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## DEMAND DEPOSIT TRENDS AND OWNERSHIP ELEVENTH FEDERAL RESERVE DISTRICT

Although the United States did not actually enter into war until December 1941, the business and financial system in this country gradually felt an increasing impact of wartime developments from the outbreak of war in Europe until Pearl Harbor. Therefore, banking data as reported for December 31, 1939, the first call period following the outbreak of war in Europe, and for June 30, 1945, the last call period prior to the end of the war, reflect approximately the full wartime changes which occurred.

During that five and one-half year period, total deposits of member banks in the Eleventh Federal Reserve District increased at a rate substantially greater than that which was characteristic for the member banks of the nation. Total deposits of the member banks in the Eleventh Federal Reserve District at the end of December 1939 were \$1,576,700,000. Increasing steadily during the war period, the total deposits of the member banks in this district reached \$4,934,000,000, an increase of approximately 213 per cent, by the end of June 1945. That increase compared with an increase of 140 per cent in the total deposits of the member banks of the nation, as those deposits rose from \$49,340,200,000 to \$118,378,100,000. As a result, member banks in the Eleventh District gained a larger proportion of the nation's total deposits. At the end of December 1939, 3.2 per cent of the nation's total member bank deposits were in member banks in this Eleventh District, whereas by the end of June 1945, that proportion had increased to approximately 4.2 per cent.

Within the Eleventh Federal Reserve District the rate of deposit growth during the war varied rather significantly as between member banks located in reserve cities and those located in other towns and cities of the district. Moreover, the data show a substantial variation in the growth of deposits of member banks in different reserve cities within the district. Country banks in this southwestern Federal Reserve District experienced a substantially greater increase in total deposits than did the banks in the seven reserve cities of the district. From the end of December 1939, when total deposits of country banks were approximately \$674,200,000, deposits of those banks increased by 246 per cent to total \$2,331,800,000 by June 30, 1945. During the same period, deposits of the member banks in the seven reserve cities increased by 188 per cent, to advance from \$902,600,000 to \$2,602,100,000. A consequence of this development was that the country banks in the Eleventh Federal Reserve District increased their proportionate holdings of the district's total member bank deposits from approximately 43 per cent to slightly more than 47 per cent.

As stated above, deposit growth varied considerably in the different reserve cities in the district. Member banks in San Antonio reflected the greatest percentage increase during the war period as

deposits rose by 214 per cent, or from \$100,100,000 to \$314,500,000. In Fort Worth, Houston, and Dallas the percentage increase in member bank deposits followed closely in that order, while the member bank deposits in Galveston experienced the smallest percentage wartime growth. Reflecting the more rapid rate of growth in the deposits of the country banks, the total deposits of the member banks located in the reserve cities of the Eleventh District, with the single exception of San Antonio, represented a slightly smaller proportion of the total deposits of the member banks of the district. These wartime developments are summarized statistically in Table 1.

TABLE 1  
GROWTH OF MEMBER BANK DEPOSITS  
DURING THE WAR PERIOD<sup>1</sup>

Reserve city banks, Eleventh District:	Aggregate Amount (000's of Dollars)		Percentage Increase 12/30/39- 6/30/45	Percentage of District Total	
	12/30/39	6/30/45		12/30/39	6/30/45
San Antonio.....	\$ 100,114	\$ 314,535	214.2	6.3	6.4
Fort Worth.....	110,206	334,465	203.5	7.0	6.8
Houston.....	293,176	874,577	198.3	18.6	17.7
Dallas.....	296,630	840,412	183.3	18.8	17.0
El Paso.....	37,374	104,445	179.5	2.4	2.1
Waco.....	21,317	57,709	170.7	1.4	1.2
Galveston.....	43,764	75,967	73.6	2.8	1.5
Total, reserve cities.....	902,581	2,602,110	188.3	57.2	52.7
Country banks, Eleventh District.....	674,163	2,331,845	245.9	42.8	47.3
Total, Eleventh District.....	1,576,744	4,933,955	212.9	3.20 <sup>2</sup>	4.17 <sup>2</sup>
Total, United States.....	49,340,152	118,378,076	139.9	-----	-----

<sup>1</sup>Member Bank Call Reports, Board of Governors, Federal Reserve System.

<sup>2</sup>Represents percentage of total member bank deposits of the United States.

It is generally realized that the principal factor underlying the wartime growth of deposits was the deficit financing resorted to during the war period. As the banks of the nation increased their holdings of Government securities and increased their loans to individuals and others for the purpose of purchasing and carrying Government securities, bank deposits were created in large volume. It is further recognized that the relative wartime growth of deposits in different regions of the country was determined to a very large extent by the volume of Government receipts and expenditures in those various areas. In those parts of the country in which the financial centers are located and in the more highly industrialized areas, Government receipts from the sale of securities were large relative to expenditures. On the other hand, an opposite situation prevailed in those regions of the country which prior to the war were largely agricultural in their economic character and which during the war experienced both an absolute and relatively high degree of expansion in economic activity as a direct outcome of wartime developments. Consequently, member banks in such Federal Reserve districts as Dallas, Atlanta, San Francisco, and Kansas City experienced substantially greater deposit growth than did member banks in such Federal Reserve districts as Boston, New York, Philadelphia, and Chicago.

In a general way, a similar sort of development took place within this Eleventh Federal Reserve District. The deposit pattern in this district, as reflected by deposit holdings of member banks located in the financial centers and the holdings of banks located in other parts of the district, has shifted rather significantly and in a manner not unlike that which has been characteristic for the nation. Government receipts through the sale of securities in the financial centers of the Eleventh District were large relative to Government expenditures in those centers, but in the other towns and cities throughout the district the reverse was often true. Just as there was a tendency for a shift of funds from the financial centers of the United States toward the interior of the country, there was likewise a tendency for a shift of funds from the financial centers in larger cities in the Eleventh Federal Reserve District to the interior of that district.

Near the end of the war there was considerable conjecture as to the probable future trend of bank deposits. It was recognized that the aggregate deposits of the member banks of the nation would be influenced by policies with respect to Government securities and bank loans, the flow of currency into or out of circulation, and gold movements. Inasmuch as the wartime deposit growth resulted from the increase in bank holdings of Government securities rather than from an expansion of commercial, industrial, and agricultural loans and other types of bank lending, it was pretty obvious that the aggregate deposits of the nation could shrink substantially only if there were to develop a substantial cash redemption of bank-held Government securities, an outward gold movement, or a further increase in currency in circulation. On the other hand, the reverse of these developments would have tended to bring about a further creation of bank credit and expansion of bank deposits.

During the period which may be considered roughly as representing the first postwar year, i.e., from June 30, 1945 through June 29, 1946, total member bank deposits in the Eleventh Federal Reserve District and in the nation increased substantially for approximately six months and then turned downward, although not in sufficient amount to offset entirely the increase experienced during the first half of the postwar year. Between June 30, 1945 and the end of that year, deficit financing was continued on a comparatively large scale. Member banks increased their holdings of Government securities and, likewise, increased loans to others for the purchase of Government securities. In the meantime, and especially during the latter part of the year, businesses and other private borrowers were increasing their use of bank credit, thus further adding to the expansion of bank deposits. Although a contractive pressure upon bank deposits was exerted simultaneously as currency in circulation expanded sharply, the net effect of all of the various forces influencing bank deposits was such as to stimulate a substantial increase in their volume. Consequently, during the last six months of 1945 total deposits of the member banks of the Eleventh Federal Reserve District increased by slightly more than 16 per cent, while the total deposits of the member banks of the nation increased about 9½ per cent.

With the end of 1945, however, deficit financing by the Government was brought to an end, and in its place the Treasury initiated its program of cash redemption of Government securities, using for that purpose the large war loan accounts which had been built up substantially during the Victory Loan Drive. Inasmuch as more than 75 per cent of the Government securities redeemed by the Treasury in cash were held by the commercial banking system and the Federal Reserve banks, a substantial reduction occurred in total deposits of member banks, both in this district and in the nation. Again, however, just as the deposit growth of the member banks in this district was greater during the first six months of the postwar period than for the United States, the shrinkage of deposits during the last six months of the period was somewhat less in the Eleventh Federal Reserve District than for the nation, the data reflecting declines of about 4.7 per cent and 5.5 per cent, respectively.

A similar though much more marked trend and pattern were characteristic of developments in the Eleventh Federal Reserve District if data pertaining to member banks in the seven reserve cities of the district are considered in relation to data pertaining to the country banks of the area. Although the increase in deposits which occurred in the Eleventh Federal Reserve District showed virtually no difference from June 30, 1945 to the end of that year as between reserve city banks and country banks, the rate of decrease of deposits during the first six months of 1946 showed a marked difference. Total member bank deposits held in reserve cities declined during the first six months of 1946 by approximately 8 per cent, with the largest percentage decline, 12 per cent, being experienced by the banks in Dallas and the smallest percentage decline, 1 per cent, being characteristic of the banks in Fort Worth. On the other hand, data reflect that the deposit shrinkage in country banks in the Eleventh Federal Reserve District during the first six months of 1946 represented only 1 per cent of the deposits of those banks.

The character of the deposit shrinkage which occurred during the first half of 1946 and its unequal impact upon the different classes of banks both in the nation and in the Eleventh Federal Reserve District are explained in large part by the nature of events which characterized the debt retirement program and by concomitant developments. War loan accounts were substantially larger in member banks located in the financial centers than in the member banks throughout the interior of the country. That was characteristic of the situation within a Federal Reserve district as between reserve city banks and country banks and on a national scale as between money market banks and interior banks. As calls were made upon the war loan accounts to obtain funds for the retirement of Government securities, deposit shrinkage in the banks in the financial centers and reserve cities holding those accounts was greater substantially than in the interior banks or the country banks of a Federal Reserve district. Moreover, not only were the deposits in the financial centers drawn down, but, since the procedure involved demobilization of the war loan deposits, there may have been a tendency to cause some flow of funds out of the financial centers as the securities of nonbanking holders were redeemed.

During the same period, there was also a tendency toward a flow of funds into the nation's interior banks and country banks as these classes of banks reduced somewhat their interbank deposits. This development occurred as country banks and other interior banks tended to reduce their balances with

their correspondents in reserve cities and in the larger financial centers to obtain funds to meet the calls upon their war loan accounts. Thus the larger banks in financial centers and reserve cities not only lost deposits as a direct result of the call upon their war loan accounts, but also indirectly as the smaller banks drew down their interbank balances. In addition, there was some reduction of interbank deposits as the interior banks and country banks reduced their balances with correspondents to obtain funds to increase their loans to private borrowers and for the purchase of additional Government securities. In these latter instances, therefore, there occurred a reduction of deposits of the city correspondent banks and also an expansive effect upon the deposits of the interior and country banks.

TABLE 2  
CHANGES IN TOTAL MEMBER BANK DEPOSITS  
DURING FIRST POSTWAR YEAR<sup>1</sup>

Reserve city banks, Eleventh District:	Percentage	Aggregate Amount 12/31/45 (000's of dollars)	Amount of Decrease	Percentage
	Increase 6/30/45 - 12/31/45		12/31/45 - 6/29/46 (000's of dollars)	Decreases 12/31/45 - 6/29/46
Dallas.....	20.8	\$ 1,014,997	\$ 123,644	12.2
Houston.....	11.3	973,254	88,290	9.1
El Paso.....	31.8	137,623	9,580	7.0
Waco.....	29.1	74,509	3,788	5.1
San Antonio.....	16.9	367,772	10,885	3.0
Galveston.....	10.7	84,071	2,390	2.8
Fort Worth.....	12.6	376,705	4,241	1.1
Total, reserve cities.....	16.4	3,028,931	242,818	8.0
Country banks, Eleventh District.....	16.2	2,709,533	27,786	1.0
Total, Eleventh District.....	16.3	5,738,464	270,604	4.7
Total, United States.....	9.5	129,669,834	7,151,288	5.5

<sup>1</sup>Member Bank Call Reports, Board of Governors, Federal Reserve System.

States. The most recent demand deposit ownership survey, made as of July 31, 1946, when considered with earlier surveys provides a basis for consideration of the postwar trends in the ownership of demand deposits of individuals, partnerships, and corporations in the Eleventh Federal Reserve District.

In Table 3, data are presented showing the estimated ownership of demand deposits as of July 31, 1946 according to principal types of holders and the percentage increase or decrease between July 31, 1943 and July 31, 1945 and during the first postwar year ending July 31, 1946.

Since the end of July 1943, a shift has taken place in the relative importance of total business deposits as compared with personal deposits. Whereas the latter represented 50 per cent of total demand deposits in July 1943, that type of deposit had increased to represent almost 56 per cent of demand deposits by the end of July 1945. At the same time, total business deposits, reflecting a substantially lower rate of growth, declined in relative importance to approximately 42 per cent of total deposits. It was anticipated that following the war deposit shifts might have significant effect upon the relative distribution of demand deposits. That development did not occur appreciably during the first postwar year, with the consequence that the distribution of demand deposits by principal types of holders at the end of July 1946 was almost identical with that which prevailed at the end of July one year earlier. Table 4 presents these relevant data in summary form.

Developments with respect to deposit changes in the Eleventh District and in the United States during what was approximately the first postwar year are summarized in statistical form in Table 2.

In cooperation with a selected group of commercial banks, the Federal Reserve System has made sample surveys of demand deposits<sup>1</sup> ownership as of December 1941, July 1943, and semiannually thereafter. On the basis of the returns, estimates have been made of demand deposit ownership for all banks in each of the Federal Reserve districts and in the United

TABLE 3

ESTIMATED OWNERSHIP OF DEMAND DEPOSITS OF  
INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS  
ELEVENTH FEDERAL RESERVE DISTRICT

Type of Holder	Aggregate Amount 7/31/46 (000,000's of Dollars)	Percentage Increase or Decrease	
		7/31/43 - 7/31/45	7/31/45 - 7/31/46
Manufacturing and mining.....	\$ 393	+ 44.4	+ 8.9
Public utilities.....	194	+ 16.7	+ 38.6
Trade.....	688	+ 39.8	+ 17.2
Other non-financial business.....	234	+ 19.4	+ 8.8
Total non-financial business.....	1,509	+ 34.3	+ 15.8
Insurance.....	74	+ 40.0	- 11.9
Trust funds in banks.....	25	+ 70.0	+ 47.1
All other.....	150	+ 33.8	+ 40.2
Total financial business.....	249	+ 38.7	+ 19.7
Total business.....	1,758	+ 34.9	+ 16.3
Non-profit institutions.....	95	+ 20.0	+ 31.9
Personal (including farmers).....	2,312	+ 67.7	+ 16.8
Total.....	4,165	+ 50.9	+ 16.9

<sup>1</sup>Whenever the term "demand deposits" is used in the remainder of this article, it refers only to demand deposits of individuals, partnerships, and corporations. Heretofore in this article discussion of deposits has been in terms of "total deposits" rather than "demand deposits."

TABLE 4

**PERCENTAGE DISTRIBUTION OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS, ELEVENTH FEDERAL RESERVE DISTRICT**

Type of Holder	7/31/43	7/31/45	7/31/46
Total business deposits.....	47.4	42.4	42.2
Non-financial business deposits....	41.1	36.6	36.2
Financial business deposits.....	6.3	5.8	6.0
Personal deposits.....	50.2	55.6	55.5
All other deposits.....	2.4	2.0	2.3

which occurred during the two-year war period from the end of July 1943 through the end of that month in 1945. During that interval, personal deposits increased 67.7 per cent, or at an average annual growth rate of approximately 34.0 per cent, while total business deposits increased 34.9 per cent, or at an average annual growth rate of almost 17.5 per cent. Consequently, it is apparent that during the first postwar year, although both categories of deposits increased, the rate of growth of business deposits relative to the rate of growth of personal deposits was greater than during the two war years studied.

Several factors in operation during the period contributed to bring about that development. In the first place, in the months following the end of the war there occurred a very large increase in the volume of consumer spending. Sales of virtually all types of non-durable goods have been at very high levels, while, generally speaking, the small but nevertheless increasing supply of durable goods has been purchased immediately as it appeared in the market. In addition, consumer demands upon the service industries, purchases of real estate, and investment in securities have also contributed to the swollen volume of consumer expenditures. Although liquid assets—other than deposits—were available in large volume, consumers generally seem to have chosen to use their bank deposits to cover their expenditures rather than drawing substantially upon other liquid assets. Consequently, demand deposits tended to flow out of personal accounts into the accounts of various types of business.

On the other side of the development, business organizations have continued to build up their deposits and cash balances. During the war period, and especially in the latter years, businesses were not unimportant investors in Government securities. Those investments largely represented temporary placements; and, therefore, as the securities, e.g., certificates of indebtedness, matured, or as securities were redeemed by cash, the business holders generally built up their investments rather than reinvesting the funds. Furthermore, during the first postwar year there was selling of Government securities by nonbanking holders to the commercial banks, with the consequence that the deposits of the sellers were increased. Other contributing factors included the expansion of bank loans to private borrowers, the tendency to maintain substantial cash balances in anticipation of subsequent inventory stocking, and the generally cautious attitude regarding expansion of capital equipment.

TABLE 5

**ESTIMATED OWNERSHIP OF DEMAND DEPOSITS BY PRINCIPAL CATEGORIES ON SUCCESSIVE SURVEY DATES ELEVENTH FEDERAL RESERVE DISTRICT**

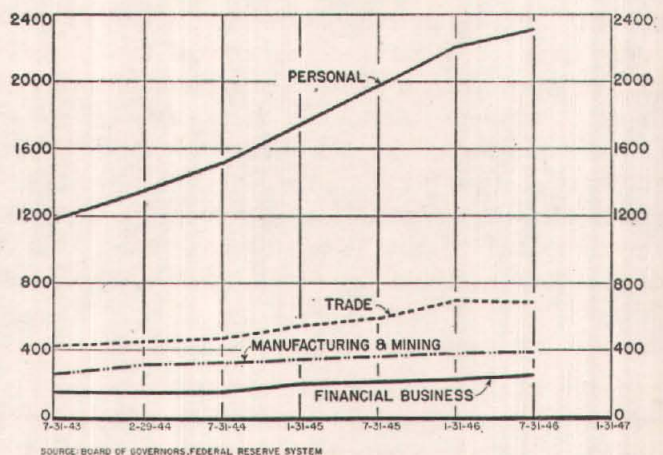
(000,000's of Dollars)

	7/31/43	2/29/44	7/31/44	1/31/45	7/31/45	1/31/46	7/31/46
Manufacturing and mining.....	\$ 250	\$ 310	\$ 320	\$ 348	\$ 361	\$ 382	\$ 393
Trade.....	420	450	470	546	587	694	688
Financial business.....	150	150	150	201	208	220	249
Personal.....	1,180	1,350	1,510	1,745	1,979	2,208	2,312
All other.....	360	360	340	386	426	468	523
Total.....	2,360	2,620	2,790	3,226	3,561	3,972	4,165

by different types of owners and considered from the point of view of size of bank showed little tendency to vary greatly between July 31, 1945 and the end of July one year later. The importance of business deposits as a percentage of total demand deposits varied in direct relationship with the size of bank. Reports received from banks having deposits of less than \$1,000,000 indicated that business

In Table 3, it is shown that the percentage increase in the two principal categories of demand deposits was approximately the same during the first postwar year, when total business deposits reflected an increase of 16.3 per cent and total personal deposits increased by 16.8 per cent. That development is in contrast with the developments

ESTIMATED OWNERSHIP OF DEMAND DEPOSITS BY PRINCIPAL CATEGORIES ELEVENTH FEDERAL RESERVE DISTRICT



SOURCE: BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM

The trend in the ownership of certain major categories of demand deposits in the Eleventh District on successive survey dates since July 1943 is presented graphically on Chart I and summarized statistically in Table 5.

Total demand deposits held

deposits on the terminal dates of the first postwar year were approximately 18 per cent, with personal deposits representing about 81 per cent of total demand deposits. As the size of bank increased, the relative importance of business deposits increased substantially and represented approximately 57 per cent and 62 per cent of total demand deposits as of the end of July 1945 and 1946, respectively.

The rate of increase in demand deposits in the Eleventh District was substantially greater in all major categories than for the United States during the two war years ending July 1945. Consequently, total demand deposits expanded by approximately 25 per cent in the United States during the period, or at an average annual rate of about 12.5 per cent, as compared with an increase of approximately 51 per cent in the Eleventh District, an average annual rate of about 25.5 per cent. During the first postwar year, total demand deposits in the Eleventh District continued to increase at a greater rate than was characteristic of the movement for the United States, but at a rate of increase which was less than had been experienced during the preceding two war years. Between July 31, 1945 and the end of July 1946, demand deposits in the Eleventh District increased by approximately 17 per cent, as compared with an increase of slightly more than 11 per cent for the United States. Furthermore, during the first postwar year certain categories of deposits, i.e., deposits of financial businesses and personal deposits, reflected a greater increase for the banks of the United States than for the Eleventh District. Data pertaining to these developments are summarized in Table 6.

The larger proportionate deposit increase in the Eleventh District is also reflected by measuring the volume of total demand deposits held by banks in this district as a percentage of the total demand deposits for the United States. At the end of July 1943, banks in the Eleventh Federal Reserve District held 4.2 per cent of the total demand deposits of the nation. By the end of July 1945, that percentage had increased to 5.1 per cent, and during the first postwar year, increased further to total 5.4 per cent as of the end of July 1946. The same trend with respect to deposit ownership was characteristic of the other principal categories of deposits throughout the period, with the exception of the movement of financial business deposits and personal deposits during the first postwar year. After having increased significantly between July 31, 1943 and July 31, 1945 to reach levels of 3.1 per cent and 8.6 per cent, respectively, these two categories of deposits declined slightly by July 31, 1946. The data which are presented in Table 7 show that as of the end of July 1946, 8.4 per cent of the personal deposits of the banks of the nation were held by banks in the Eleventh Federal Reserve District and 3.9 per cent of the non-financial business deposits of the nation were held in this area.

These data reflect a somewhat similar pattern to that which has been discussed above pertaining to the postwar movement or shift of demand deposits as between business and personal holders. Although demand deposits in the nation and in the Eleventh Federal Reserve District continued to increase during the first postwar year, the rate of growth in the district was slowed down significantly, i.e., from about 25.5 per cent to approximately 17 per cent, whereas the annual average rate of growth for the nation was virtually maintained. This development would tend to indicate, perhaps, that although the anticipated postwar regional deposit shifts have not yet appeared in the absolute sense that the demand deposits of the district actually declined, evidences may be appearing in a relative sense to indicate the trend of the underlying forces.

During the postwar period, Government injection of funds into the district has declined substantially in absolute amount and also relatively in terms of funds withdrawn from the area. Some of the district's war plants and industrial firms which attracted a large volume of funds into the district during the war years either have been liquidated or have reduced or altered their operations significantly. Inventory stocking, which despite the obvious existence of serious shortages in many lines has proceeded at a significant rate of progress, and the beginning of the flow of a variety of consumer durable goods into the area also have tended to influence the demand deposit flow.

TABLE 6  
PERCENTAGE INCREASE IN DEMAND DEPOSITS  
ELEVENTH DISTRICT AND UNITED STATES

Type of Holder	July 31, 1943- July 31, 1945		July 31, 1945- July 31, 1946	
	United States	Eleventh District	United States	Eleventh District
Total domestic business	18.7	34.9	6.3	16.3
Non-financial business	19.2	34.8	3.2	15.8
Financial business	16.2	38.7	23.2	19.7
Personal	41.8	67.7	20.0	16.8
Total demand deposits	25.3	50.9	11.4	16.9

TABLE 7  
HOLDINGS OF DEMAND DEPOSITS  
ELEVENTH FEDERAL RESERVE DISTRICT  
AS PERCENTAGE OF UNITED STATES

Type of Holder	July 31, 1943	July 31, 1945	July 31, 1946
Total domestic business	3.0	3.4	3.8
Non-financial business	3.1	3.5	3.9
Financial business	2.6	3.1	3.0
Personal	7.3	8.6	8.4
Total demand deposits	4.2	5.1	5.4

# Review of Business, Industrial, Agricultural, and Financial Conditions

## DISTRICT SUMMARY

Preliminary reports for October indicate that nonagricultural employment in this district is continuing upward, though at a diminishing rate. Increasing activity in private nonresidential construction during October appears to have more than offset the effect of the decline observed in recent months in the number and value of residential contract awards, with the result that the total value of all construction contracts awarded is showing a net gain. Despite considerable improvement in the supply of some building materials, continuing shortages of other materials, especially cement and metals, and the reported diversion of considerable quantities of cement to commercial and industrial construction are hindering both the starting and the completion of many dwelling units for which building permits have been issued or construction contracts awarded. Strong demand, present and prospective, for petroleum products creates a bright prospect for the oil industry both in the district and in the nation. Although heavy rains in many parts of the district during October and early November caused some damage to unharvested field crops, the harvest of cotton, corn, grain sorghums, rice, and peanuts neared completion by the end of November. Record crops of grapefruit and oranges from the Rio Grande Valley have begun their movement to market, and fall plantings of most commercial vegetables have made good progress in recent weeks. The beginning of winter finds cattle and sheep generally in good condition as the result of the recent marked improvement in pastures and ranges brought about by abundant moisture throughout most of the district. Improvement in supply of many consumer goods, as reflected in department store inventories and value of merchandise received in recent months, appears to be exerting some restraint upon the rise of officially decontrolled prices. Approach of Christmas and the lifting on December 1 of most of the restrictions imposed by Regulation W on extension of consumer credit will likely counteract, for a time at least, a slowing down which became apparent during October and early November in the rate of increase in consumer spending.

## BUSINESS

Three factors of recent emergence are dominating the thought and gradually shaping the course of wholesale and retail trade in this district no less than in the nation at large. They are the definite, though uneven, increase in the volume of industrial production of consumer goods, the removal of price controls from all commodities except sugar and rice, and the lifting, effective December 1, of most of the restrictions imposed upon consumer credit by Regulation W. The first of these factors is creating both inventory and price problems for the business man and at the same time giving his customers more freedom in allocating their spending and more potency in their resistance to rising prices. Removal of price controls is too recent for its detailed effects to be appraised. Some commodities, especially certain foods and a few items of apparel, appear to be moving to lower price levels after temporary rises of varying degree. Prices of most major durables, such as automobiles, large appliances, furniture, and floor coverings, have either risen above former ceilings or are slated to rise. The same trend seems to be in progress in many cotton and woolen textiles, leather goods, and all commodities requiring appreciable quantities of fats and oils in their manufacture. How high the prices of these items may go and how soon they may stabilize themselves or start downward are questions to which producers and consumers,

will give the answers during coming months. The lifting of the restrictions of Regulation W from all uses of consumer credit, except instalment loans and instalment sales connected with the purchase of automobiles, major household appliances, furniture, and soft-surface floor coverings, may reasonably be expected to increase the volume of credit buying, especially during the approaching Christmas holiday season, to extend the average collection period on charge accounts, and to intensify rivalry among retailers for credit business.

Total sales, computed by dollar volume, in weekly reporting department stores of this district in September, October, and the first two weeks of November exceeded each week the totals for corresponding periods in 1945. A slackening in the rate of consumer spending seems to be indicated, however, by the fact that the percentages of weekly increases in October and early November this year over corresponding periods last year were decidedly lower than the percentages of weekly increase during September. Suggesting the same conclusion is the fact that the upturn in weekly sales during October failed to regain the peak from which they had dropped in the latter part of September, whereas a year ago weekly sales throughout October ranged consistently above the peak of the preceding month. In monthly reporting department stores, October sales exceeded those of the preceding month by six per cent, compared with a rise in September of 11 per cent over August. Compared with the same month a year ago, October sales were up only 21 per cent, though cumulative sales for ten months of this year have exceeded those of the same months of 1945 by 30 per cent.

## WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in				
		Net sales		Stocks †		
		Oct. 1946 from 1945	Sept. 1946	Jan. 1 to Oct. 31, 1946 from 1945	Oct. 1946 from 1945	Sept. 1946
<b>Retail trade:</b>						
<b>Department stores:</b>						
Total 11th Dist.....	48	+21	+6	+30	+52	+7
Corpus Christi.....	4	+34	+14	+28	..	..
Dallas.....	7	+20	+6	+33	+46	+4
Fort Worth.....	4	+19	+7	+24	+47	+9
Houston.....	7	+28	+1	+36	+102	+12
San Antonio.....	5	+19	+8	+29	+24	+4
Shreveport, La.....	3	+28	+4	+26	..	..
Other cities.....	18	+18	+13	+22	+49	+6
<b>Retail furniture:</b>						
Total 11th Dist.....	50	+28	+15	..	+74	+7
Dallas.....	4	+9	-8	..	+99	+13
Houston.....	5	+30	+18	..	..	..
Port Arthur.....	4	+20	+6	..	+66	+10
San Antonio.....	5	+32	+24	..	..	..
<b>Wholesale trade*:</b>						
Machinery eqpt & supplies.....	3	+75	-10	..	..	..
Automotive supplies.....	5	+11	+16	..	..	..
Drugs.....	6	+26	+11	..	+18	+4
Groceries.....	25	+24	+10	+23	+40	+16
Hardware.....	9	+69	+6	+45	+56	+1

\*Compiled by United States Bureau of Census. Wholesale trade figures preliminary.  
†Stocks at end of month.

## INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Daily average sales—(1935-1939=100)

	Unadjusted*			Adjusted				
	October 1946	Sept. 1946	August 1946	October 1945	October 1946	Sept. 1946	August 1946	October 1945
District.....	384	395r	332	317r	349	376r	381	288r
Dallas.....	384	407	326	320r	349	367	383	291r
Houston.....	377	405	326	300	343	378	371	273

Stocks—(1935-1939=100)

	Unadjusted*			Adjusted				
	October 1946	Sept. 1946	August 1946	October 1945	October 1946	Sept. 1946	August 1946	October 1945
District.....	310p	299	296	218	274p	267	262	193

\*Unadjusted for seasonal variation.  
r-Revised. p-Preliminary.

Weekly and monthly sales for the remainder of this year appear certain to show increases over comparable weeks and months of 1945, and there are reputable predictions that this year's Christmas holiday sales, measured in physical volume of goods, will exceed by at least 10 per cent the volume of goods sold in the same season last year. In terms of prices received for the goods, the increase in sales will, of course, be much greater. Nevertheless the trend of weekly sales in September and October and preliminary figures for early November suggest that sales and consumer spending may be in preparation for a slow-down after Christmas to a tempo which will not set as many records in 1947 as have been achieved in 1946.

An increase in department store stocks of nearly all lines of non-durable goods and of some durable items is reflected in rising ratios of end-of-the-month inventories to sales. The overall ratio of representative large department stores in September of this year had risen to 2.24, though still somewhat below the ratio of 2.78 in September 1941. In some individual departments the current ratio considerably exceeds that of the earlier period. This is particularly true of jewelry and furs. Additional evidence of an overall increase in merchandise stocks during recent months is revealed by an analysis and comparison of the value of merchandise received monthly from January through September of 1945 and 1946 in the large department stores of this district whose reports are used in computing the monthly indexes of district department store sales and stocks published by the Federal Reserve Board. Beginning with February of this year, the value of merchandise received in these stores has shown an increase each month through September over the corresponding month of 1945. This increase has varied from a low of less than one per cent in March to a high of 66 per cent in August. The effect of retailers' efforts to augment supplies of Easter merchandise is reflected in an increase of 55 per cent during April of this year in value of stocks received over the same month a year ago. The lapse of price controls during July and most of August of this year found reflection in rises of 43 per cent and 66 per cent, respectively, in value of merchandise received by these stores during those months. Even when allowance is made for the effect of rising prices on the value of goods received by stores, the percentages of increase in value of total stocks received are high enough, except in January and March of this year, to warrant the conclusion that the physical volume of goods added to the stocks of department stores of this district has risen considerably during the first three quarters of 1946. The increase, of course, has been far from uniform in different lines and departments, hard goods generally showing smaller gains, if any, than non-durables. The result has been a compounding of the inventory and buying problems of department store management.

Recent interviews by members of this Bank's research staff with representative department store executives indicate that a major concern of those executives at present is the culling of merchandise stocks, the cancellation of past-due orders except for articles still in short supply, and the adapting of buying policies to an anticipated moderate slowing down in consumer demand for most soft goods and for an increasing number of appliances, such as small radios, lamps, and electric irons, which are now in or near plentiful supply.

Preliminary reports of retail furniture stores of this district for October showed an increase in total sales of 15 per cent over the preceding month and of 28 per cent over October 1945. Instalment sales increased 15 per cent over September, and constituted 79 per cent of total sales, as compared with 78 per cent in September of this year and 77 per cent in October 1945. End-of-the-month inventories showed a gain in retail value of 7 per cent over the preceding month and of 74 per cent over October a year ago.

## AGRICULTURE

Weather conditions during October and the first part of November were generally unfavorable to harvesting of crops as heavy rains fell in many areas. Some crops, particularly cotton and peanuts, were seriously damaged by rains. November 1 estimates show cotton production to be appreciably smaller than had been expected a month earlier. The peanut production will be large, but the quality of the crop was affected adversely by rains. Estimated sorghum production was considerably below earlier estimates. Record citrus crops are forecast, and large crops of most commercial vegetables are in prospect. Soil moisture has been favorable for small grain, late feed crops, and pas-

### CASH FARM INCOME

(Thousands of dollars)

	August 1946		August 1946	Total receipts		
	Receipts from			August 1945	Jan. 1 to Aug. 31 1945	
	Crops	Livestock*				
Arizona.....	2,142	2,486	4,628	4,473	100,568	91,865
Louisiana.....	7,213	5,945	13,158	11,019	94,929	105,333
New Mexico.....	-1,660	4,605	6,265	5,674	47,348	50,983
Oklahoma.....	15,947	34,118	50,065	41,368	301,223	272,846
Texas.....	74,345	51,892	126,237	73,684	736,981	694,816
Total.....	101,307	99,046	200,353	136,218	1,281,049	1,215,943

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

SOURCE: United States Department of Agriculture.

### TEXAS—COTTON PRODUCTION BY CROP REPORTING DISTRICTS

(Thousands of 500 pound gross weight bales)

	Nov. 1, 1946 forecast		1945	10-year average 1935-1944
1 N. North High Plains.....	25	15	15	59
1 S. South High Plains.....	180	105	105	480
2. Permian Plains.....	300	380	380	553
3. North Central.....	15	17	17	61
4. Northern Texas Prairies.....	485	587	587	832
5. East Texas.....	100	119	119	417
6. Trans Pecos.....	105	80	80	70
7. Edwards Plateau.....	15	27	27	58
8. Southern Texas Prairies.....	190	227	227	340
9. Coastal Prairies.....	50	106	106	133
10. South Texas.....	235	131	131	124
State total.....	1,700	1,794	1,794	3,137

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

ture. Stands and condition of small grain were mostly good, and the condition of pastures at the beginning of November was well above average for that date. Improved grazing conditions during October permitted considerable improvement in condition of livestock.

The November 1 Cotton Report of the United States Department of Agriculture forecast a 1946 crop for the United States of only 8,487,000 bales. This forecast is about three per cent below that of October 1, and compares with a 1945 crop of 9,015,000 bales and a ten-year (1935-44) average of 12,553,000 bales. The indicated yield per acre was lowered to 229.2 pounds from 235.6 pounds forecast on October 1, or more than eight per cent below the 1945 yield and approximately six per cent less than the average. The staple length of cotton ginned this season, averaging slightly more than an inch, is the longest on record. The grade index of 97.1 compares with an index of 95.3 for ginnings prior to November 1 last year. The improvement in grade is a reflection of a better supply of labor for harvesting and more favorable weather conditions this season.

The Texas crop, estimated at 1,700,000 bales on November 1, or 50,000 bales below the estimate of a month earlier, will be the smallest since 1889. The forecast yield per acre of 135 pounds is eight per cent below the 1945 yield and 19 per cent below average. Rains and wet fields over most of the State in October and early November interrupted harvesting operations and caused some damage and loss of unharvested cotton. Prospects as of November 1 were sharply reduced in east Texas and



CROP PRODUCTION—(Thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Nov. 1, 1946	1945	Estimated Nov. 1, 1946	1945
Cotton.....	Bales	1,700	1,794	2,078	2,258
Winter wheat.....	Bushels	53,613	41,778	54,283	42,546
Corn.....	Bushels	67,456	66,832	77,772	80,483
Oats.....	Bushels	37,375	42,441	40,727	47,001
Barley.....	Bushels	3,616	3,857	.....	9,167*
Tame hay.....	Tons	1,385	1,344	1,980	1,937
Potatoes, Irish.....	Bushels	6,510	4,648	7,281	5,433
Potatoes, sweet.....	Bushels	5,760	4,524	15,860†	16,098†
Rice.....	Bushels	17,200	18,000	39,274 <sup>Δ</sup>	41,028 <sup>Δ</sup>

\*Arizona, New Mexico, Oklahoma, and Texas. †Louisiana, Oklahoma, and Texas.  
<sup>Δ</sup>Louisiana and Texas.

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	October 1946	October 1945	Sept. 1946	October 1946	October 1945	Sept. 1946
Cattle.....	102,826	101,387	59,341	38,590	32,375	18,598
Calves.....	96,227	91,783	45,827	35,009	54,389	14,623
Hogs.....	41,097	12,560	6,582	8,228	5,084	2,071
Sheep.....	116,282	125,033	144,075	53,157	43,711	81,575

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	October 1946	October 1945	Sept. 1946	October 1946	October 1945	Sept. 1946
Beef steers.....	\$23.00	\$15.25	\$18.50	\$22.00	\$15.50	\$16.00
Stocker steers.....	17.50	13.50	17.50	.....	.....	.....
Heifers and yearlings.....	21.00	15.25	19.60	21.00	14.00	17.00
Butcher cows.....	16.50	13.00	14.25	16.50	11.50	13.25
Calves.....	20.00	13.60	18.00	19.00	13.50	17.00
Hogs.....	26.25	14.65	16.05	25.50	14.65	16.05
Lambs.....	21.00	13.00	17.00	18.00	11.75	15.00

in the Blackland counties, and a reduction was indicated in the Plains area, where freezing temperatures stopped the growth of late cotton. Very small crops are forecast for all areas of the State except the irrigated sections of the Lower Valley and extreme western Texas, where production is expected to exceed previous records. In Oklahoma a crop of only 260,000 bales was forecast on November 1, which is nine per cent below the production of last year and 56 per cent below average. The crop of 250,000 bales forecast for Louisiana is 35 per cent below 1945 and 62 per cent below average.

Total corn production this year in Texas was estimated on November 1 by the United States Department of Agriculture at 67,456,000 bushels, or about 16 per cent below average. This relatively low production is attributed to the small acreage, as the yield per acre has been above average. The indicated production of grain sorghums on November 1 was 56,761,000 bushels, nearly two million bushels below earlier estimates. Harvesting is about completed except in the High Plains. Moisture conditions have been favorable for growth of the late crop there, but cool weather has retarded maturity. The estimate of rice production on November 1 was 17,200,000 bushels, the same as a month earlier. Despite the slow progress in harvesting during October, a large part of the rice crop was in by November 1. Since that time, however, heavy rains have caused some damage to the unharvested crop. Peanut harvest was general during the month of October, although interrupted by frequent rains, which, while causing some loss in quality, were helpful to late-planted acreage. Indicated production on November 1 was 382,000,000 pounds, or roughly twice the average. The November 1 forecast placed this year's pecan crop at 21,000,000 pounds, about seven per cent less than the estimate of a month earlier and 23 per cent below the ten-year average.

Record crops of 25,000,000 boxes of grapefruit and 5,300,000 boxes of oranges were forecast on November 1 for Texas this season, representing increases of four per cent and ten per cent, respectively, over last year's production. Favorable weather in October resulted in rapid sizing, coloring, and maturing of fruit. Marketings to November 1 were considerably under those to the same date last year, due mainly to a delay of one week in the opening of the shipping season.

In the Texas commercial vegetable areas, the progress of growing crops and planting operations was slow the first half of October, due to heavy rains over much of the area, but showed great improvement the second half of the month. Open weather enabled producers to cultivate growing crops. Planting was active, and harvesting operations were accelerated in most areas. Temperatures were favorable for all tender fall-crop plantings, but a little too warm for some of the hardy type vegetables. Most of the land had to be reworked, some was still too wet, but planting of cabbage, carrots, onions, and spinach made good progress. The winter crop of beets is expected to be the smallest since 1939, while a new record production of cauliflower is expected. A production of eggplant slightly above that of last year and well above average is forecast, and a slight increase in the production of spinach is expected.

Range conditions were greatly improved during September and October as rains brought relief to dry areas. At the beginning of November, ranges were good throughout most of the district. Grain pastures are generally good except in the southern portion of the Edwards Plateau, where army worms have caused considerable damage. Range and pasture grass in Texas made good growth during October except in the northern and high western areas, where there was some frost. Range feed is particularly good in southern and southwestern counties. New Mexico and Arizona report good grazing conditions on ranges. Total feed supplies for the nation appear to be adequate, with supplies per animal unit slightly larger than last year, but the smaller production of cottonseed, oats, barley, and grain sorghums in the Southwest presents a less favorable picture for this area with reference to protein feeds.

Cattle and sheep are in good condition in most of the district, and are generally starting the winter in good flesh. In Texas, calves are carrying better than average finish and have developed to weights heavier than usual on the very good fall range feed. There is a strong tendency to hold young cows and heifers, but ranchmen are moving cautiously in purchasing replacement stock at present prices. Sheep and lambs have shown marked gain in flesh and condition as range feed supplies continued to improve. Ewe lamb numbers saved for replacements are about normal, but a larger than usual number of old ewes has been marketed. On the first of November the condition of cattle in Oklahoma was reported to be down slightly, due to unfavorable weather, poor condition of ranges, and the shortage of concentrate feeds. In Arizona and New Mexico, cattle and sheep are in good condition and have shown marked gains since early fall.

Livestock receipts at Fort Worth and San Antonio in October were generally higher than in September, due to removal of price ceilings about the middle of the month. Receipts of cattle at the two markets combined were up 86 per cent, calf receipts 117 per cent, and hog receipts 470 per cent. Receipts of sheep and lambs, on the other hand, were down 25 per cent, apparently because marketings of sheep and lambs had remained relatively high during September, when ceiling prices were comparable with free prices prevailing before restoration of controls at the beginning of that month.

Prices received by farmers for most commodities at mid-October showed moderate to sharp increases, compared with a month earlier. Reflecting the removal of ceilings, prices of beef cattle and lambs advanced to new record levels, averaging \$16.00 and \$15.00 per hundredweight, respectively. Hogs, averaging \$20.00 per hundredweight, were near the August 15 record of \$20.30. Prices received for all other major items of farm produce underwent moderate rises. Cotton prices, on October 15, however, averaging 36.8 cents per pound, did not reflect recent sharp declines which carried them down by mid-November into the neighborhood of 30 cents. Mid-November

prices of other farm commodities, when reports are available, will more fully reflect the effects of the removal of price controls.

## FINANCE

Gross demand deposits of member banks in this district averaged \$15,000,000 less in October than in September. This decline, which represents a continuation of the trend that began in March as a consequence of the Treasury's debt retirement program, brought the total decrease in these deposits since March of this year to \$257,000,000. However, the October average is still \$283,000,000 higher than October 1945. Time deposits continue to gain at a moderate rate, the average for October being \$2,000,000 above that for September.

Member bank reserve balances averaged \$767,000,000 during the first half of November, or an increase of \$8,000,000 over the average for the first half of October. As a consequence of the gain in private deposits, required reserves continued to increase. Average excess reserves during the last half of October declined, however, to \$82,500,000, the lowest since April 1944, and \$6,200,000 lower than the average a month earlier.

Federal Reserve notes of this bank in actual circulation on November 15 were \$606,400,000, a net increase of \$2,300,000 for the month but \$17,200,000 less than on the same date last year. In the first week of November, when there was a heavy demand for money in anticipation of the Election holidays, currency circulation rose about \$7,000,000, reaching a seasonal peak of \$613,000,000, but most of this currency returned from circulation in the following week.

At weekly reporting member banks in the district, total loans showed a substantial increase of \$34,200,000 during the five weeks ended November 13. This expansion was due largely to a \$29,500,000 increase in commercial, industrial, and agricultural loans, but "other loans," which include personal and installment loans, rose \$4,900,000, and real estate loans increased \$900,000. On the other hand, loans to other than brokers and dealers for security trading showed a further decline of \$2,500,000. Reflecting the cash redemption of part of a Treasury certificate issue which matured November 1, total investments

## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousands of dollars)

	Nov. 15, 1946	Nov. 15, 1945	October 15, 1946
Total gold certificate reserves.....	\$503,059	\$495,561	\$491,050
Discounts for member banks.....	2,275	200	700
Foreign loans on gold.....	4,474	1,410	4,188
U. S. Government securities.....	913,147	910,960	909,739
Total earning assets.....	919,896	912,570	914,625
Member bank reserve deposits.....	770,566	749,420	781,747
Federal Reserve Notes in actual circulation.....	606,387	623,622	604,078

## CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS

IN LEADING CITIES—Eleventh Federal Reserve District

(Thousands of dollars)

	Nov. 13, 1946	Nov. 14, 1945	October 9, 1946
Total loans and investments.....	\$1,949,664	\$1,978,386	\$1,948,170
Total loans.....	745,353	527,185	711,134
Commercial, industrial, and agricultural loans.....	481,910	323,791	452,431
Loans to brokers and dealers in securities.....	9,022	6,448	8,045
Other loans for purchasing or carrying securities.....	98,791	102,829	101,301
Real estate loans.....	48,366	27,023	47,504
Loans to banks.....	997	308	452
All other loans.....	106,267	66,786	101,401
Total investments.....	1,204,311	1,451,201	1,237,036
U. S. Treasury bills.....	55,927	76,373	47,766
U. S. Treasury certificates of indebtedness.....	269,927	402,919	305,838
U. S. Treasury notes.....	163,911	293,354	169,033
U. S. Government bonds.....	644,372	620,352	645,034
Obligations guaranteed by United States Gov't.....	145	863	145
Other securities.....	70,029	57,340	69,220
Reserves with Federal Reserve Bank.....	401,827	405,934	393,306
Balances with domestic banks.....	221,772	257,604	217,381
Demand deposits—adjusted*.....	1,489,866	1,389,725	1,474,305
Time deposits.....	318,967	279,167	317,470
United States Government deposits.....	97,093	244,362	131,017
Interbank deposits.....	565,634	646,434	535,774
Borrowings from Federal Reserve Bank.....	None	None	None

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

## DEBITS TO INDIVIDUAL ACCOUNTS

(Thousands of dollars)

	October 1946	October 1945	Pctg. change over year	September 1946	Pctg. change over month
Abilene.....	\$ 20,430	\$ 19,240	+53	\$ 24,194	+22
Amarillo.....	71,271	49,790	+43	59,489	+20
Austin.....	87,077	74,394	+17	100,410	-13
Beaumont.....	68,196	57,079	-19	61,039	+12
Corpus Christi.....	63,910	57,066	-12	59,854	+7
Corisicana.....	10,457	7,771	-35	9,141	-14
Dallas.....	780,940	549,922	-42	702,747	-11
El Paso.....	102,398	72,674	-42	89,801	+15
Fort Worth.....	272,390	209,893	-34	229,853	+19
Galveston.....	52,579	44,587	-18	49,509	+6
Houston.....	738,881	553,412	-34	692,835	+7
Laredo.....	15,604	11,696	-33	14,458	+8
Lubbock.....	47,707	31,037	-54	38,583	+24
Monroe, La.....	29,130	22,727	-28	24,443	+19
Port Arthur.....	29,033	18,947	+53	26,309	+18
Roswell, N. M.....	14,240	9,914	+44	12,100	+18
San Angelo.....	27,517	19,483	+41	23,913	+15
San Antonio.....	217,135	169,360	+28	197,952	+6
Shreveport, La.....	108,738	79,439	+37	115,274	+15
Texarkana.....	24,686	18,834	+31	21,600	+14
Tucson, Ariz.....	49,396	34,747	+42	45,755	+8
Tyler.....	34,000	30,510	+12	30,427	+12
Waco.....	47,942	36,125	+33	43,180	-1
Wichita Falls.....	42,867	34,592	+24	37,078	+16
Total—24 cities.....	\$2,966,584	\$2,207,239	+34	\$2,714,944	+9

\*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
October 1944.....	\$3,705,142	\$324,328	\$1,920,004	\$203,792	\$1,785,138	\$120,536	
October 1945.....	4,562,119	438,196	2,290,933	278,991	2,271,186	169,205	
June 1946.....	4,957,846	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	2,402,647	316,175	2,512,236	180,667	
September 1946.....	4,860,403	498,697	2,360,709	316,209	2,499,694	182,488	
October 1946.....	4,845,188	500,813	2,342,242	317,424	2,502,946	183,389	

## SAVINGS DEPOSITS

October 31, 1946

Percentage change in savings deposits from

	Number reporting banks	Number of savings depositors		Amount of savings deposits	Percentage change in savings deposits from	
		Oct. 31, 1945	Sept. 30, 1946		Oct. 31, 1945	Sept. 30, 1946
Beaumont.....	3	12,484		\$ 7,623,071	+ 2.5	- .6
Dallas.....	8	130,453		74,908,776	+ 15.1	+ 1.9
El Paso.....	2	31,405		23,172,257	+ 15.5	+ .7
Fort Worth.....	3	41,140		33,453,503	+ 11.9	+ .8
Galveston.....	4	24,746		20,663,999	+ 8.1	- .4
Houston.....	8	104,417		70,748,049	+ 6.4	+ .4
Lubbock.....	2	992		2,174,791	+205.4	- 0.4
Port Arthur.....	2	6,096		5,363,681	+ 3.1	- .5
San Antonio.....	5	39,156		44,863,697	+ 14.4	+ .8
Shreveport, La.....	3	33,072		26,232,605	+ 8.6	+ 1.1
Waco.....	3	9,247		9,066,334	+ 9.6	- .3
Wichita Falls.....	3	7,284		4,693,416	+ 1.7	+ .5
All other.....	57	61,777		52,055,811	+ 12.8	+ .6
Total.....	103	502,239		\$375,019,990	+ 11.4	+ .7

declined \$32,700,000. The decreases of \$35,900,000 in certificates and of \$5,100,000 in Treasury notes were partially offset by an increase of \$8,200,000 in bill holdings.

Notwithstanding withdrawals of \$34,000,000 from war loan balances by the Treasury, total deposits at these banks increased \$13,000,000. This net gain was the result of increases in adjusted demand deposits and time deposits of \$15,600,000 and \$1,500,000, respectively, and of a substantial rise of \$29,900,000 in interbank deposits. This increase in deposits enabled these banks to augment their reserve balances with the Federal Reserve Bank by \$8,500,000, a portion of which was required reserves, and also to add \$4,400,000 to their balances with domestic banks.

Data supplied by the Veterans' Administration and summarized in the accompanying table reveal the rapid growth in the number and amount of government guaranteed or insured loans to veterans in Texas.

VETERANS LOANS IN TEXAS

BUILDING PERMITS

Government Guaranteed or Insured

(Thousands of dollars. All figures cumulative.)

Year	Month	Home loans		Farm loans		Business loans		Total loans	
		No.	Value*	No.	Value*	No.	Value*	No.	Value*
1945	July	815	\$ 3,657	33	\$ 65	100	\$ 256	948	\$ 3,977
	Aug.	995	4,464	37	72	132	337	1,164	4,874
	Sept.	1,348	6,048	48	94	187	478	1,583	6,620
	Oct.	1,661	7,452	61	120	232	593	1,954	8,165
	Nov.	2,017	9,030	79	153	302	772	2,398	9,976
	Dec.	2,543	11,410	110	216	412	1,053	3,065	12,678
1946	Jan.	2,991	13,420	152	298	508	1,298	3,651	15,016
	Feb.	3,555	15,950	225	441	577	1,475	4,357	17,866
	Mar.	5,106	24,152	334	660	816	2,254	6,256	27,065
	April	5,852	28,178	389	782	925	2,712	7,166	31,672
	May	6,393	31,294	446	941	1,021	3,011	7,860	35,247
	June	7,719	38,876	532	1,323	1,269	3,763	9,520	43,961
	July	9,337	48,345	676	1,935	1,533	4,569	11,546	54,849
	Aug.	12,230	63,765	857	2,719	1,882	5,559	14,969	72,043

\*Value estimated through January 1946.

SOURCE: Dallas Area Office, Veteran's Administration.

	October 1946		Percentage change valuation from		Jan. 1 to Oct. 31, 1946		Percentage change valuation from 1945
	No.	Valuation	Oct. 1945	Sept. 1946	No.	Valuation	
	Abilene.....	69	\$ 180,080	+301	-47	884	
Amarillo.....	141	329,281	-32	-49	2,023	6,563,451	+182
Austin.....	267	1,318,835	+94	-36	3,657	15,947,376	+472
Beaumont.....	343	395,642	+101	-10	2,662	3,267,283	+118
Corpus Christi.....	291	946,968	+97	+28	2,765	9,023,774	+188
Dallas.....	1,046	2,855,724	+34	-15	12,402	41,957,822	+288
El Paso.....	133	398,899	+48	-23	1,134	3,922,566	+209
Fort Worth.....	517	1,597,680	+59	+26	5,888	20,813,951	+238
Galveston.....	111	102,463	+26	-80	1,189	2,245,353	+85
Houston.....	652	2,933,556	+61	-16	6,656	48,286,045	+129
Lubbock.....	129	288,205	-29	-47	1,918	8,115,437	-270
Port Arthur.....	168	97,209	+14	-31	1,754	1,892,472	-213
San Antonio.....	484	1,786,739	+30	+30	11,431	20,450,853	+237
Shreveport, La.....	295	639,627	+35	+20	3,176	7,993,796	+247
Waco.....	133	434,300	+217	-26	1,374	4,504,967	+199
Wichita Falls.....	92	133,285	+41	+37	724	1,741,209	+228
Total.....	4,871	\$14,438,593	+48	-13	59,546	\$200,401,149	+213

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(Thousands of dollars)

	October 1946	October 1945	September 1946	Jan. 1 to Oct. 31 1946	1945
Eleventh District—total...	\$ 47,431	\$ 24,132	\$ 34,668	\$ 494,230	\$ 225,902
Residential.....	10,153	4,455	13,512	206,637	32,388
All other.....	37,278	19,677	21,156	287,593	193,514
United States*—total.....	573,206	316,571	619,857	6,528,099	2,598,531
Residential.....	235,068	59,886	293,831	2,727,624	385,959
All other.....	338,138	256,685	326,026	3,801,075	2,209,572

\*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

INDUSTRY

The number of such loans in the State increased from 948 to 14,969 from July 1945 to the end of August 1946, and the total amount of the loans rose from \$3,977,000 to \$72,000,000 during the same period. The average amount of the loans made through August 1946 was \$4,813. More than one-half of the loans made down to September 1 of this year were completed during May, June, July, and August 1946, and almost one-fourth in August alone. Home loans constituted 88 per cent of the total, with loans for the purchase of businesses or farms accounting for the remaining 12 per cent. The government guaranteed portion of all loans has averaged some 47 per cent of the total value. Insured loans constituted only \$213,800 of the total, indicating the almost exclusive use that banks have made of the guaranteed loan.

During October, production of crude oil in the Eleventh District and in the United States continued the gradual decline of recent months from the record levels attained in June. The daily average production rates were 2,238,000 barrels in the district and 4,738,000 barrels in the United States. The district output in November was up 50,000 barrels daily compared with the preceding month, but the downward trend in the district, if not in the United States, is expected to be resumed in December, since Texas allowables for the month will likely result in an actual production of only 2,000,000 barrels daily, compared with 2,049,000 during October.

Demand for petroleum continues far greater than was forecast when the war ended. Due to sustained military requirements and civilian consumption 20 per cent greater during 10 months of 1946 than during the comparable period of 1941, it has been necessary to revise demand estimates upward repeatedly. This development has influenced production. Average daily output for 10 months of this year exceeds the 1945 rate by 50,000 barrels daily in the United States, and despite regulatory action, comparable Texas production is up 42,000 barrels. The pressure of current demand on production is even more impressive when compared with that of a decade ago. Eleventh District production this year will exceed that of 1936 by approximately 75 per cent; for the United States, the gain will be nearly 60 per cent. Compared with the 1941 rate of 1,385,000 barrels daily, district production this year will be up about 48 per cent, twice the rate of increase for the United States as a whole.

A preliminary forecast for 1947 by the Bureau of Mines places the demand for United States crude production at 4,840,000 barrels daily. If this forecast demand is met, 1947 output will increase to an all-time high, 152,000 barrels daily above the 1945 output of 4,688,000 barrels per day and approximately 100,000 barrels greater than the 1946 daily average.

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to October 31 This season	Last season	August 1 to October 31 This season	Last season
Cottonseed received at mills (tons).....	351,945	334,924	1,626,972	1,535,529
Cottonseed crushed (tons).....	185,990	219,082	831,053	920,853
Cottonseed on hand Oct. 31 (tons).....	223,209	200,041	913,725	833,024
Production of products:				
Crude oil (thousand lbs.).....	54,241	66,348	255,839	285,204
Cake and meal (tons).....	87,967	102,004	365,537	406,457
Hulls (tons).....	41,164	50,111	190,802	217,014
Linters (running bales).....	63,431	69,143	261,617	275,759
Stocks on hand October 31:				
Crude oil (thousand lbs.).....	14,870	10,871	54,223	50,356
Cake and meal (tons).....	12,916	17,882	58,277	57,515
Hulls (tons).....	18,812	25,694	55,357	69,285
Linters (running bales).....	31,656	26,718	145,001	97,993

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	October 1946	October 1945	Sept. 1946	August 1 to October 31	
				This season	Last season
Consumption at:					
Texas mills.....	21,649	15,666	18,678	59,226	47,736
United States mills.....	931,229	759,763	818,449	2,805,189	2,193,656
U. S. stocks—end of month:					
In consuming estab'm'ts....	2,018,941	1,910,875	1,956,442		
Public stg. & compresses....	5,887,999	9,727,799	4,328,526		

CRUDE OIL PRODUCTION—(Barrels)

	October 1946		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Sept. 1946	October 1945
	Total North Texas.....	7,689,650	248,054	+ 1,040
Panhandle.....	2,633,450	84,590	- 47	N.A.
North Texas.....	5,056,200	163,104	+ 1,087	N.A.
West Texas.....	15,888,600	512,536	- 5,601	N.A.
Total East Texas.....	14,232,000	459,098	-10,830	N.A.
East Central Texas.....	4,414,500	142,404	- 2,208	N.A.
East Texas.....	9,817,500	316,694	- 8,622	N.A.
Southwest Texas.....	11,755,050	379,195	- 5,852	N.A.
Coastal Texas.....	13,991,300	450,364	-14,613	N.A.
Total Texas.....	63,526,600	2,049,245	-38,587	+517,663
New Mexico.....	3,090,650	99,698	- 135	+ 1,172
North Louisiana.....	2,766,300	89,236	+ 2,045	+ 18,660
Total District.....	69,383,550	2,238,179	-36,676	+537,495
Outside District.....	77,490,630	2,499,697	- 3,917	+167,091
United States.....	146,874,180	4,737,876	-40,593	+704,586

SOURCE: Estimated from American Petroleum Institute weekly reports.

N. A.—Not Available.

Crude runs to stills in the United States were maintained near the summer rates until mid-October, after which a slight decline brought the October daily average to 4,806,000 barrels, or 42,000 barrels below the average for the preceding month. Eleventh District crude runs of 1,468,000 barrels per day in October were virtually unchanged from September. Comparison with the corresponding month of 1945 would be misleading because of a strike in the refining industry at that time. Though some crude was added to storage during the latter part of October, stocks at the end of that month were lower than during the summer, approximating 222,000,000 barrels for the nation and 113,000,000 for this district.

In general, petroleum markets continue steady; the gasoline market is reported firm; and gradual improvement is reported for heating oils. Consumption rates of the principal refined products have begun their seasonal transition, but mild fall weather tended to lessen the drop in gasoline consumption and to delay the increase in consumption of heating oil. Current stocks of petroleum products are larger than at corresponding dates in recent years or prewar years, thus giving rise to suggestions of caution regarding accumulation of products inventories. However, it is well to remember that during the war it was possible to supply demand from minimum stocks, whereas for the past year the industry has been running crude to rebuild individual company inventories to workable levels, in addition to supplying increased consumer demand. Moreover, the reliability of prewar patterns as a guide to adequacy of postwar stocks is questionable due to the greater demand for petroleum products. When stocks of petroleum products are considered in relation to demand, the suggestion of excessiveness disappears; in fact, when measured in terms of days' consumption on hand at current rates, supplies are lower than prewar in various cases.

It appears that crude oil production may begin to rise early next year in view of the anticipated increases in demand and of such other factors as recent occasional reports of insufficient supplies of crude, price increases, and the posting of bonuses or gathering allowances. The long-term outlook for the industry is bright. Consumption of products should increase for an indefinite period in the future in view of prospective acceleration in automobile production, the trend toward diesel power, the growth of air transportation, the anticipated greater mechanization of agriculture, and the increasing use of oil for heating.

Reports for October indicate a reversal of the downward trend in progress since May of this year in total construction contracts awarded in this district. Nonresidential construction awards increased, despite further CPA restrictions, from \$12 million during September to more than \$24 million during the following month. The dollar volume of nonresidential contracts awarded during October was the largest since April 1946. Residential contract awards, however, continue to decline. Although the housing situation remains exceedingly tight, the pressure is possibly not so great as earlier this year. In general, servicemen are back and have made some arrangements for shelter; and the increasing number of units completed, although small in relation to total demand, helps slightly to relieve the pressure.

No significant increase is to be observed in the volume of public works construction being undertaken. The start of construction on various large federal projects in the Eleventh District, including Whitney Dam on the Brazos River and the Concho River Dam, which were scheduled to get under way soon, has been postponed, and the staff of the Army Engineers in the Southwest is being somewhat reduced. However, the Federal Government has been cooperating with local governments in planning various public works projects which are to be locally financed, and it is reasonable to assume that work of this type, plus necessary replacement and maintenance and highway and bridge projects, will maintain and possibly increase the present moderate volume of public works construction.

The production of building materials continues to rise throughout the United States. According to reports of the Civilian Production Administration, lumber production has increased monthly throughout this year and since April has exceeded 3 billion board feet per month, assuring production in excess of the goal of 32 billion board feet for the year. During the first 8 months of the year, lumber production in 4 southwest states, including Texas, increased 21 per cent over the corresponding 1945 period, twice the rate of increase for the entire United States. During September, for the nation as a whole, postwar production peaks were reached in hardwood flooring, warm-air furnaces, and cast-iron soil pipe.

The cement supply in the Southwest continues at critical levels with little or no prospect of improvement before the first of the year. Although this year's production at Texas mills through September exceeded that for any comparable period except in 1942, shipments exceeded production, and even before the early October strike in two Texas plants, stocks had declined to the lowest level since the fall of 1942. Recent United States production has been high, September output having exceeded that for any month since October 1942. Current inventories for the nation, nevertheless, are below the previous low point reached in the fall of 1942. Cement stocks will probably rise somewhat during this quarter as construction activity declines in the North and East, but the industry faces a considerable task in building up stocks to a level consistent with the volume of construction expected next year—a task which the Civilian Production Administration states is not possible if the normal seasonal decline in production occurs this quarter.

Although production in other regions continues at a high rate, cement output and construction activity in the Eleventh District have been definitely handicapped by a prolonged strike still going on in three Southwest mills, especially since lost cement production has not been replaced by shipments into this area from other sections of the country. As a further handicap to both the beginning and completion of residential construction, much of the cement produced in Texas reportedly is being delivered to commercial construction projects inasmuch as priority ratings on cement allocations do not extend back to the manufacturer. Consequently, completion of many residences under construction and the starting of new dwelling units will be seriously delayed until the supply situation improves.