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A REVIEW OF THE GENERAL BUSINESS SITUATION

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

During the sixteen months which have passed since V-J Day, economic activity in this country has reflected a mixture of good and bad. In spite of obstacles and hindrances of various sorts, several outstanding accomplishments have been achieved.

In the first place, despite fears to the contrary, the nation avoided an immediate postwar economic shock of serious consequences. It is true that the decline in industrial production which had begun earlier in 1945 was suddenly and sharply accelerated. Unemployment rose to approximately three million and, in general, the curve of business activity slumped appreciably. Those deflationary trends, however, were quickly checked and reversed.

A surprisingly large volume of consumer expenditures for virtually all types of nondurable goods as they became available tended quickly to fill the gap left by the reduction in expenditures by the Federal Government for military purposes and cushioned the immediate shock of transition from war to peace to such an extent that its repercussions virtually were unnoticed in the aggregate of business activity. A high level of production, stimulated by the very large effective consumer demand for nondurable goods, maintained the gross national product and the national income at high levels during the period, while the heavier and more distinctly war-type industries were struggling with the problem of reconversion to peacetime utilization.

A second outstanding accomplishment of the period was the virtually complete reconversion, in a physical sense, of the nation's industrial plant, equipment, and machinery from war production to the production of civilian goods. It has been demonstrated clearly that our productive system, if given an opportunity, is capable of producing enormous quantities of goods quickly; moreover, the speed with which the physical aspects of the reconversion task were accomplished again proves the very high degree of flexibility which the system possesses. On the other hand, it is equally evident that in terms of mental attitudes, unbalanced economic relationships, and fundamental policy decisions many difficult aspects of reconversion still are ahead of us.

Another of the outstanding accomplishments of the past sixteen months has been the rapidity with which the nation has reabsorbed into its civilian labor force about eleven million war veterans. In addition, the great majority of war workers who performed emergency service have eliminated themselves from those seeking remunerative employment, while others who were engaged in war work pursuits in the civilian labor force have made the shift to peacetime labor occupations. While these shifts in the labor force have not been accomplished without some friction and detrimental effect upon the productivity of labor, in general it appears that the transition was made much more smoothly and with less unemployment than might have been anticipated.

While these developments were taking place in business and industry, several improvements in the financial situation occurred. In the first place, the Federal Government promptly reduced the annual rate of its expenditures by approximately \$60,000,000,000 from the wartime peak. Although current expenditures are at levels which must be considered as peacetime records, indications are that for the first time in seventeen years a balance in the federal budget is a probability, perhaps in the 1947-1948 fiscal year.

The Treasury, using its large war loan balances, has retired in cash approximately \$23,250,000,000 of called or maturing Government securities, about 72 per cent of which were owned by commercial banks and the Federal Reserve System. In terms of the national debt, this resulted in a reduction from the peak of approximately \$279,000,000,000 to a level of approximately \$258,000,000,000 on December 31, 1946.

On the private finance sector, although the reserve position of commercial banks has been somewhat tighter than it had been during the earlier period, adequate funds have been available to business, industry, and other borrowing groups at low rates of interest, to enable such borrowers to satisfy their reasonable credit requirements. All indications point to the ability and willingness of the commercial banking system to continue to supply adequate productive credit funds to an expanding business system at reasonable rates. During the past six to eight months the decline in interest rates which had been especially noticeable during the war period was checked, with a slight firming occurring in the short-term money markets. While there are no indications that any significant increase in rates will occur, it seems probable at this time that the downward pressures on the rate structure have been removed.

Despite the very high level of consumer expenditures since the end of the war, individuals have been able to continue to save out of their incomes and to add to their holdings of liquid assets. Although the rate of saving has declined and is substantially less than that which was reached during the wartime period, it is still favorable when considered in terms of past rates of saving during periods of peace.

Obviously, however, the business situation should not be considered only in the light of these accomplishments. During the postwar months our forward progress has been plagued at various times by such disturbing and restrictive factors as shortages of basic goods and materials, serious labor difficulties, unbalancing developments with respect to wages and prices, speculation in a number of fields of economic activity, and the persistence of many unbalanced relationships in our national economy.

The present business situation reflects numerous maladjustments which are an outgrowth of developments which occurred during the wartime period and in the months immediately following the war. During the war our economy was characterized by a mixture of control and freedom. In those controlled areas where enforcement was effective, a more or less artificial situation developed, especially when considered in relation to other areas of the economic system. On the other hand, in those areas which enjoyed complete or relatively complete freedom from control, prices and production responded to the wartime stimulus of an inflated market and, consequently, moved substantially out of line with other prices and goods.

Moreover, with respect to the controlled areas, the application of controls varied both in point of time and intensity. Rents, for example, were controlled with extreme rigidity from the early days of the war, and enforcement during the war was perhaps as effective generally as in any field in which regulation was attempted. On the other hand, building materials, labor, and other production costs in the construction industry were controlled less promptly and less effectively, with the consequence that although rents reflect an increase of perhaps six to eight per cent, building costs are estimated to have increased approximately 60 per cent since the outbreak of the war. Sale prices of existing residential properties were not subject to any type of control and, responding to the circumstances of the situation, soared to highly inflated, vulnerable levels.

Much of the distortion which is prevalent in our economic system at this time is of the types which are inherently characteristic of a substantial inflation. During periods of inflation prices do not move uniformly. As the irregular price movement progresses, maladjustments between the prices

of various types of goods appear. Likewise, other conditions of instability appear, for example, unbalanced relationships between wages and prices, wages and other costs, and prices and incomes of various groups within the population.

It is inevitable, also, that maladjustments between different economic factors will appear merely as a result of reconverting an industrial and economic system as vast as that of this nation from one devoted very largely to the production of war goods to one devoted to the production of goods for civilian consumption. Reconversion of such a productive system cannot be achieved simultaneously throughout all its various segments. The timing with respect to the various adjustments, in itself, leads to maladjustments which, though temporary in nature, tend to disrupt the smoothness of the system's operation. Change-over on a magnitude such as that involved in our recent reconversion task is of necessity a staggered program. It results, even if accomplished most effectively, in an unbalanced sort of progress, a prosperity of stops and starts.

Substantial increases in money wages when productivity of labor was comparatively low resulted in a lack of balance between wage rates and productivity. That development, accentuated during the postwar months, contributed significantly to higher production costs; generally speaking, however, production has been profitable, as reasonable margins of profit have been maintained as a result of such factors as price increases and exceptionally large volume output. Any significant decline in production might quickly alter profit positions.

The present situation is characterized by a lack of balance in price relationships between various commodities. These price distortions have developed within the same category of goods and also between different categories of goods. The prices of agricultural commodities as a group have moved upward sharply to outrun greatly the price advance in basic industrial products and in nonagricultural commodities. Sooner or later there will occur an adjustment of prices between these different categories of goods. Within the same category of goods—for example, again considering agricultural commodities—maladjustments appear as between the prices of hogs and corn, milk products and commercial dairy feeds, the prices of cotton, oil-bearing crops, and wheat as compared with prices of other related or competitive products; among nonagricultural prices the lack of balance between rents and building costs is outstanding, while other examples of maladjustment exist between prices of such commodities as lumber and brick, tin and other nonferrous metals, and cotton textiles and rayon or woolen textiles.

In the productive system lack of balance prevails which tends to prevent smoothness of operation and to retard increasing productivity and greater labor efficiency. Mass-production and machine-line techniques cannot operate at greatest efficiency when characterized by a series of stops and starts. Materials must flow smoothly in adequate quantities to the production line to be available when needed. Numerous shortages of essential parts and raw materials have been an important factor contributing to the difficulty of bringing our productive system to smooth operation and high efficiency. Labor stoppages and attitudes which have contributed to prevent regaining a satisfactorily high degree of productivity as quickly as it should have been accomplished have been equally important. This has been especially significant in the heavy durable goods industries.

In several fields and in terms of numerous commodities, maladjustments also have been the result of the speculative watering which is always characteristic of a period of inflation. This development probably has been most significant and has progressed farthest in the field of real estate, especially with respect to residential housing and farm and urban land values, and in the case of agricultural products and their finished-goods derivatives such as foods and some items of clothing. Extreme shortages, inability quickly to produce an adequate supply of housing, and the desperate situation of those unable to find living quarters have contributed to make the real estate field most receptive to speculative advances. In commodity markets the prices of various commodities, especially cotton and some of the other basic agricultural raw materials, were forced to vulnerably high levels as a result, at least in part, of a high degree of speculative activity. Although speculative activity in the securities markets was limited by the margin requirements of the Federal Reserve System, it is nevertheless likely that some element of speculation contributed to the increases which occurred in the prices of numerous issues. Stock rights and stock splits, which in a bull-market atmosphere tend to

stimulate further speculative interest, probably also were contributing factors. Reflecting the speculative advances in basic materials and in agricultural commodities, prices at the wholesale and retail levels probably contain some element of speculative watering which has been carried up through the various distribution channels.

A fundamental conclusion with respect to the current business situation seems to point to the inevitability of restoring a state of balance in the relationships between the various economic factors which, taken collectively, comprise business activity. In other words, a postwar adjustment sufficient to correct the maladjustments which have been a consequence of the operation of a war economy and of a strong inflationary development must occur. As the months passed following the end of the war, it became increasingly evident that regardless of the underlying reasons and whether they may have been economic, political, or personal, the essential balancing adjustments were not capable of being made by governmental edict. Consequently, the problem of postwar adjustment and restoration of balance between the various factors in our economic system has been turned over very largely to the private business system.

For the first time in years a so-called "free market" will determine prices, will allocate goods, and will otherwise effect economic decisions. It is highly probable that in the transition from a controlled and semi-controlled system to one governed predominantly by the decisions of business enterprisers there will be a period of what might be considered as testing the market. Evidence that such testing of the market is already being made by business enterprisers is apparent in developments which immediately followed partial decontrol and, more recently, virtually full decontrol of commodities.

The period of market testing and adjustment to uncontrolled conditions may lead to a series of offsetting and counterbalancing developments in business activity. There will be significant expansion of production in some fields, for example, in the heavier consumer durable goods, while there may be contraction of production occurring in other areas, perhaps in those soft goods whose production during the past year has been at levels high enough to meet approximately the demands of consumers to restock their inventories and of distributors and retailers to fill the pipe lines with goods in adequate volume from the manufacturers.

Likewise, in the field of prices, increases in some categories may be anticipated at the same time that weaknesses are developing in other more vulnerable areas. Shortages of some basic and semi-processed materials will persist longer and will exert a restrictive productive influence on the flow of some types of finished goods, although in other lines materials may be moving more freely through the productive process and into distributive channels. Out of this period of adjustment which is ahead—and which is inevitable, with its mixture of confusing counter movements within the economic system—should develop a more stable basic situation as the effects of the adjustments tend to balance relationships between various economic factors. Then, and only then, can a firm basis exist upon which a longer run period of stable prosperity can be built.

The postwar boom which has characterized business activity has been supported to a very considerable extent by a very high level of consumer expenditures, a high level of production of non-durable goods and of some of the so-called minor durables, and an accumulation of deferred requirements for inventory restocking. Certain sets of data clearly reflect the magnitude of consumer spending and the extent of the boom which has developed in retail trade.

Although consumer expenditures in terms of magnitude rose to very high levels during the war years, the proportion of expenditures to consumer disposable income declined to approximately 75 per cent. In other words, consumers then were spending approximately 75 per cent of their disposable income and saving approximately 25 per cent. With the end of the war, as taxes were reduced and national income remained at wartime peak levels or higher, consumers began to spend more both in terms of the proportion of disposable income and in absolute amounts. Since housing and most durable goods have not been available in large volume during the postwar period, consumer expenditures have been and are being directed very largely into nondurables and services. Estimates indicate that

during the postwar months consumer expenditures have been averaging, on an annual basis, around \$120,000,000,000, or approximately 85 per cent of consumer disposable income.

Department store sales, which began their advance into high-level territory during the war years, accelerated their rate of expansion during the postwar months to reach a peak, on the basis of seasonally adjusted figures, in August 1946, 190 per cent above the 1935-1939 average for the United States. In the Eleventh Federal Reserve District the peak was reached in July 1946, at a level 281 per cent above the 1935-1939 average.

Indexes of department store sales in this Federal Reserve District for September, October, and November 1946, on a comparable basis with the figures presented above, and preliminary estimates for December indicated a slight recession from the peak of the past summer, although very substantial margins in dollar volume of sales over the same months of 1945 were reflected in the monthly reports. A slackening in the rate of increase in retail spending seemed to be indicated also by the fact that the percentages of weekly increase in October and November over corresponding periods of last year were lower than the percentages of weekly increase during September.

In the week preceding Thanksgiving, however, district department store sales volume rose dollarwise to the highest point since December 1945, and reports for the first two weeks of December 1946 indicated that total sales, due to Christmas shopping, were running at least 15 per cent ahead of the record totals of the corresponding period the year before. This margin of increase in total sales was perhaps only great enough to reflect the rise which has occurred since the middle of the year in the prices of most consumer goods. It was not sufficiently large to indicate that the physical volume of goods bought during the Christmas season was substantially greater than a year ago.

Although it is possible that department store sales during the holiday season, when adjusted on a seasonal basis, may be found to have approximated the peak levels reached a few months ago, and while retail trade generally, as reflected by volume of consumer expenditures, appears to have reached new records during the last two months of the year just closed, it is becoming increasingly evident that any further significant expansion of total retail sales in the months ahead in 1947 is unlikely.

The development is not yet subject to statistical measurement, but there is an impressive number of reports to indicate that an increasing selectivity is developing on the part of consumers of retail goods. Such reports also appear to be borne out in a series of interviews held with department store executives in this area. Consumers in increasing numbers are said to be resisting low-grade, off-brand merchandise and are more actively measuring the quality of merchandise in terms of the price. While it probably is not correct to infer that we are in the early stages of a buyers' strike at this time, there are evidences of an increasing value-awareness among a growing number of consumers. In the language of the trade, consumers are changing from "buyers" to "shoppers," but, except perhaps in isolated instances, they have not yet become "strikers." The former is a desirable development, and it is to be hoped that the latter will not become necessary.

Several factors will tend to influence and determine the course of retail sales in the months ahead. In the first place, the degree to which the accumulated deficit of more or less essential items of non-durable goods has been supplied during the postwar months to date will determine to what extent consumer demand for those goods will shift from the dual effort of building consumers' inventories and satisfying current requirements, to the single purpose involving only the satisfaction of current requirements. Some lines of retail merchandise have been in very short supply and may continue so for a few months, such as items of men's clothing, women's suits, bed linens, women's shoes, many of the household appliances, and woolen and domestic piece goods. On the other hand, inexpensive ready-to-wear, rayon and silk hosiery, numerous house furnishings items, jewelry, furs, ready-to-wear accessories, some types of work clothing, many small wares, and certain woolen and cotton items either have been moving into retailers' hands in what appears to be adequate volume or very soon will be.

A second factor which may influence the course of retail trade is the price increases which have occurred and which may continue until more stable market levels are established. These price increases

may tend to have a dampening effect upon demand for many lines of retail merchandise, including foods, despite the fact that the general level of consumers' incomes probably will remain high for some months.

A third factor will arise out of the decision of consumers as to the amount of their disposable income which they choose to spend. It is possible, although unlikely, that consumers may spend an even greater proportion than at present of their disposable income. Another possibility is that consumers may tend to draw upon past savings, thus even increasing their total expenditures during a short period. In this latter connection, however, it should be recognized that although the total volume of savings held by consumers is very large, its distribution among different groups of the consuming public varies greatly. Studies have shown that there is a pronounced tendency toward the concentration of liquid savings in the hands of a comparatively small proportion of the total consuming public. Still another factor which will affect consumer expenditures in the months ahead is the extent to which they decide to use their credit. It is possible that the volume of consumer credit will expand, thus supplementing consumer purchasing power for a time.

One of the most dynamic factors in the present business situation appears to be the condition of inventories. Warnings against the danger of an over-inventoried position were voiced immediately after the end of the war and have been repeated persistently. Actually, a significant expansion of inventories did not make its appearance until the late spring and early summer of 1946. Since July, however, the rate and amount of expansion in inventories at each of the three levels of distribution have been quite substantial. At the end of October, the Department of Commerce estimated that inventories of manufacturers, wholesalers, and retailers had reached the record level of more than \$34,000,000,000.

A number of developments which do not lend themselves to accurate statistical verification probably have been taking place with respect to inventories during the past year and may have an important bearing upon the problems ahead. In the first place, it is virtually certain that a large volume of manufactured goods simply moved rapidly through distribution channels from the manufacturer to the consumer. This movement probably was so rapid that the flow of goods had little perceptible effect upon inventories at the wholesale and retail levels, especially during the first six postwar months. Consumers' inventories were being replenished before stocks in dealers' hands were built up. As a consequence, it is probable that some of the keen edge was taken off consumers' demand for many soft goods. Moreover, as it becomes apparent that goods are moving into the market in more adequate supply, the influence of scarcity as a stimulus to demand probably will diminish sharply. During recent months there has been a noticeable increase in the volume of inventories of many soft goods. Although the inventory situation does not yet appear to be dangerous, it is quite possible that we are now reaching the time when the prospect of an over-inventoried position in many lines is becoming a serious problem. A sudden or substantial decline in consumer demand could lead promptly to excessive inventories in many instances.

It is also probable that there has been a considerable volume of "inventory hoarding" at the manufacturing level. That tendency is not only characteristic of an inflationary period when manufacturers may deem it wise to purchase raw materials and semi-processed goods freely as they become available with the expectation of profiting by a price increase, but it is also characteristic of a period of shortages, when manufacturers may be expected to buy in anticipation of their needs those parts and raw materials which are available to them when they are available. This tendency has caused a lack of balance in manufacturers' stocks of different types of raw materials and semi-processed goods. When those goods which are currently unavailable or in very short supply become available to manufacturers, it is possible then that the movement from manufacturers' raw material stocks through the production process will increase rapidly and result in a very substantial flow of merchandise through the distribution system to wholesalers and retailers. In many lines of soft goods, this development may occur at a time when the consumer demand for those goods is beginning to be, or has been, dulled. In that circumstance the characteristic developments of an over-inventoried situation will become apparent quickly.

Fortunately, most of the reports which have been received from business executives in retail and wholesale trade in this district indicate that an increasingly cautious policy is being followed. Business executives and buyers appear to be aware of the problems which may loom ahead of them. On balance, it appears that inventories of the great majority of retail merchandise, perhaps with the exception of a few major durables, will become adequate quickly; whether developments lead into an excessive inventory situation will depend very largely upon the caution and the prudence of business management.

With respect to the inventory situation in the durable goods field, a mixed, spotty condition prevails. Many of the smaller and so-called minor durables have been moving into the market in increasing volume during recent months. In fact, with respect to low-grade and off-brand merchandise, there are already evidences that excessive inventories have begun to accumulate. In the heavier durable goods generally, it is quite apparent that shortages are still severe. In attempting to appraise the inventory outlook in these fields, however, one is again confronted with conflicting and counter forces.

In the major durable goods industries, wages have experienced substantial increases, and manufacturers, therefore, are confronted with the compelling necessity of achieving as quickly as possible the economies of full production. Many manufacturers have found it necessary to make price increases to meet, in part, the rise in production costs which has resulted from wage adjustments. Further price advances to compensate for wage increases will tend to dampen the demand for these products, especially from the large part of the population which constitutes the continuing mass demand for the major durable goods. To an important extent, this large group of the population upon whom manufacturers must rely to maintain near full production represents a type of demand that is, to an increasing extent, "price conscious." To avoid affecting adversely that price-conscious element of demand by further price increases, manufacturers may be expected to expand production of the major durable goods as rapidly as possible to permit the economies of large and continuous production to compensate partially for the wage advances which have been granted or which may be made in the months ahead. With this prospect in mind, and recognizing the virtual certainty of a misleading picture of demand reflected in the duplication of consumers' orders, experienced business executives feel that signs of caution against accumulating excessive inventories of major durables should not be ignored.

The foregoing statements tend to present the pattern of economic and business events as reflected by developments in some of the more important economic sectors during the postwar months through 1946. That pattern, as indicated in the opening paragraph of this article, is a mixed one. It is a pattern which might give us some cause for a considerable degree of satisfaction, but it is also one which reflects clearly signals which are a cause for caution and for the exercise of the greatest prudence and soundness of judgment on the part of all who comprise our economic system in its totality.

An appraisal of the postwar business situation to date leads, it seems, to the clear conclusion that difficult adjustments remain to be made in our national economy, particularly with respect to the more or less intangible elements. Those adjustments, which have been indicated throughout this article, will be necessary correctives of the war- and inflation-induced distortions which exist.

In many respects, there are present in the business and economic situation the essential requirements of a prolonged period of high level activity. That is especially true with regard to such factors as productive equipment and capacity, an adequate labor force, essential basic materials, financial resources, and productive abilities and "know-how." Yet those economic factors cannot be combined and utilized most effectively unless the various elements of our national economy are in a reasonably balanced state. It is for this reason that it appears to be of fundamental importance that all of those groups which comprise our system of private enterprise recognize the tasks ahead and exercise the necessary self-restraint and utilize their abilities and their energies in an enlightened manner.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

The end of 1946 found conditions generally good in the industry, agriculture, and retail trade of the Eleventh Federal Reserve District. The earlier than expected end of the coal miners' strike mitigated the threatening effects of the shutdown of the mines and the resultant curtailment of steel production and rail transportation upon the industries of the Southwest. Nonagricultural employment, due in part to seasonal labor requirements of trade and service establishments, increased moderately during the last quarter of the year, despite cutbacks in government service and in plants experiencing material shortages. The labor supply available in the district appears adequate to support an increase in manufacturing and construction activity as soon as the supply and distribution of needed materials improves. On the farms of the district conditions during the past two months have been generally favorable for completing the harvest of field crops and for the planting of winter wheat and oats. Pastures, ranges, and livestock, except in local dry areas, were in better than average condition in December. The harvesting and marketing of commercial vegetables and citrus fruits, though somewhat later than usual in getting under way, made good progress during the closing weeks of the year. In department stores of the district, holiday sales topped the records set during the pre-Christmas season of a year ago.

BUSINESS

Total sales of monthly reporting department stores of this district showed an increase in dollar volume of five per cent over the preceding month and of 24 per cent over the corresponding month a year ago. These margins of increase are small enough to suggest that higher prices of most consumer goods rather than larger physical volume of goods passing over the counter were the major factors in the percentage gains which occurred. November was the second consecutive month in which the margin of monthly increase in total sales over corresponding months of 1945 fell substantially below the level of monthly gains which had prevailed from May through September. It was also the third consecutive month to show a decline in per cent of increase in total sales over the month preceding. The slackening in the rate of consumer spending indicated by these facts appears, however, to have been arrested, temporarily at least, in December by the influence of Christmas shopping. Weekly reporting department stores in the district experienced a gain of 17 per cent in total sales during the first three weeks of December over the record sales volume achieved during the corresponding period in 1945. Measured in dollars, department store sales for the entire month of December will almost certainly be found to have set a new record.

Merchandise stocks of monthly reporting department stores at the end of November, though showing a gain of 67 per cent over the same date a year earlier, were up only four per cent as compared with the end of October. Orders outstanding on November 30 were down for the fourth consecutive month as compared with the month preceding, standing at 12 per cent less than on October 31 and eight per cent less than at the end of November 1945. This condition seems to indicate the occurrence of one or more of several possible developments: a reduction in orders placed by retailers, more prompt delivery of goods on order, or more widespread cancellation of orders when past due.

Sales during November of reporting retail furniture stores in the district showed only slight increase over the previous month but exceeded those of the corresponding month in 1945 by 21 per cent. Cash sales constituted 22 per cent of total sales, as compared with 25 per cent in the same month of the year before. End-of-the-month inventories of these stores were 97 per cent greater than for the same date in 1945 but only six per cent above those at the end of October.

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in				
		Net sales		Stocks 1		
		Nov. 1946 from Nov. 1945	October 1946	Jan. 1 to Nov. 30, 1946 from 1945	Nov. 1946 from Nov. 1945	October 1946
Retail trade:						
Department stores:						
Total 11th Dist.....	48	+24	+ 5	+29	+ 67	+ 5
Corpus Christi.....	4	+51	+13	-30	+ 66	+ 7
Dallas.....	7	+22	+ 3	-26	+ 64	+ 5
Fort Worth.....	4	+20	+ 5	-24	+ 61	+ 6
Houston.....	7	+30	+ 7	-35	+119	+ 3
San Antonio.....	5	+23	+ 4	+28	+ 39	+ 6
Shreveport, La.....	3	+22	- 5	+26	.....	.....
Other cities.....	18	+21	+ 9	+22	+ 64	+ 5
Retail furniture:						
Total 11th Dist.....	48	+21	+ 1	.....	+ 97	+ 6
Dallas.....	4	+20	+21	.....	+122	+ 2
Houston.....	4	+10	-11	.....	.....	.....
Port Arthur.....	3	+ 4	- 9	.....	.....	.....
San Antonio.....	5	+26	+ 3	.....	.....	.....
Wholesale trade*:						
Machinery eqpt & supplies.....						
	5	+53	- 7	.....	+ 33	+ 5
Automotive supplies.....						
	5	+21	- 7	.....	.....	.....
Drugs.....						
	4	+ 5	- 6	.....	+ 21	- 1
Groceries.....						
	23	+25	- 1	+23	+ 44	+15
Hardware.....						
	10	+31	- 5	+43	+ 50	+ 5

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

1Stocks at end of month.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales—(1935-1939=100)							
	Unadjusted*				Adjusted			
	Nov. 1946	October 1946	Sept. 1946	Nov. 1945	Nov. 1946	October 1946	Sept. 1946	Nov. 1945
District.....	434	384	395	351r	356	349	376	288
Dallas.....	429	384	407	354r	354	349	367	293r
Houston.....	435	377	405	354	360	343	378	276
	Stocks—(1935-1939=100)							
	Unadjusted*				Adjusted			
	Nov. 1946	October 1946	Sept. 1946	Nov. 1945	Nov. 1946	October 1946	Sept. 1946	Nov. 1945
District.....	324p	309	299	202	303p	274	267	189

*Unadjusted for seasonal variation.

r-Revised. p-Preliminary.

AGRICULTURE

The weather that prevailed throughout the Eleventh Federal Reserve District during November and the first part of December was, with slight exceptions, generally favorable for harvesting operations and field work. The December 1 estimates of the year's cotton production for both the United States and Texas were a little below those of a month earlier and far below average. Weather conditions in November and early December were favorable for the planting and harvesting of vegetable crops, but marketing generally was not so far advanced for the season as at the same time a year ago, due largely to late plantings. Ranges and pastures were in better than average condition on December 1. Farm commodity prices declined generally during the month ending November 15, although prices for a few commodities showed an increase.

The December 1 cotton report of the United States Department of Agriculture estimated the United States crop for 1946 at 8,482,000 bales, the second smallest since 1895 and about six

per cent below the very small 1945 crop of 9,015,000 bales. The estimated yield per acre of 230.7 pounds is the lowest since 1936, and compares with 253.6 pounds per acre harvested in 1945 and a 10-year (1935-44) average of 243.8 pounds. Cottonseed production was estimated at 3,452,000 tons, or six per cent below that of 1945 and 34 per cent below average. Favorable weather and an improved supply of labor for harvesting resulted in substantial improvement in the quality of cotton in 1946. Increased plantings of varieties producing longer staples resulted also in an appreciable gain in the average staple length of cotton ginned prior to December 1, as compared with that ginned by the same date in 1945. About 89 per cent of the crop was harvested prior to December 1, compared with 84 per cent harvested to the same date the year before.

The estimate of the 1946 Texas cotton crop was again revised downward on December 1 to 1,650,000 bales, and the forecast yield per acre was lowered to 130 pounds. These figures compare with a crop of 1,794,000 bales and a yield of 143 pounds per acre in 1945. The downward revision in the estimated crop resulted from a decline in prospective production in some counties of the Low Rolling Plains, the Cross Timbers area, and East Texas which more than offset the improvement in prospects in the Trans-Pecos irrigated section. Due to favorable conditions during November, most of the crop had been harvested by December 1 in all districts except in the northwest, where about one-fifth of the crop remained to be gathered. Ginnings

in Texas prior to December 1 totaled 1,495,000 bales, or slightly more than 90 per cent of the estimated production. The November estimate of the Oklahoma and Louisiana cotton crop was unchanged on December 1. About 97 per cent of the crop in Louisiana had been ginned prior to that date, as compared with 81 per cent in Oklahoma.

Commercial vegetables in all areas of Texas made good progress during most of November and the first part of December, due to generally favorable weather. A light frost, causing minor damage, occurred in some parts of the Eagle Pass and Winter Garden districts, but conditions were generally good for harvesting operations and for the planting of vegetables for winter and early spring harvest. The marketing of vegetables to the end of November, however, was about 22 per cent less than to the same date in 1945, owing chiefly to the late planting of some of the fall crop. The harvest of beans was finished by the latter part of November in most of the commercial garden area of Texas, but continued active in the Lower Valley, where conditions were favorable for further production in December. Shipments of Texas beets from early season harvest remained light in November, and, although plantings were continuing, it was not expected that this season's production would be as large as that of the previous season. Weather conditions were favorable for cabbage in all districts during November, and although early plantings were furnishing only a light harvest, the supply was expected to increase during succeeding months. At the beginning of December, large crops of good quality carrots and cauliflower were in prospect in both the Lower Valley and the Winter Garden districts. The harvest of spinach and tomatoes, which was light through November, was expected to improve in December. In the Lower Valley winter potatoes, though planted late, were making good progress at the end of November, but large scale harvesting was not expected until mid-December.

Ranges and pastures, which were generally in better than average condition on December 1, furnished fair to good feed supply throughout November and the first half of December; however, curing grasses have deteriorated more than normally in the western part of Texas and are furnishing only limited feed, while in parts of southwestern New Mexico ranges were reported in need of additional moisture at the beginning of December. Winter weeds and grasses have made fair to good growth except in the Edwards Plateau and parts of the Trans-Pecos area, where cool temperatures and lack of moisture have retarded development. Wheat pastures are generally in excellent condition, but in the Edwards Plateau additional moisture will be needed to assure full winter grazing. Supplies of hay and other roughage are larger than were expected earlier and are reported to be generally adequate, but high in price, in most parts of the district. Though low temperatures in early November caused some shrinkage in the condition of livestock, cattle and sheep were reported to be in good condition throughout the district on December 1.

Stocker and feeder cattle moved into feeding lots in the Corn Belt states in unusual volume in November, more than offsetting the reduction in the number of cattle expected to be fed in other parts of the country. Reports indicate, however, that the number of wheat pasture cattle also will be increased. The movement to wheat pastures in the Southwest has been very heavy, and if the weather is favorable, many of these cattle are expected to be in slaughter condition by late winter or early spring.

Receipts of livestock at the Fort Worth and San Antonio markets combined during November were slightly below those of October, but were roughly about the same as for November

CASH FARM INCOME

(Thousands of dollars)

	September, 1946		Sept. 1946	Total receipts		
	Receipts from Crops	Livestock*		Sept. 1945	Jan. 1 to Sept. 30 1946	1945
Arizona.....	3,522	2,288	5,810	3,659	106,378	95,524
Louisiana.....	22,195	5,962	28,157	19,964	123,086	125,297
New Mexico.....	3,997	3,772	7,769	7,685	55,117	58,668
Oklahoma.....	10,793	22,047	32,840	33,636	334,063	306,482
Texas.....	94,232	39,830	134,062	95,248	871,043	790,064
Total.....	134,739	73,899	208,638	160,192	1,489,887	1,376,035

*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)

District	forecast		10-year average 1935-1944
	Dec. 1, 1946	1945	
1 N. North High Plains.....	25	15	59
1 S. South High Plains.....	180	105	480
2. Permian Plains.....	263	380	563
3. North Central.....	12	17	61
4. Northern Texas Prairies.....	455	557	832
5. East Texas.....	90	119	417
6. Trans-Pecos.....	110	80	70
7. Edwards Plateau.....	15	27	58
8. Southern Texas Prairies.....	185	227	340
9. Coastal Prairies.....	50	106	133
10. South Texas.....	235	131	124
Total.....	1,850	1,794	3,137

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

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

District	Harvested acres		Yield per harvested acre	
	1946	1945	1946	1945
	Thousand acres		(Pounds)	
1-N. North High Plains.....	70	50	171	144
1-S. South High Plains.....	520	390	166	130
2. Permian Plains.....	1,290	1,310	98	139
3. North Central.....	70	75	82	109
4. Northern Texas Prairies.....	2,250	2,050	103	137
5. East Texas.....	485	580	89	98
6. Trans-Pecos.....	90	75	587	512
7. Edwards Plateau.....	85	95	85	137
8. Southern Texas Prairies.....	655	625	136	175
9. Coastal Prairies.....	245	250	98	203
0. South Texas.....	340	300	332	210
State.....	6,100	5,800	130	149

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

1945. Cattle receipts declined 17 per cent at Fort Worth, but increased 16 per cent at San Antonio. Calf and sheep receipts declined 14 per cent and 32 per cent, respectively, from the preceding month on the two markets combined. Receipts of hogs, however, more than doubled at the Fort Worth market, due partly, at least, to the increase in average prices paid for them.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	November 1946	November 1945	October 1946	November 1946	November 1945	October 1946
Cattle.....	85,691	94,167	102,826	44,865	37,266	38,590
Calves.....	78,054	81,134	96,227	34,913	42,790	35,009
Hogs.....	88,862	41,207	41,097	7,397	6,812	8,228
Sheep.....	78,172	104,371	116,282	36,852	36,856	53,157

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	November 1946	November 1945	October 1946	November 1946	November 1945	October 1946
Beef steers.....	\$25.00	\$16.85	\$23.00	\$20.00	\$16.00	\$22.00
Stocker steers.....	17.00	13.50	17.50			
Heifers and yearlings.....	25.50	16.00	21.00	18.00	15.00	16.50
Butcher cows.....	16.00	13.00	16.50	15.00	12.00	16.00
Calves.....	17.00	13.75	20.00	16.00	13.75	19.00
Hogs.....	26.00	14.65	26.25	25.00	14.65	25.00
Lambs.....	22.00	14.10	21.00	19.50	12.00	18.00

The November 15 price report of the United States Department of Agriculture showed that prices received by Texas farmers for most products sold during the month then ending were moderately to sharply lower than for the preceding month. The most significant declines occurred in cotton, off 8.9 cents per pound from October 15; beef cattle, off \$1.20 per hundredweight; chickens, off 4.5 cents per pound; and grain sorghums, off 30 cents per hundredweight. Some decline was recorded also for corn, oats, and barley among the grains; veal calves, sheep, and lambs in the meat animal group; turkeys and eggs in the poultry group; and butterfat among the dairy products. The rise in hog prices from \$20.00 to \$22.60 per hundredweight was the only significant increase in prices received for livestock. Prices received at mid-November for oranges and grapefruit averaged \$1.88 and \$1.29 per box, respectively, compared with \$2.19 and \$1.30 per box a year earlier. With the removal of price controls effective October 17, the upward pressure on prices of oil-bearing crops, which has existed throughout the war period, forced prices of all such crops sharply higher. During the month ending November 15, the price received by Texas farmers for cottonseed rose from \$70.00 to \$95.00 per ton, and peanut prices rose 0.5 cent per pound.

FINANCE

The daily average gross demand and time deposits of member banks in this district reflected a moderate upturn during November of approximately \$22,000,000 after having shown a steady decline during the preceding seven months. Total deposits, which averaged \$5,368,000,000 during November were about \$100,000,000 greater than in the corresponding month of 1945. The reserve balances of member banks during November

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousands of dollars)

	Dec. 15, 1946	Dec. 15, 1945	Nov. 15, 1946
Total gold certificate reserves.....	\$608,568	\$603,130	\$603,059
Discounts for member banks.....	3,100	None	2,275
Foreign loans on gold.....	4,650	1,410	4,474
U. S. Government securities.....	928,847	909,500	913,147
Total earning assets.....	936,597	910,910	919,896
Member bank reserve deposits.....	787,699	753,561	779,586
Federal Reserve Notes in actual circulation.....	609,117	624,843	606,387

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS

IN LEADING CITIES—Eleventh Federal Reserve District

(Thousands of dollars)

	Dec. 11, 1946	Dec. 12, 1945	Nov. 13, 1946
Total loans and investments.....	\$1,944,478	\$2,198,923	\$1,949,664
Total loans.....	764,581	666,590	745,353
Commercial, industrial, and agricultural loans.....	499,854	358,553	481,910
Loans to brokers and dealers in securities.....	8,442	5,994	9,022
Other loans for purchasing or carrying securities.....	93,066	200,493	98,791
Real estate loans.....	48,482	27,600	48,366
Loans to banks.....	1,117	1,317	997
All other loans.....	113,620	72,633	106,267
Total investments.....	1,179,897	1,532,333	1,204,311
U. S. Treasury bills.....	48,036	96,138	55,927
U. S. Treasury certificates of indebtedness.....	257,695	441,875	269,927
U. S. Treasury notes.....	160,674	281,566	163,911
U. S. Government bonds.....	642,287	655,086	644,372
Obligations guaranteed by United States Gov't.....	145	263	145
Other securities.....	71,060	57,405	70,029
Reserves with Federal Reserve Bank.....	402,087	401,517	401,827
Balances with domestic banks.....	223,135	261,156	221,772
Demand deposits—adjusted*.....	1,496,760	1,346,350	1,489,866
Time deposits.....	320,841	279,632	318,967
United States Government deposits.....	92,569	493,416	97,093
Interbank deposits.....	560,042	660,335	565,834
Borrowings from Federal Reserve Bank.....	1,500	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)

	November 1946	November 1945	Pctg. change over year	October 1946	Pctg. change over month
Abilene.....	\$ 27,755	\$ 21,501	+29	\$ 29,430	- 6
Amarillo.....	66,465	51,015	+30	71,271	- 7
Austin.....	78,791	71,234	+11	87,077	-10
Beaumont.....	66,504	59,503	+12	68,196	- 2
Corpus Christi.....	60,148	59,287	+ 1	63,910	- 6
Corsicana.....	9,723	8,566	+14	10,457	- 7
Dallas.....	770,508	581,769	+32	780,940	- 1
El Paso.....	104,903	84,342	+24	103,398	+ 1
Fort Worth.....	268,411	228,556	+17	272,390	- 2
Galveston.....	54,871	44,559	+23	52,579	+ 4
Houston.....	733,055	595,025	+23	738,881	- 1
Laredo.....	14,827	11,859	+25	15,604	- 5
Libbock.....	50,003	37,972	+32	47,707	+ 5
Monroe, La.....	29,828	22,781	+31	29,130	+ 2
Port Arthur.....	27,085	21,534	+26	29,033	- 7
Roswell, N. M.....	13,462	11,616	+16	14,240	- 5
San Angelo.....	24,609	21,094	+17	27,517	-11
San Antonio.....	214,277	181,685	+18	217,135	- 1
Shreveport, La.....	103,374	88,089	+17	108,738	- 5
Texarkana*.....	23,643	20,912	+13	24,686	- 4
Tucson, Ariz.....	48,531	37,834	+28	49,396	- 2
Tyler.....	32,369	28,655	+13	34,066	- 5
Waco.....	46,147	35,277	+31	47,842	- 4
Wichita Falls.....	43,574	38,101	+14	42,867	+ 2
Total—24 cities.....	\$2,911,163	\$2,363,426	+23	\$2,966,584	- 2

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

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
November 1944.....	\$3,844,475	\$333,158	\$1,977,295	\$210,317	\$1,867,180	\$122,841
November 1945.....	4,824,008	444,563	2,441,944	284,172	2,382,064	160,491
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
November 1946.....	4,864,407	503,710	2,341,164	319,618	2,523,243	184,092

SAVINGS DEPOSITS

Reporting Banks—Eleventh Federal Reserve District

	Number reporting banks	November 30, 1946		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Nov. 30, 1945	October 31, 1946
Beaumont.....	3	12,284	\$ 7,575,592	+ 1.2	- 6
Dallas.....	8	130,688	75,474,411	+ 14.7	+ 8
El Paso.....	2	31,569	23,491,563	+ 16.3	+ 1.4
Fort Worth.....	3	41,435	33,691,704	+ 11.3	+ 7
Galveston.....	4	24,718	20,601,432	+ 0.7	- 3
Houston.....	8	104,412	70,610,360	+ 5.5	- 2
Libbock.....	2	1,002	2,152,517	+197.2	- 1.0
Port Arthur.....	2	6,199	5,311,905	+ 1.0	- 1.0
San Antonio.....	5	39,286	45,216,916	+ 13.8	+ 8
Shreveport, La.....	3	33,143	26,594,400	+ 0.1	+ 1.3
Waco.....	3	9,828	9,155,342	+ 10.0	+ 1.0
Wichita Falls.....	3	7,892	4,684,551	- 2.0	- 2
All other.....	57	62,134	52,486,054	+ 12.7	+ 8
Total.....	103	503,690	\$37,016,447	+ 11.1	+ 5

ber averaged \$766,000,000, or about \$11,000,000 higher than in the preceding month, and showed a further moderate increase during the first half of December. Of the gain in total reserve balances, about \$8,000,000 were in required and \$3,000,000 in excess reserves. Average excess reserves during the month, amounting to approximately \$91,000,000, while slightly higher than in October, were substantially lower than in any other month of the year.

Federal Reserve notes of this bank in actual circulation have shown a steady, though moderate, seasonal expansion since last May and on December 15 amounted to \$609,000,000. This amount was \$2,700,000 higher than a month earlier, but was still approximately \$18,000,000 under the all-time peak reached around the middle of December 1945.

Gross deposits of weekly reporting member banks in leading cities of this district showed little net change between November 13 and December 11, since moderate declines in Government and interbank deposits were about offset by increases in other deposits.

The continued strong demand for bank credit was reflected in a further net expansion of \$19,200,000 in total loans. The increase occurred chiefly in commercial, industrial, and agricultural loans, which have risen sharply in recent months. The increase during the four weeks, though substantial, was at a slower rate than in the preceding five weeks. The increase in real estate loans was very small, whereas in most other months this year the expansion of these loans has been at substantial rate. The rise of \$7,400,000 in "all other" loans during the four weeks was the largest for any similar period during the past year. On the other hand, loans to brokers and dealers and to others for security trading declined further by \$6,300,000, and the total of such loans on December 11 was less than one-half that at the peak reached a year ago. The decline of \$24,400,000 in total investments was distributed among all types of Government securities and brought the net decline in investments since last March to \$340,000,000.

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to November 30 This season	Last season	August 1 to November 30 This season	Last season
Cottonseed received at mills (tons).....	487,745	512,117	2,320,570	2,333,581
Cottonseed crushed (tons).....	308,851	346,669	1,356,291	1,482,299
Cottonseed on hand Nov. 30 (tons).....	216,148	249,647	1,091,085	1,069,720
Production of products:				
Crude oil (thousand lbs.).....	90,950	104,837	420,800	460,677
Cake and meal (tons).....	144,931	161,072	598,429	655,816
Hulls (tons).....	68,581	79,568	311,558	350,098
Linters (running bales).....	105,982	108,738	431,260	445,905
Stocks on hand Nov. 30:				
Crude oil (thousand lbs.).....	18,168	12,420	54,282	48,686
Cake and meal (tons).....	23,372	15,960	80,913	53,030
Hulls (tons).....	29,181	27,748	79,364	67,516
Linters (running bales).....	28,550	26,102	129,225	107,836

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	November 1946	November 1945	October 1945	Aug. 1 to Nov. 30	
				This season	Last season
Consumption at:					
Texas mills.....	18,715	15,775	21,649	77,941	63,511
United States mills.....	877,461	743,225	931,229	3,480,650	2,941,881
U. S. stocks—end of month:					
In consuming establm'ts.....	2,105,694	2,204,910	2,018,941		
Public stg. & compresses.....	6,212,240	10,613,299	5,887,909		

CRUDE OIL PRODUCTION—(Barrels)

	November 1946		Increase or decrease in daily average production from	
	Total Production	Daily avg. Production	October 1945	Nov. 1945
Total North Texas.....	7,139,300	237,976	-10,078	N.A.
Panhandle.....	2,425,300	80,843	-4,107	N.A.
North Texas.....	4,714,000	157,133	+5,971	N.A.
West Texas.....	16,091,700	536,390	+23,856	N.A.
Total East Texas.....	13,961,750	465,392	+6,294	N.A.
East Central Texas.....	4,287,750	141,925	-479	N.A.
East Texas.....	9,704,000	323,467	+6,773	N.A.
Southwest Texas.....	11,748,500	391,617	+12,422	N.A.
Coastal Texas.....	13,899,000	463,300	+12,936	N.A.
Total Texas.....	62,840,250	2,094,675	+45,430	+210,895
New Mexico.....	3,028,700	100,957	+1,259	+6,745
North Louisiana.....	2,760,050	92,002	+2,766	+17,376
Total District.....	68,629,000	2,287,634	+49,455	+235,016
Outside District.....	75,119,950	2,503,995	+4,298	+109,648
United States.....	143,748,950	4,791,629	+53,753	+344,664

SOURCE: Estimated from American Petroleum Institute weekly reports.

N. A.—Not Available.

BUILDING PERMITS

	November 1946		Percentage change valuation from		Jan. 1 to Nov. 30, 1946		Percentage change valuation from 1945	
	No.	Valuation	Nov. 1945	Oct. 1946	No.	Valuation	No.	Valuation
Abilene.....	46	\$ 154,822	-7	-14	930	\$ 8,829,616	+388	+128
Amarillo.....	136	395,205	-45	+20	2,159	6,959,656	+128	+319
Austin.....	204	989,271	-21	-25	3,861	16,336,647	+182	+110
Beaumont.....	215	254,840	+45	-36	2,877	3,522,123	+140	+236
Corpus Christi.....	267	444,725	-46	-53	3,032	9,468,409	+182	+200
Dallas.....	678	2,480,252	+3	-13	13,280	44,438,074	+81	+110
El Paso.....	111	351,959	+45	-12	1,245	4,274,555	+157	+187
Fort Worth.....	333	1,073,308	-6	-33	6,221	21,887,259	+222	+187
Galveston.....	105	95,091	+26	-6	1,294	2,341,444	+157	+222
Houston.....	407	1,265,603	-50	-57	6,972	49,551,648	+187	+240
Lubbock.....	161	494,598	+4	+72	2,079	8,610,033	+187	+240
Port Arthur.....	121	89,700	-46	-8	1,875	1,982,173	+187	+240
San Antonio.....	1,099	1,694,722	+4	-5	12,530	22,145,582	+187	+240
Shreveport, La.....	245	461,314	+160	-28	3,421	8,455,110	+200	+200
Waco.....	123	427,935	+210	-1	1,497	4,932,902	+184	+177
Wichita Falls.....	75	113,993	-7	-14	790	1,855,202	+184	+177
Total.....	4,526	\$10,789,373	-12	-25	64,072	\$211,190,522	+177	+177

VALUE OF CONSTRUCTION CONTRACTS AWARDED

	(Thousands of dollars)				
	November 1946	November 1945	October 1946	Jan. 1 to Nov. 30 1946	1945
Eleventh District—total.....	\$ 30,238	\$ 30,194	\$ 47,337	\$ 524,374	\$ 256,096
Residential.....	10,725	3,702	10,059	217,268	36,090
All other.....	19,513	26,492	37,278	307,106	220,006
United States*—total.....	503,745	370,087	573,206	7,032,444	2,968,618
Residential.....	221,113	85,374	235,068	2,948,737	477,333
All other.....	282,632	284,713	338,138	4,083,707	2,491,285

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

INDUSTRY

The steady acceleration of industrial activity in the nation, which raised industrial production in October to the highest level attained since the end of the war, was interrupted in November and December by the 18-day strike of the coal miners. Although the miners returned to work before shortage of coal seriously disrupted the entire economy, revisions of production and delivery schedules were necessary in important industries, the continuity of output was interrupted in many plants, and steel production declined moderately. The Southwest has not escaped the effects of the strike even though its industries use little coal. The decline in steel production may temporarily aggravate the shortage of iron and steel products, which during 1946 retarded expansion of construction, drilling, and manufacturing activity in this area, and which during the last four months of the year made it necessary for some metal-working plants to lay off workers or to reduce hours of employment. It is possible, moreover, that the oil and gas industry of the South-

west will be significantly affected over a longer period by the accelerated tempo which the strike appears to have given to conversion from coal to oil- and gas-burning equipment in the East and Middle West. Petroleum production outside the Eleventh District is probably close to maximum levels of efficiency, and substantial increases in petroleum consumption are likely to be supported by expansion of production in this district. The demand for natural gas produced in the Southwest has already expanded slightly as a result of the strike. In order to supplement declining stocks of fuel, the "Big-Inch" and "Little-Inch" pipelines, which had not been used since the end of the war, were converted to natural gas carriers, and are delivering gas to the Ohio-West Virginia area. Although coal production has been restored to pre-strike levels, the emergency pipelines will continue to transport gas for the duration of the 4-month lease effected early in December.

Daily average production of crude petroleum increased moderately in this district during November, reversing the downward trend which had prevailed since the all-time peak was reached in June 1946. It is probable, however, that production was smaller in December, since the production allowable for Texas for that month was reduced appreciably. Expanded use of fuel oil, primarily reflecting the effects of colder weather, has reduced stocks of fuel oil and established a better seasonal balance among inventories of petroleum products. Stocks of crude oil in the Eleventh District and in the United States were increased during November, bringing them at the end of the month to the highest total since March 1946. Though larger than at comparable periods prior to the war, current stocks of crude oil in the Eleventh District do not appear excessive in view of current heavy demands for petroleum and of total United States stocks of crude oil substantially smaller than at comparable prewar periods.

Nonagricultural employment in the Eleventh District increased moderately during the last quarter of 1946, reflecting seasonal increases in employment in retail and wholesale establishments which more than offset declines in government establishments, shipyards, and plants affected by material shortages. Although employment in retail and wholesale trade and in other non-manufacturing activities probably reached all-time peaks in December, employment in construction, manufacturing, and government services in this district was considerably below the peaks attained during the war, and total nonagricultural employment remained below the all-time high of December 1943. An adequate supply of labor is apparently still available in this district to support a substantial increase in manufacturing and construction activity should greater quantities of materials become available, whereas in other areas of the nation, including the Middle West and Far West, labor shortages are expected to become serious limiting factors if industrial activity should continue to expand.

Government limitations on the type of construction which could be undertaken, difficulties encountered in obtaining desired materials and in completing projects on schedule, and un-

certainities concerning the trend of building costs and business activity apparently continued to deter the awarding of contracts for new construction in the Eleventh District during November. The value of awards in November totaled \$30,200,000, as compared with \$47,300,000 in October and the postwar peak of \$85,000,000 in May. The decline in the value of awards from the October level was attributable to a reduction in commitments for nonresidential building. The value of awards for residential construction increased fractionally in November, thus reversing the trend of the preceding five months, but was 80 per cent below the all-time peak reached in May 1946 and considerably smaller than in any intervening month except October.

The 22,500 dwelling units started in the twelve metropolitan areas of this district during the first nine months of 1946 fell about 20 per cent short of the number necessary to meet the unofficial quotas of these areas in the Veterans' Housing Program. Nevertheless, a record in number of units started was achieved during the period. Likewise, even though the 40,800 dwelling units started in all urban areas in Texas between January and September 1946 were considerably below the goals of the housing program, they exceeded the number started in the State in any prior year, and were approximately double the number provided annually during the 1930's.

EXPENDITURES ON NEW DWELLING UNITS IN TEXAS

	Average valuation of dwelling units constructed	Square footage per unit	Expenditure per square foot
1940.....	\$3,884	1,270	\$3.04
1941.....	3,777	1,133	3.33
1942.....	2,793	813	3.44
1943.....	2,051	557	3.50
1944.....	2,926	876	3.34
1945.....	5,310	1,282	4.15
First quarter, 1946.....	6,884	1,349	4.96
Second quarter, 1946.....	6,580	1,140	5.73
Third quarter, 1946.....	5,896	1,068	5.52
Oct.-Nov., 1946.....	7,235	1,177	6.15

SOURCE: Computed from F. W. Dodge Corporation data.

Square footage expenditures on residential construction in Texas, as computed from F. W. Dodge Corporation data, was somewhat lower during the third quarter of 1946 than during the preceding quarter, but thereafter resumed the upward trend, as the accompanying table indicates. The temporary decline in square footage expenditures on residential construction apparently reflected the greater emphasis placed upon construction of lower quality units in response to the rigid limitations on sales price and rentals.

The President announced on December 14 that many of the controls governing residential and nonresidential construction would be terminated or modified. Limitations on construction of commercial, industrial, and other nonresidential building will probably be liberalized, the \$10,000 price ceiling on new residential units will be abandoned, and nonveterans as well as veterans will be permitted to build dwelling units for their own occupancy. Rental ceilings on new multiple-unit dwellings will be modified to permit a monthly average rental not exceeding \$80 per unit.

JANUARY 1, 1947

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

INDUSTRIAL PRODUCTION



Industrial production and employment in most lines of activity continued to be maintained at record peacetime levels in November. Department store sales in November and the early part of December were larger in dollar amount than the holiday trade last year, reflecting mainly increased prices. Prices of industrial commodities have generally advanced further, while a number of important farm products and foods have declined from previous peaks.

INDUSTRIAL PRODUCTION

Total output of manufactured goods and minerals, as measured by the Board's seasonally adjusted index, was 182 per cent of the 1935-39 average in November. This was about the same as in October notwithstanding the sharp drop after November 20 in coal, coke, iron, and steel production as a result of work stoppages in the bituminous coal industry. After the resumption of bituminous coal output on December 9 activity at steel mills, which reached a low of 60 per cent of capacity in the first week of the month, rose sharply and in the current week is scheduled at 84 per cent.

Output of steel in the month of November was at an average rate of 84 per cent of capacity as compared with 89 per cent in October. Activity in the nonferrous metals and machinery industries continued to increase in November and output of most other metal products was maintained at a high level. Lumber production showed less than the usual seasonal decline.

Output of manufactured food products was maintained in November at an exceptionally high level for this season of the year, reflecting chiefly further sharp increases in meat production and larger output of flour and sugar products. Production of cotton and rayon textiles, paperboard, rubber products, and some other nondurable goods showed further small gains in November.

Output of minerals declined 5 per cent in November. Bituminous coal production dropped sharply as a result of work stoppages in the latter part of the month, while production of anthracite and crude petroleum was maintained at high levels and output of metals showed less than the usual seasonal decline.

CONSTRUCTION

Estimated expenditures on construction projects in November were maintained close to the peak levels reached in August and September. Contracts awarded for nonresidential construction, however, were at the lowest level since the end of the war, according to reports of the F. W. Dodge Corporation; residential building awards were sharply below the peak rate reached in the spring, but were still considerably above last year's level.

DISTRIBUTION

Department store sales in November and the early part of December were about one-fifth larger than during the same period of the holiday shopping season last year. The total value of retail trade outside of department stores increased somewhat further in the fourth quarter, reflecting chiefly higher prices and larger expenditures for foods.

Loadings of railroad revenue freight declined in November due to the sharp drop in bituminous coal shipments at the end of the month. Loadings of manufactured products and most other classes of freight showed substantial gains, after allowance for seasonal changes.

COMMODITY PRICES

Following the initial sharp increases in basic commodities which occurred with the elimination of Federal price controls on November 11, price changes have become more selective. Prices of copper, lead, steel scrap, and cotton gray goods for immediate delivery have advanced further, while prices of hides, turpentine, and silk have declined. During the past week there has been a sharp drop in hog prices. Wholesale prices of foods have decreased somewhat further from the sharply advanced levels reached in the middle of October. Prices of industrial products have continued to advance. In retail markets prices of womenswear and some other items have declined but in general retail prices have continued to advance.

BANK CREDIT

Commercial, real estate, and consumer loans increased further at banks in leading cities during November and the first half of December. Government security holdings declined considerably reflecting Treasury cash retirement of notes and certificates. Deposits of businesses and individuals increased somewhat and currency in circulation rose by the usual seasonal amount.

The Treasury retired for cash during November and the first half of December 5.8 billion dollars of Government securities held largely by the banking system. Withdrawals from war loan deposits at commercial banks to redeem securities reduced U. S. Government deposits at banks to a level of about 2 billion dollars in mid-December as compared with 24 billion dollars before the retirement program was begun in March.

Subscript: Federal Reserve index. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for November.

VALUE OF CONSTRUCTION ACTIVITY



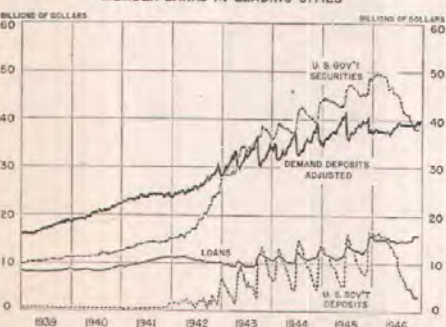
Subscript: Figures beginning in 1944 are joint estimates of the Departments of Commerce and Labor; earlier figures estimated by Commerce. Data exclude repair and maintenance work. Monthly averages of quarterly data prior to July 1944; monthly data, thereafter. Latest figures shown are for November.

CONSUMERS PRICES



Subscript: Bureau of Labor Statistics' indexes. Midmonth figures, latest shown are for October.

MEMBER BANKS IN LEADING CITIES



Subscript: Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for December 11.