined approximately \$55,000,000 from August to September, extending a trend that has been in progress since last March. This was the largest monthly decline in these deposits since April of this year and reflects both continued utilization by the Treasury of war loan balances to retire maturing securities and, to some extent, heavy quarterly income tax payments made during September. These deposits are now \$355,000,000 below the all-time peak recorded in January of this year, but are still about \$341,000,000 higher than a year ago. Time deposits continued to gain, although at a reduced rate, the average for September being \$2,000,000 more than in August.

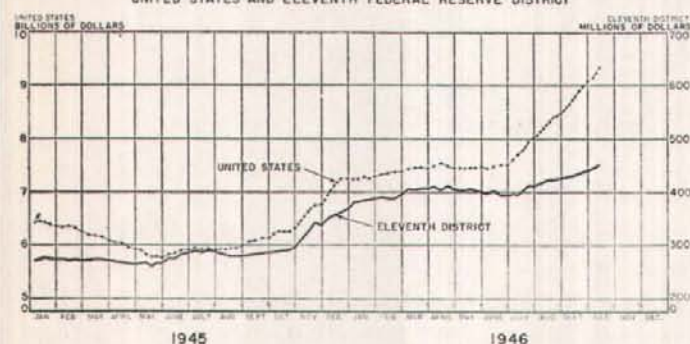
Member bank reserve balances averaged \$759,000,000 during the first half of October, or \$11,000,000 less than the average during the first half of September. This decrease reflects the pressure on reserve positions of member banks exerted by the Treasury's debt retirement operations and quarterly income tax receipts. As a consequence of these factors, average excess reserves during the last half of September declined to \$89,000,000, the lowest level since May 1944 and \$5,000,000 less than a month earlier.

A seasonal increase of \$2,000,000 in Federal Reserve Notes of this bank in actual circulation during the month ended October 15 brought total circulation to \$604,000,000. This was the highest midmonth amount of these notes in circulation since January of this year, but was \$23,000,000 below the peak reached at mid-December, 1945.

COMMERCIAL, INDUSTRIAL AND AGRICULTURAL LOANS OUTSTANDING

REPORTING MEMBER BANKS

UNITED STATES AND ELEVENTH FEDERAL RESERVE DISTRICT



Commercial, industrial, and agricultural loans of reporting member banks again showed a substantial increase during the four-week period ending October 9. This increase of \$21,700,000 carried these loans to another all-time high of \$452,400,000. Real estate and "all other" loans also reached new all-time peaks of \$47,500,000 and \$101,400,000, respectively. An offsetting decrease of \$14,300,000 in security loans held the net increase in total loans to \$15,000,000.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousands of dollars)

| | October 15, 1946 | October 15, 1945 | Sept. 15, 1946 |
|---|------------------|------------------|----------------|
| Total gold certificate reserves | \$491,050 | \$483,554 | \$500,697 |
| Discounts for member banks | 700 | 200 | 1,700 |
| Foreign loans on gold | 4,186 | 300 | 4,160 |
| U. S. Government securities | 909,739 | 892,702 | 895,925 |
| Total earning assets | 914,925 | 893,202 | 901,785 |
| Member bank reserve deposits | 761,747 | 716,337 | 763,820 |
| Federal Reserve Notes in actual circulation | 604,078 | 616,142 | 602,306 |

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS

IN LEADING CITIES—Eleventh Federal Reserve District

(Thousands of dollars)

| | October 9, 1946 | October 10, 1945 | Sept. 11, 1946 |
|---|-----------------|------------------|----------------|
| Total loans and investments | \$1,948,170 | \$1,870,258 | \$1,986,674 |
| Total loans | 711,134 | 448,406 | 696,166 |
| Commercial, industrial, and agricultural loans | 482,431 | 289,751 | 430,776 |
| Loans to brokers and dealers in securities | 8,045 | 4,452 | 9,356 |
| Other loans for purchasing or carrying securities | 101,301 | 68,887 | 114,330 |
| Real estate loans | 47,504 | 25,840 | 45,456 |
| Loans to banks | 452 | 366 | 371 |
| All other loans | 101,401 | 59,110 | 95,877 |
| Total investments | 1,237,036 | 1,421,853 | 1,290,508 |
| U. S. Treasury bills | 47,766 | 69,328 | 49,207 |
| U. S. Treasury certificates of indebtedness | 305,838 | 397,298 | 344,584 |
| U. S. Treasury notes | 169,033 | 278,742 | 180,871 |
| U. S. Government bonds | 645,034 | 620,045 | 643,021 |
| Obligations guaranteed by United States Gov't. | 145 | 863 | 145 |
| Other securities | 69,220 | 55,577 | 72,680 |
| Reserves with Federal Reserve Bank | 393,306 | 394,119 | 410,191 |
| Balances with domestic banks | 217,881 | 245,406 | 213,755 |
| Demand deposits—adjusted* | 1,474,305 | 1,345,723 | 1,500,530 |
| Time deposits | 317,470 | 273,885 | 316,257 |
| United States Government deposits | 131,017 | 215,139 | 153,492 |
| Interbank deposits | 535,774 | 591,560 | 539,942 |
| Borrowings from Federal Reserve Bank | None | None | 500 |

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

DEBITS TO INDIVIDUAL ACCOUNTS

(Thousands of dollars)

| | September 1946 | September 1945 | Pctg. change over year | August 1946 | Pctg. change over month |
|-----------------|----------------|----------------|------------------------|-------------|-------------------------|
| Abilene | \$ 24,194 | \$ 17,200 | +41 | \$ 23,958 | +1 |
| Amarillo | 59,489 | 41,056 | +45 | 63,406 | +6 |
| Austin | 100,410 | 71,147 | +41 | 84,916 | +18 |
| Beaumont | 61,039 | 53,950 | +13 | 61,029 | +1 |
| Corpus Christi | 59,854 | 59,488 | +1 | 69,084 | +13 |
| Corpus Christi | 9,141 | 6,883 | +33 | 7,242 | +28 |
| Dallas | 702,747 | 491,147 | +43 | 725,951 | +3 |
| El Paso | 89,801 | 58,510 | +53 | 81,878 | +10 |
| Fort Worth | 229,853 | 193,128 | +19 | 259,708 | +11 |
| Galveston | 49,509 | 41,792 | +18 | 55,030 | +10 |
| Houston | 692,835 | 559,987 | +24 | 695,593 | +1 |
| Laredo | 14,458 | 11,199 | +29 | 15,175 | +6 |
| Lubbock | 38,583 | 27,532 | +40 | 38,157 | +1 |
| Monroe, La. | 24,443 | 18,549 | +32 | 26,804 | +8 |
| Port Arthur | 26,309 | 20,722 | +27 | 29,276 | +10 |
| Roswell, N. M. | 12,100 | 8,285 | +46 | 10,848 | +12 |
| San Angelo | 23,913 | 18,959 | +26 | 24,454 | +2 |
| San Antonio | 197,952 | 155,427 | +27 | 207,301 | +5 |
| Shreveport, La. | 115,274 | 75,547 | +51 | 99,132 | +16 |
| Texarkana* | 21,600 | 17,165 | +26 | 21,609 | +1 |
| Tucson, Ariz. | 45,755 | 31,124 | +47 | 44,104 | +4 |
| Tyler | 30,427 | 23,050 | +29 | 31,959 | +5 |
| Waco | 48,180 | 27,736 | +74 | 41,119 | +17 |
| Wichita Falls | 37,078 | 30,239 | +23 | 37,590 | +1 |
| Total—24 cities | \$2,714,944 | \$2,061,422 | +32 | \$2,755,023 | +1 |

*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

Eleventh Federal Reserve District

(Average of daily figures—Thousands of dollars)

| | Combined total | | Reserve city banks | | Country banks | |
|---------------------|----------------|-----------|--------------------|-----------|---------------|-----------|
| | Gross demand | Time | Gross demand | Time | Gross demand | Time |
| September 1944..... | \$3,696,145 | \$315,611 | \$1,915,677 | \$198,204 | \$1,750,468 | \$117,407 |
| September 1945..... | 4,518,798 | 438,792 | 2,276,265 | 281,535 | 2,242,533 | 157,257 |
| May 1946..... | 4,968,772 | 480,926 | 2,480,288 | 305,520 | 2,486,484 | 175,406 |
| June 1946..... | 4,967,846 | 486,339 | 2,461,342 | 310,839 | 2,496,504 | 175,500 |
| July 1946..... | 4,942,638 | 494,265 | 2,437,422 | 313,893 | 2,505,216 | 180,372 |
| August 1946..... | 4,914,883 | 496,842 | 2,402,847 | 316,175 | 2,512,235 | 180,667 |
| September 1946..... | 4,890,403 | 498,697 | 2,390,709 | 316,209 | 2,499,694 | 182,488 |

SAVINGS DEPOSITS

September 30, 1946

Percentage change in savings deposits from

| | Number reporting banks | Number of savings depositors | Amount of savings deposits | Sept. 30, 1945 | August 31, 1946 |
|-----------------|------------------------|------------------------------|----------------------------|----------------|-----------------|
| Beaumont | 3 | 12,531 | \$ 7,689,405 | + 4.6 | + .8 |
| Dallas | 8 | 130,441 | 73,076,217 | + 16.2 | + .2 |
| El Paso | 2 | 31,135 | 23,007,849 | + 18.1 | + .5 |
| Fort Worth | 3 | 41,063 | 33,197,940 | + 13.2 | + .2 |
| Galveston | 4 | 24,765 | 20,739,173 | + 11.9 | + .01 |
| Houston | 8 | 105,687 | 70,489,116 | + 7.9 | + .5 |
| Lubbock | 2 | 982 | 2,400,006 | +263.4 | + 1.7 |
| Lubbock | 2 | 6,069 | 5,390,160 | + 5.7 | + 1.1 |
| Port Arthur | 5 | 38,938 | 44,493,087 | + 15.2 | + .2 |
| San Antonio | 3 | 33,180 | 26,220,111 | + 10.6 | + .1 |
| Shreveport, La. | 3 | 9,260 | 9,087,996 | + 13.0 | + 1.0 |
| Waco | 3 | 7,401 | 4,670,745 | + .8 | + 2.2 |
| Wichita Falls | 3 | 61,693 | 51,742,276 | + 14.4 | + .4 |
| All other | 57 | | | | |
| Total | 103 | 503,145 | \$73,084,081 | + 13.1 | + .01 |

The rapid expansion in business loans, as represented by "commercial, industrial, and agricultural loans," began early in July this year. This development is probably associated, at least in part, with the increase in inventories of manufacturers, wholesalers, and retailers, which in turn has been accentuated by rapid rises in prices since the demise of the OPA on June 30 and the subsequent upward revision of price ceilings when the OPA was resurrected. Although the expansion in these loans at reporting member banks in this district has been substantial, the increase at all reporting member banks in the United States has been at an even greater rate. During the period from June 26 through October 9, reporting banks in this district increased their total of these loans from \$395,000,000 to \$452,000,000, or 14 per cent, while the total for all reporting banks in the United States rose from \$7,500,000,000 to \$9,400,000,000, or 25 per cent. The lag in this district can probably be attributed to the fact that some of the other Federal Reserve districts have a more highly developed industrial economy, which would call for more loans to carry inventories than are needed in this district. Another reason might be the substantial volume of term loans recently made to major corporations by the larger banks in other parts of the country.

Heavy quarterly income tax receipts, withdrawals from war loan accounts by the Treasury, and the cash retirement of part of the certificate issue which matured October 1 were the principal factors affecting member bank investment portfolios during September and October. The decline of \$38,700,000 in certificate holdings was associated with the cash retirement, while the decline in holdings of notes and bills reflects principally sales to offset losses in reserves. Despite the liquidation of these securities, reserve balances declined \$16,900,000.

Deposits also reflected the effect of these factors. War loan deposits declined \$22,500,000, and adjusted demand deposits were down \$26,200,000. Interbank deposits declined too, as other banks withdrew balances with the reporting banks. The continued increase in time deposits offset these decreases to a small extent, but total deposits showed a net decline of \$51,700,000.

COTTONSEED AND COTTONSEED PRODUCTS

| | Texas | | United States | |
|-------------------------------------|--------------------------|--------------|--------------------------|--------------|
| | August 1 to September 30 | September 30 | August 1 to September 30 | September 30 |
| Cottonseed received at mills (tons) | 166,068 | 184,073 | 557,225 | 574,685 |
| Cottonseed crushed (tons) | 82,285 | 97,170 | 318,967 | 369,711 |
| Cottonseed on hand Sept. 30 (tons) | 141,097 | 171,102 | 359,226 | 423,292 |
| Production of products: | | | | |
| Crude oil (thousand lbs.) | 23,841 | 29,187 | 95,828 | 113,672 |
| Cake and meal (tons) | 39,089 | 45,736 | 136,601 | 164,129 |
| Hulls (tons) | 17,742 | 21,789 | 73,264 | 87,270 |
| Linters (running bales) | 27,087 | 30,238 | 97,981 | 109,545 |
| Stocks on hand Sept. 30: | | | | |
| Crude oil (thousand lbs.) | 13,287 | 7,218 | 44,508 | 28,626 |
| Cake and meal (tons) | 10,046 | 13,060 | 52,276 | 49,582 |
| Hulls (tons) | 11,576 | 19,810 | 40,406 | 61,734 |
| Linters (running bales) | 24,785 | 15,709 | 90,860 | 52,926 |

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

| | September 1946 | September 1945 | August 1946 | Aug. 1 to Sept. 30 |
|----------------------------|----------------|----------------|-------------|--------------------|
| Consumption at: | | | | |
| Texas mills | 18,678 | 14,574 | 18,899 | 37,577 |
| United States mills | 818,449 | 700,441 | 855,511 | 1,673,960 |
| U. S. stocks—end of month: | | | | |
| In consuming estab's | 1,950,442 | 1,745,954 | 2,082,696 | 32,070 |
| Public stg. & compresses | 4,328,526 | 8,306,523 | 3,834,242 | 1,438,803 |

CRUDE OIL PRODUCTION—(Barrels)

| | September 1946 | | Increase or decrease in daily average production from | |
|--------------------|------------------|-----------------------|---|------------|
| | Total production | Daily avg. production | August 1946 | Sept. 1945 |
| Total North Texas | 7,410,400 | 247,013 | — 2,861 | N.A. |
| Panhandle | 2,549,900 | 84,997 | + 173 | N.A. |
| North Texas | 4,860,500 | 162,017 | + 3,033 | N.A. |
| West Texas | 15,544,100 | 518,137 | — 5,811 | N.A. |
| Total East Texas | 14,097,850 | 469,928 | + 4,190 | N.A. |
| East Central Texas | 4,538,350 | 144,612 | — 4,261 | N.A. |
| East Texas | 9,759,500 | 325,316 | + 8,451 | N.A. |
| Southwest Texas | 11,833,300 | 387,777 | — 11,532 | N.A. |
| Coastal Texas | 13,949,300 | 449,977 | — 23,371 | N.A. |
| Total Texas | 62,684,950 | 2,087,832 | — 39,285 | + 238,992 |
| New Mexico | 2,995,000 | 99,833 | — 217 | + 2,707 |
| North Louisiana | 2,615,700 | 87,190 | + 2,884 | + 16,117 |
| Total District | 68,245,650 | 2,274,855 | — 36,618 | + 252,312 |
| Outside District | 75,108,432 | 2,503,014 | — 23,003 | + 60,642 |
| United States | 143,354,082 | 4,778,460 | — 59,621 | + 308,954 |

SOURCE: Estimated from American Petroleum Institute weekly reports.

N.A.—Not Available.

BUILDING PERMITS

| | September 1946 | | Percentage change valuation from | | Jan. 1 to Sept. 30, 1946 | | Percentage change valuation from 1945 |
|-----------------|----------------|--------------|----------------------------------|-----------|--------------------------|---------------|---------------------------------------|
| | No. | Valuation | Sept. 1945 | Aug. 1946 | No. | Valuation | |
| Abilene | 98 | \$ 342,569 | + 6 | + 38 | 815 | \$ 3,494,714 | + 510 |
| Amarillo | 195 | 650,620 | + 60 | + 38 | 1,882 | 6,234,170 | + 237 |
| Austin | 431 | 2,070,950 | + 404 | + 59 | 3,390 | 14,628,541 | + 594 |
| Beaumont | 319 | 441,210 | + 479 | + 9 | 2,319 | 2,871,641 | + 120 |
| Corpus Christi | 329 | 741,161 | + 136 | — 42 | 2,474 | 8,076,806 | + 204 |
| Dallas | 1,183 | 3,360,240 | + 123 | — 46 | 11,356 | 39,102,098 | + 350 |
| El Paso | 119 | 517,709 | + 68 | + 54 | 1,001 | 3,523,067 | + 252 |
| Fort Worth | 432 | 1,265,571 | + 93 | — 20 | 5,371 | 19,216,271 | + 274 |
| Galveston | 116 | 516,250 | — 8 | + 210 | 1,078 | 2,142,800 | + 89 |
| Houston | 753 | 3,487,761 | + 65 | + 113 | 5,913 | 45,352,389 | + 136 |
| Lubbock | 173 | 543,956 | + 142 | + 25 | 1,780 | 7,827,232 | + 338 |
| Port Arthur | 173 | 140,442 | + 4 | — 28 | 1,596 | 1,795,293 | + 246 |
| San Antonio | 974 | 1,378,558 | + 15 | — 13 | 10,947 | 18,664,114 | + 297 |
| Shreveport, La. | 256 | 531,437 | + 129 | — 23 | 2,881 | 7,354,169 | + 301 |
| Waco | 120 | 584,993 | + 185 | + 68 | 1,241 | 4,070,697 | + 197 |
| Wichita Falls | 55 | 97,203 | + 70 | — 40 | 632 | 1,607,924 | + 289 |
| Total | 5,726 | \$16,670,930 | + 91 | — 2 | 54,675 | \$185,962,556 | + 242 |

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(Thousands of dollars)

| | September 1946 | September 1945 | August 1946 | Jan. 1 to Sept. 30, 1946 | 1945 |
|-------------------------|----------------|----------------|-------------|--------------------------|-----------|
| Eleventh District—total | 33,552 | 16,452 | 33,158 | 446,328 | 201,770 |
| Residential | 12,600 | 2,940 | 14,897 | 196,065 | 27,933 |
| All other | 20,952 | 13,512 | 18,261 | 250,263 | 173,837 |
| United States*—total | 619,857 | 278,262 | 679,909 | 5,955,493 | 2,281,960 |
| Residential | 263,831 | 42,580 | 284,025 | 2,492,556 | 329,073 |
| All other | 326,026 | 235,682 | 395,884 | 3,462,937 | 1,952,887 |

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

INDUSTRY

Shortages of steel, other metals, and metal products continue to retard expansion of industrial activity in the Eleventh District, and in some manufacturing plants these shortages have occasioned or may soon require contraction of activity. Sheet steel, copper tubing, iron and steel pipe, and lead are reported to be especially scarce, and other essential metal products are in very short supply. There has been minor improvement in deliveries of some construction materials, including lumber, plumbing fixtures, and builders' hardware, but stocks of cement are dropping to critically low levels, and structural steel bars are almost unobtainable. Supplies of cotton and woolen fabrics, however, appear adequate to maintain operations at apparel and other textile manufacturing establishments in this district, and increasing deliveries of agricultural products is expected to permit expanding operations in many food-processing establishments.

Although total nonagricultural employment in the district is approaching the wartime peak, no general shortage of industrial labor appears imminent. Trained clerical workers are scarce in metropolitan areas, and inadequate supplies of skilled labor are reported to be preventing expansion of activity in some

manufacturing establishments, but most plants apparently are able to obtain additional labor without difficulty. The seasonal expansion of employment in services and trade during the final months of this year will probably be drawn from the ranks of untrained workers and new members of the labor force without depleting the supply of labor available to industry. Managers of representative manufacturing plants in this district report that plant labor is becoming more efficient, reflecting a decline in the rate of turnover and improvement in employee attitudes. Further increases in labor efficiency are expected to occur as new employees become more skilled, but at this time, uneven flow of materials and consequent maladjustments in production schedules prevent rapid increases in efficiency, particularly in metal working plants.

Conservative appraisal of the future has apparently moved many business managements in this district to adopt a cautious attitude toward expansion of facilities. Large-scale capital investment in buildings and equipment is being deferred because of government restrictions on nonresidential construction, rapid rises in building costs, and delays anticipated in completing facilities or in obtaining delivery of new machines. Nevertheless, the aggregate value of awards for commercial and industrial construction is being maintained considerably above prewar levels. The total value of all nonresidential construction contracts, however, is not appreciably greater than during comparable periods immediately before the war, due to the fact that awards for public structures, institutional buildings, and engineering projects have been small. When the rise in building costs which has occurred during the past five years is taken into account, it is evident that, despite the heavy backlog of demand for modification and repair of structures which now exists and the need for extensive new construction to provide facilities for expanding service and trade activity, the physical volume of nonresidential construction for which contracts were awarded between July and September of this year was smaller than during periods of comparable length before the war.

Construction activity, including residential, is being maintained, nevertheless, at levels which tax the ability of suppliers of building materials to meet demands on schedule. On October 7, the Civilian Production Administration announced additional measures to conserve materials for the Veterans' Emergency Housing Program. The amount of construction expenditures on industrial, utility, and transportation buildings which is exempt from restriction was reduced from \$15,000 to \$1,000 unless the buildings have a floor area of 10,000 square feet or more. Limitations were also imposed upon types of construction which utilize large quantities of Portland cement.

The gradual decline in production of crude petroleum in the Eleventh District, which began after the all-time high was reached in June of this year, continued during September and October. Daily average production in this district, which totaled 2,275,000 barrels in September, as compared with 2,311,000 barrels in August, was still substantially above the production levels of prewar years, however, and only about 150,000 barrels smaller than at the war and postwar peaks. Total production of crude petroleum in areas outside this district continued to expand very slightly during July and August of this year, rising from 2,508,000 barrels daily in June to 2,527,000 barrels daily in August, or to within 15,000 barrels of the all-time peak reached in July 1945. In September, however, this rising trend was reversed, with daily average production dropping to the level which prevailed in June of this year.

The decline which has occurred in production of crude petroleum in this district is apparently in response to the rapid growth of stocks of petroleum products since last spring. However, although abnormal seasonal increases occurred during the summer in stocks of several refined petroleum products, at the end of September inventories of most products were smaller relative to anticipated demand than at the same time during several recent years. Although stocks of distillates reached all-time peaks during September, stores of fuel oil in the district and in the United States were smaller at the end of September this year than on comparable dates in years immediately before the war, and stocks of gasoline were not substantially greater than in those years. Moreover, crude oil in storage at the end of September was considerably less than at the same time in most prewar years. In view of the fact that demand for petroleum products is substantially above prewar levels and is generally expected to increase, it does not appear that current stocks of crude petroleum and petroleum products are excessive, although some maldistribution of stocks between areas and between types of products may exist. If anticipated increases in consumption of petroleum products occur, a proportionate expansion of crude oil production will be necessary, unless imports are increased. There is a possibility, consequently, that the downward trend of petroleum production in this district will soon be reversed.

Drilling Activity and Expenditures

During the period of uncertainty in the petroleum industry following the end of hostilities, it was the opinion of many members of the industry that drilling activity would decline during 1946 in response to an anticipated sharp reduction in the consumption of petroleum products from the high levels attained in 1944 and 1945. Contrary to expectations, demand for petroleum products has been sustained near the wartime peak, and drilling activity has expanded rather steadily. It now seems probable that more wells will be completed in the United States and in the Eleventh District this year than during any year since 1941, and if wildcatting continues at present rates, the all-time record for exploratory drilling set in 1945 will be exceeded.

Drilling for petroleum and natural gas was severely curtailed during the war by shortages of pipe and other equipment, scarcity of labor, and inefficiency of drilling crews. In this district, the daily rate of well completions declined from 32 in 1941 to 13 in 1943, or approximately 60 per cent. During the same period, the rate of completions outside the district declined 40 per cent. Urgent need for greater reserves and for more producing wells, particularly in the Middlewestern and Eastern states, stimulated drilling activity in 1944 and 1945, but, as the following table indicates, fewer wells were completed in the Eleventh District and in the nation as a whole during those respective years than during any one of the five years preceding the war.

Number of Well Completions, 1937-1946

| | Eleventh District | Outside Eleventh District | Total U. S. |
|-----------------------|-------------------|---------------------------|-------------|
| 1937* | 16,100 | 12,600 | 28,700 |
| 1938 | 13,230 | 13,102 | 26,332 |
| 1939 | 10,621 | 16,242 | 26,863 |
| 1940 | 11,046 | 19,107 | 30,243 |
| 1941 | 11,534 | 20,786 | 32,320 |
| 1942 | 5,988 | 15,158 | 21,126 |
| 1943 | 4,641 | 12,221 | 16,862 |
| 1944 | 6,725 | 15,322 | 22,057 |
| 1945 | 8,100 | 15,407 | 23,507 |
| 1946 (first 8 months) | 5,970 | 10,860 | 16,830 |

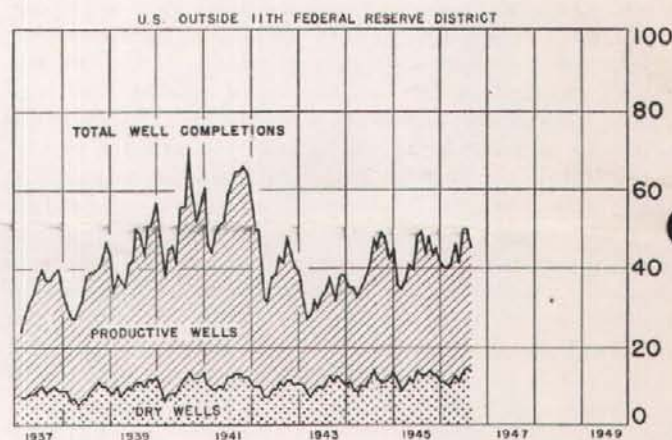
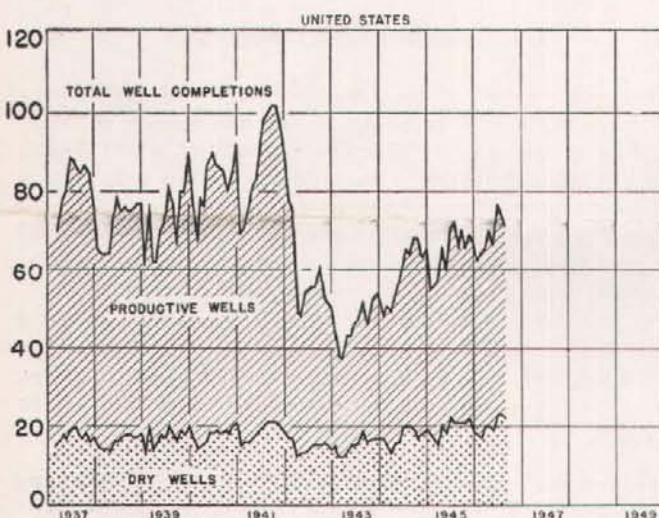
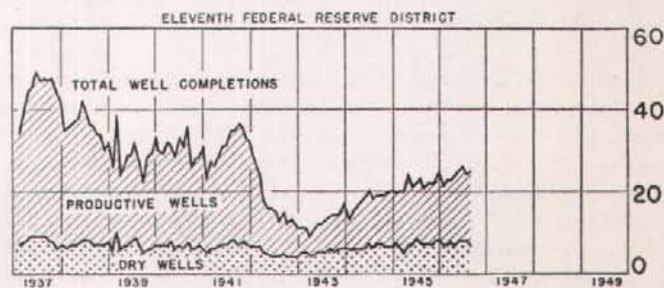
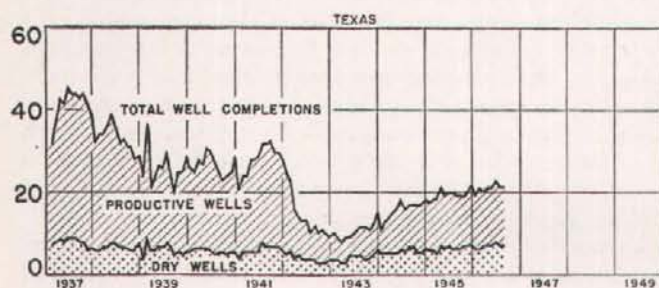
*January 1937 estimated.

SOURCE: The Oil Weekly.

Shortages of pipe and drilling muds still prevent rapid acceleration of drilling activity, but alleviation of the labor shortage and greater efficiency of drilling crews are permitting a gradual increase in well completions. Exploratory drilling is at or near a peak in the Eleventh District and in many other areas. In the United States, 2,904 exploratory wells were completed during the first eight months of this year, approximately the same as the number completed during the same period in 1945, when an

capital expenditure of the drilling industry was considerably larger than in any prior year of record, reflecting the marked increase, estimated at 75 per cent, which took place in the average cost of drilling a well between 1939 and 1945. As the table below indicates, approximately 750 million dollars was expended by the drilling industry in the United States during 1945, of which more than one-half was expended in the four oil-producing states of the Southwest. The 220 million dollars

TREND OF DAILY AVERAGE WELL COMPLETIONS



SOURCE: THE OIL WEEKLY

all-time record number of wildcat tests was made. In this district, a total of 1,233 exploratory tests were completed during the first eight months of 1946, as compared with 1,153 such completions during the same period in 1945. A further gratifying fact in this connection is that a satisfactory ratio has been achieved between the number of producing wells brought in this year and the number of exploratory tests completed. On the whole, therefore, it appears that 1946 will be a successful discovery year.

Exploratory Drilling

| | Eleventh District | | Total United States | |
|-------------------------------|-------------------|-----------------|---------------------|-----------------|
| | 1st 8 mos. 1945 | 1st 8 mos. 1946 | 1st 8 mos. 1945 | 1st 8 mos. 1946 |
| Total exploratory tests..... | 1,153 | 1,233 | 2,905 | 2,904 |
| Total productive tests..... | 202 | 230 | 532 | 594 |
| Total unproductive tests..... | 951 | 1,003 | 2,373 | 2,310 |

SOURCE: The Oil Weekly.

Despite the smaller number of wells completed in this district in 1945 as compared with prewar years, the total estimated

expended in Texas accounted for 30 per cent of the total expenditure in the United States.

Estimated Capital Expenditure in the Crude Petroleum and Natural Gas Drilling Industry

(Millions of dollars)

| | 1945 | 1943 | 1941 | 1939 |
|--------------------------|------|------|------|------|
| Louisiana..... | 85 | 47 | 76 | 54 |
| New Mexico..... | 15 | 8 | 9 | 16 |
| Oklahoma..... | 54 | 26 | 27 | 26 |
| Texas..... | 222 | 114 | 204 | 174 |
| Four states..... | 376 | 195 | 316 | 270 |
| All other states..... | 365 | 241 | 232 | 185 |
| Total United States..... | 741 | 436 | 548 | 455 |

SOURCE: United States Department of Commerce.

An additional increase in drilling costs has probably accompanied the expansion of drilling activity during this year, since wages have risen and material costs are somewhat higher than a year ago. It appears likely, therefore, that expenditures by the drilling industry in 1946 will exceed the record established in 1945.