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THE BOND-A-MONTH PLAN

One of the features of the June-July promotion campaign of the United States Treasury this year will be emphasis of the Bond-A-Month Plan, which offers to professional men, farmers, self-employed persons, employees of small business firms, and others who are not employed on a fixed wage or salary basis the same automatic bond-buying privileges that the Pay Roll Savings Plan affords to millions of wage and salary earners. The campaign, of course, will re-emphasize the importance of the Pay Roll Savings Plan as a systematic and comparatively painless way of saving by wage and salary earners in business and industry for the regular purchase of United States savings bonds.

The Bond-A-Month Plan is not new or untried; it has been used successfully by many banks for the past several years. The Plan involves only a few simple steps. Banks offer to their depositors the privilege of buying United States savings bonds—Series E, F, or G—regularly and automatically. The depositor signs a card provided by the Treasury Department authorizing the bank to make monthly purchases. The bank merely debits the depositor's bank account for the purchase price of the bond each month. Bonds are mailed to depositors as purchased. Unlike the Pay Roll Savings Plan in one respect, the Bond-A-Month Plan is not a partial payment plan; each single monthly charge must cover the purchase price of a bond or combination of bonds. The Bond-A-Month Plan, however, supplements the Pay Roll Savings Plan and rounds out the savings bond program of the Treasury by providing the privilege of systematic and automatic saving to virtually every American family.

Many problems confront the country and its leaders at present, but none of them is of greater importance to each of us than the problem of management of the large Federal debt. Sound management of our Federal debt must include reduction of the debt as fast as is practicable and, also, spreading the debt widely among the largest possible number of individual investors. The Pay Roll Savings Plan has been very successful in reaching millions of the nation's wage and salary earners. The Bond-A-Month Plan will reach additional millions of people who are able and, in fact, willing to buy United States savings bonds systematically but who perhaps are not doing so because purchase of the bonds has not been made as automatic and easy for them as it has for others who enjoy the privilege of participating in the Pay Roll Savings Plan. The Bond-A-Month Plan, therefore, offers an opportunity to spread more widely the ownership of Government securities and, thus, contribute to the solution of the debt management problem.

Recognizing the importance of obtaining the active support and cooperation of the banks of the nation in carrying out this program, the Treasury has emphasized the twin objectives of universal acceptance of the Bond-A-Month Plan by the banks of the nation and by the nation's bank depositors. Banks are urged to support the Treasury Department's program actively by bringing to the attention of their depositors the real advantages of the Plan. Concentrated national and local advertising and publicity in all media will emphasize the part played by the banks in making this program a success by directing individuals to "ask at your bank . . . see your banker" for information or details about the Bond-A-Month Plan. Banking leaders and banking associations throughout the country, recognizing the genuine merits of the Bond-A-Month Plan, have pledged their active support to the program.

— SAVE THE EASY AUTOMATIC WAY —
WHERE YOU WORK --- WHERE YOU BANK

STRUCTURAL CHARACTERISTICS OF MEMBER BANKS ELEVENTH FEDERAL RESERVE DISTRICT

The very large expansion of deposits and banking resources in the Eleventh Federal Reserve District during the war years resulted in a significant movement of many of the member banks in the district upward from smaller into larger bank size-groups. Largely as a consequence of such wartime developments as deficit-financing, large Treasury expenditures in the area, and active demand at relatively high prices for the area's products, all of which were factors beyond the control or influence of the banks of the district, many \$500,000 banks found that they had grown to one or two million dollar stature; million dollar banks found their deposits soaring to three or four million dollars or higher as war-created funds flowed into their communities; and the larger city banks became metropolitan banks in the full sense of that expression. Table 1, classifying the member banks of the district on the basis of end-of-year reports in 1939 and 1946 into eight size-groups, ranging from the smallest banks which reported deposits of less than \$500,000 each, to the largest institutions reporting deposits of more than \$50,000,000, shows the extent to which the growth developments of the war years and first full postwar year influenced the district's banking structure in this important respect.

At the end of 1939 about 38 per cent of the district's member banks were small institutions holding deposits of less than \$500,000, while 337 banks, or approximately 64 per cent of the member banks, held deposits of less than \$1,000,000. By December 31, 1946, however, the situation had changed to such an extent that only about 3.4 per cent of the member banks of the district held deposits of less than \$500,000 and only 78 banks, or about 13 per cent of the total, were in the less than \$1,000,000 class. On the other hand, the number of banks holding deposits of \$25,000,000 to \$49,999,999 and of \$50,000,000 or more on December 31, 1946, increased from about 2.7 per cent to 6.7 per cent of the member banks in the district, while almost 73 per cent of the district's member banks became concentrated in the three size-groups ranging from \$1,000,000 to \$10,000,000.

As a result of the movement of banks into different size-groups and the tendency of wartime deposit increases to concentrate more heavily in institutions of certain size-groups, the relative shares of member banks in the total deposits of the district shifted considerably during the period. Five groups of banks, classified on the basis of deposits, showed a decline in their shares of member bank deposits at the end of 1946, as compared with their holdings at the end of 1939, despite, in some cases, substantial dollar increases; three groups of banks showed relative increases ranging from nominal to very substantial. In the case of the two smallest size-groups, the decline in their relative shares of the district's total deposits is explained by the decline in the number of banks in the groups. Other instances of a lower—or higher—proportionate holding of the district's deposits reflect not only the shifting of banks among size-groups but also the unequal impact of the deposit growth upon banks of different size.

TABLE 1
MEMBER BANKS CLASSIFIED BY SIZE-GROUPS
ELEVENTH FEDERAL RESERVE DISTRICT

Bank Size-Groups Total Deposits (Thousands of dollars)	Dec. 1939	Dec. 1946
Under \$500.....	200	20
\$500 to \$999.....	137	58
\$1,000 to \$1,999.....	91	126
\$2,000 to \$4,999.....	45	227
\$5,000 to \$9,999.....	21	78
\$10,000 to \$24,999.....	20	46
\$25,000 to \$49,999.....	8	20
\$50,000 and over.....	6	20
Total member banks.....	528*	595

*Does not include 16 member banks, holding average deposits of approximately \$640,000, which merged with other banks or dropped out of the System before the end of 1943.

The largest aggregate dollar increases in deposits during the period occurred in the size-groups holding deposits of \$2,000,000 to \$4,999,999 and of \$50,000,000 or more. In the former case the aggregate increase, amounting to approximately \$600,000,000, was caused largely by the substantial growth in the number of banks in the group, since average deposits per bank in that group increased only about \$100,000. In the case of the largest banks, however, although the number of banks in the group rose from 6 to 20, the average deposits per bank increased by more than \$50,000,000, or to approximately \$123,500,000 at the end of 1946, thus reflecting the fact that more than \$2,000,000,000, or about 53 per cent of the deposit increase during the period was concentrated among these largest banks. This development also explains how the share of the district's total deposits held by the banks in this largest size-group increased from almost 28 per cent at the end of 1939 to almost 46 per cent as of December 31, 1946.

In brief, the wartime deposit growth and the pattern of concentration of the flow of funds among the member banks in the district resulted in the evolution of a number of banks relatively very large, the wholesale disappearance of banks from the smallest size-groups, and a very marked concentration of banks in the middle-size groups with deposits ranging between \$1,000,000 and \$10,000,000.

Banking data as of December 31, 1946, reflect clearly some of the internal structural characteristics of the member banks in the Eleventh District and emphasize the more or less natural differences inherent in the operations of banks of different size-groups; also, in a general way, the data tend to reflect the financial characteristics of banks serving different types of communities and customers, since, in this district, bank size tends to bear a fairly close relation to the size and economic character of the community. Moreover, as smaller banks move upward into larger size-groups, they tend to lose some of their former structural characteristics and take on characteristics of the banks of the size-group into which they have risen. Most of the more important items in the financial structure of the member banks of the district appear to follow a rather consistent pattern of variation when comparison is made on the basis of the size of banks. For example, differences by types of deposits within the deposit structure of member banks of different size-groups, by categories of loans, by elements of capital, and by types of Government securities reflect to a considerable extent a progressive relationship from less to greater importance, or the reverse, which seems to be associated with bank size. When these data are classified, therefore, according to the different size-groups of the member banks, they tend to provide, perhaps, a rough measure or standard with which individual banks in different size-groups may compare their internal structure and the character of their operations.

The relative importance of different types of deposits in the deposit structure of banks of different size-groups varies widely, although the changing relationships progress rather smoothly and steadily through the different size-groups from the smallest to the largest. At one extreme are the banks in the smallest size-group, which reported deposits of less than \$500,000. In this group over 95 per cent of total deposits were in the form of demand deposits of individuals, partnerships, and corporations,

TABLE 2

TOTAL DEPOSITS OF MEMBER BANKS BY SIZE-GROUPS
ELEVENTH FEDERAL RESERVE DISTRICT

(Dollar figures in thousands)

Bank Size-Groups Total Deposits	Per Cent of Banks	1939		1946		
		Dollars	Per Cent of Deposits	Per Cent of Banks	Dollars	Per Cent of Deposits
Under \$500.....	37.9	56,392	3.6	3.4	7,563	0.1
\$500 to \$999.....	26.0	95,856	6.1	9.7	44,577	0.8
\$1,000 to \$1,999....	17.2	126,106	8.1	21.2	187,406	3.5
\$2,000 to \$4,999....	8.5	143,395	9.2	38.1	743,533	13.9
\$5,000 to \$9,999....	4.0	143,822	9.2	13.1	522,331	9.7
\$10,000 to \$24,999..	3.8	296,371	18.9	7.7	720,610	13.4
\$25,000 to \$49,999..	1.5	269,168	17.2	3.4	691,024	12.8
\$50,000 and over...	1.1	435,356	27.7	3.4	2,468,961	45.8
Total.....	100.0	1,566,466	100.0	100.0	5,386,005	100.0

while time deposits were of very little significance in terms of the total, as they represented only fractionally more than one per cent. These banks as a group apparently have made little, if any, effort to attract time deposits, or possibly the low interest return on such deposits is so insignificant when related to a comparatively small account as to have offered no inducement to depositors to forego the convenience and liquidity features of the demand-deposit privilege. In fact, time deposits apparently are not an important element in the deposit structure of banks in any of the size-groups with total deposits of less than \$5,000,000.

At the other size-group extreme, demand deposits of individuals, partnerships, and corporations represented approximately 54 per cent of total deposits of banks in the \$50,000,000 size-group, while time deposits of the banks of this group amounted to slightly more than 10 per cent of total deposits. The tendency of demand deposits of individuals, partnerships, and corporations to decline in relative importance as the bank size-groups progress upward is due, of course, to the increased importance to those bank groups of deposits of banks and of various government agencies—federal, state, and local—as well as to a larger volume of time deposits. These larger banks tend to seek diversified banking business more aggressively as their facilities permit; this tendency is especially true in connection with the attraction of deposits of banks and local government agencies. Likewise, there may have been a tendency during comparatively recent months on the part of some of the banks in these larger size-groups to be more receptive to the growth of time deposits, especially since the reserve positions of banks in these groups have been somewhat tighter than has been the case for the smaller banks. Correspondent banking activities, as reflected by interbank deposits, apparently become relatively important in this district only as banks progress beyond the \$10,000,000 deposit level.

TABLE 3
DEPOSIT STRUCTURE OF MEMBER BANKS BY SIZE-GROUPS
ELEVENTH FEDERAL RESERVE DISTRICT
DECEMBER 1946

As Per Cent of Total Deposits	(Dollar figures in thousands)								Total
	\$500	\$500- 999	\$1,000- 1,999	\$2,000- 4,999	\$5,000- 9,999	\$10,000- 24,999	\$25,000- 49,999	\$50,000 over	
Demand deposits—individuals, partnerships, and corporations	95.2	91.7	89.9	86.3	80.7	73.2	62.5	54.6	66.6
Time deposits — individuals, partnerships, and corporations	1.3	2.2	1.7	2.8	6.9	10.2	11.2	10.2	8.6
United States Government deposits	0.8	0.6	1.0	1.1	1.4	1.9	2.3	1.8	1.7
Bank deposits.....	—	0.2	0.6	1.1	3.2	7.0	14.2	23.2	13.9
Other deposits.....	2.7	5.3	6.8	8.7	7.8	7.7	9.8	10.2	9.2
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Total holdings of United States Government securities as a percentage of total investments at the end of 1946 varied within a comparatively narrow range and in the aggregate reflected no consistent pattern of variation by bank size-groups. United States Governments of all types represented from approximately 87 per cent to more than 94 per cent of the investments of member banks in the different size-groups. The composition of the Government portfolios, however, reflected marked differences among groups of banks classified according to size. Treasury bills and Treasury certificates of indebtedness, for example, represented a much larger proportion of the holdings of Government securities of the banks of the smallest size-group than of banks of any other size-group at the end of 1946. These small banks held approximately 13 per cent of their Governments in the form of Treasury bills and about 36 per cent in Treasury certificates of indebtedness, as compared with sevenths of one per cent and 22 per cent, respectively, for the largest size-group banks. Treasury bonds, on the other hand, accounted for 65 per cent of the Governments owned by the 20 largest banks in the district, as compared with about 45 per cent for the 20 smallest banks.

A substantially larger proportion of the total earning assets of the smallest size-group of banks was invested in the lowest yield short-term Governments than was the case for the largest banks, which in the past few years have extended the maturity pattern of their Government security holdings.

Approximately 28 per cent of the total earning assets of the smallest banks were in bills and certificates at the end of December 1946, as compared with about 12 per cent for the largest banks. These latter institutions, on the other hand, had placed almost 34 per cent of their earning assets in Treasury bonds, whereas the smallest banks reported only 27 per cent of their total earning assets in that form of investment.

As deposits of the larger banks increased during the war years, the first inclination of these banks was to invest substantial amounts of funds in Treasury bills and Treasury certificates of indebtedness. Gradually, however, through their closer contacts with the money market and observations of market developments, they became familiar with the pattern of rates which was maintained on Government securities and recognized its full implications. As a result, these banks began to shift out of bills and certificates, replacing those short-term low-yield issues with Treasury notes and bonds. When the small banks experienced large increases in their deposits, their first reaction was one of caution, stimulated perhaps by uncertainty as to the stability of the new volume of deposits. Consequently, they exhibited a tendency to hold a larger percentage of cash funds. However, as deposits showed no sign of shrinking, but, in fact, continued to increase, these small banks began to move in the same direction which had been taken by the larger institutions—although not to the same extent—and increased their holdings of bills and certificates.

TABLE 4
RELATIVE IMPORTANCE OF INVESTMENTS OF MEMBER BANKS BY SIZE-GROUPS
ELEVENTH FEDERAL RESERVE DISTRICT
DECEMBER 1946

As Per Cent of Total Investments	(Dollar figures in thousands)								Total
	\$500 \$999	\$500- \$999	\$1,000- \$1,999	\$2,000- \$4,999	\$5,000- \$9,999	\$10,000- \$24,999	\$25,000- \$49,999	\$50,000- over	
United States Governments.....	92.8	89.2	88.7	89.2	86.6	87.2	94.4	92.8	90.8
Treasury bills*.....	13.2	11.9	7.0	4.7	2.9	2.1	2.1	0.7	2.2
Treasury certificates*.....	35.8	32.1	26.1	33.4	29.1	28.6	31.7	22.0	27.1
Treasury notes*.....	6.4	11.7	10.9	15.3	15.8	13.9	10.3	12.3	13.0
Treasury bonds*.....	44.6	44.3	56.0	46.6	52.2	55.4	55.9	65.0	57.7
Other securities.....	7.2	10.8	11.3	10.8	13.4	12.8	5.6	7.2	9.2
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*As per cent of United States Government securities.

The pattern of loans reported by banks of different size-groups at the end of 1946 reflected principally the character of loan demand which one might expect, inasmuch as the smaller banks in this district generally are located in predominantly agricultural sections, whereas banks in intermediate and larger size-groups reflect a mixed demand for business and agricultural loans, with the former increasing in relative importance as the bank size-groups increase. Two-thirds of the loan portfolios of banks in the smallest size-group represented non-real estate farm loans, whereas almost two-thirds of the loans of the largest size-group were commercial and industrial loans. Consumer loans increased in relative importance from 10 per cent of the loan portfolios of the smallest size-group of banks to almost 16 per cent for banks reporting deposits of \$10,000,000 to \$24,999,999, but relatively were somewhat less important to banks in the two largest size-groups.

Loans on real estate reflected a pattern similar to that shown by consumer loans, with such loans being of least relative importance in the largest and smallest size-groups—representing in each of these groups about 6 per cent of loan portfolios—and of most importance for intermediate groups—ranging from about 16 to almost 20 per cent. Loans on residential real estate constituted in the neighborhood of 50 per cent of total real estate loans for the various bank size-groups, ranging from a low of 47 per cent to a high of 56 per cent; loans on farm land were of less importance relatively as the size of banks increased, while loans on other real estate followed the opposite course.

Reflecting the much larger growth in deposits than in loans during the past several years, loans represented a much smaller proportion of deposits at the end of 1946 than on the comparable date

in 1939, despite a substantial increase in dollar volume. When measured in terms of total capital accounts, however, the increase in loans outran the additions to capital, with the consequence that loans as a multiple of capital increased significantly. At the end of 1939 loans of member banks in the Eleventh District were 31.4 per cent of deposits and slightly less than three times capital accounts, as compared with 24.5 per cent of deposits and 4½ times capital accounts at the end of 1946.

TABLE 5

MEMBER BANK LOANS AS A PER CENT OF DEPOSITS
AND CAPITAL ACCOUNTS
ELEVENTH FEDERAL RESERVE DISTRICT

Bank Size-Groups Total Deposits (Thousands of dollars)	Total Deposits		Total Capital Accounts	
	1939	1946	1939	1946
Under \$500.....	42.7	21.0	190.0	176.0
\$500 to \$999.....	35.4	20.2	227.0	228.0
\$1,000 to \$1,999.....	32.5	20.0	249.0	304.0
\$2,000 to \$4,999.....	30.6	17.4	264.0	341.0
\$5,000 to \$9,999.....	28.2	19.9	284.0	435.0
\$10,000 to \$24,999.....	30.5	19.8	264.0	397.0
\$25,000 to \$49,999.....	24.4	17.6	320.0	424.0
\$50,000 and over.....	35.1	31.4	338.0	531.0
Total.....	31.4	24.5	298.0	450.0

It may be that the relationship of loans to total capital funds is more significant than the ratio of loans to deposits, especially if considered from the point of view of the risk element involved in varying degrees in different types of loans. If the loan relationship is measured in terms of deposits, it will be observed that the smaller banks reflected a slightly more fully invested position than the larger banks, except in the case of those banks reporting deposits of over \$50,000,000. On the other hand, measured in terms of capital accounts the loan relationship tended to increase as bank size-groups become larger.

Variations in the composition of the capital structure of banks of different size-groups, although clearly evident, did not conform to as regular a pattern as was the case with the other financial items discussed. Considering the capital structure as composed of capital stock, surplus, and undivided profits and reserves, the data reveal that capital stock represented the largest element in the capital structure for banks in five size-groups but that surplus accounts exceeded capital stock for banks in the remaining three size-groups. In general, capital stock represented a smaller proportion of total capital as the bank size-group increased, while the opposite was true with respect to surplus accounts. Undivided profits and reserves represented the smallest proportion of total capital in the case of the banks of the smallest size-group, which reported undivided profits equivalent to 13.5 per cent of total capital. That item increased in importance to represent more than 26 per cent of total capital for banks in the size-group of from \$5,000,000 to \$9,999,999 deposits but then declined in relative importance through successive size-groups. Approximately 18 per cent of total capital of the 20 largest banks in the district, considered collectively, was represented by undivided profits and reserves.

TABLE 6

CAPITAL STRUCTURES OF MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT
DECEMBER 1946

Bank Size-Groups Total Deposits (Thousands of dollars)	As Per Cent of Total		
	Capital Stock	Surplus	Undivided Profits and Reserves
Under \$500.....	58.2	28.3	13.5
\$500 to 999.....	52.5	30.8	16.7
\$1,000 to \$1,999.....	44.1	34.5	21.4
\$2,000 to \$5,999.....	38.1	37.1	24.8
\$5,000 to \$9,999.....	36.0	37.7	26.3
\$10,000 to \$24,999.....	38.2	35.6	26.2
\$25,000 to \$49,999.....	35.4	42.8	21.8
\$50,000 and over.....	39.4	42.7	17.9

It will be observed from Table 6 that capital stock as a percentage of total capital funds varied only slightly among the five largest bank size-groups—ranging between 35.4 and 39.4 per cent—but that the ratios reported for these groups of banks were substantially smaller than those reported by the three smallest bank size-groups. This condition probably is explained by the minimum capital requirements of small banks which may tend to make their capital stock account comparatively large in relation to other capital items.

Total capital funds of banks in small size-groups represented a larger proportion of the total deposits and of the risk assets of those banks than was true for larger bank size-groups. For several

years there has been considerable discussion as to the validity of measuring capital funds in terms of total deposits, inasmuch as it is contended that the risk element is not present in deposits unless the deposited funds are invested in some form of earning asset. It is the investment in earning assets which introduces the element of risk, not the acceptance of the deposit. Consequently, the position has been taken by an increasing number of students of the question that if capital is to provide a buffer of protection to depositors the adequacy of capital should be measured in terms of those assets of the bank which have inherent in them some degree of risk. Such risk assets are considered usually to consist of total assets minus cash, cash balances, and Government securities. On that basis it is seen from Table 7 that the smallest size-group of banks held capital funds equivalent approximately to one dollar for each two dollars of risk assets. The capital funds underlying risk assets tend to decline proportionately as the bank size-group increases and reaches a low point at approximately one dollar of capital for each six dollars of risk assets in the case of banks in the size-group from \$5,000,000 to \$9,999,999 and in the \$50,000,000-or-over group.

It should be emphasized, however, that even though this measure may represent some improvement over a former standard, i.e., the capital relationship to total deposits, it should not be considered as providing a generally accepted standard of measurement for capital adequacy. There are variations in the element of risk involved in different types of risk assets, and therefore it is doubtful whether adequacy of capital can be measured except by a thorough analysis and evaluation of the risk assets of the particular bank, with the element of risk involved being related to the amount of capital funds underlying the composite risk to determine whether or not the position is sound. In the final analysis, the most important factor determining adequacy of capital of a bank as a "going-institution" is the ability of its management. Unless bank management is efficient and capable, the element of risk involved in the operation of a bank is simply too great. Only by sound and alert management is it possible to cope with ever-changing economic conditions and with the problems of growth or the structural and operating changes which evolve with the passage of time. The difficulty of measuring such subjective and intangible qualities, of course, tends to stimulate the search for an infallible and simple standard, but unless such standard reflects the quality and changing character of a bank's managerial ability, it probably will fall short of the desired objective. This is the reason for the suggestion that greater consideration be given to the analysis and proper evaluation of bank assets in order to determine satisfactorily the element of risk involved.

Net profit after taxes during 1946 for banks as classified in the different size-groups ranged from seven per cent on total capital funds for the banks of the smallest size-group to a high of over 13 per cent for banks in the size-group reporting deposits of from \$2,000,000 to \$4,999,999. The 20 largest banks in the district, considered collectively, reported net profit after taxes of 10.5 per cent in terms of total capital funds. Very favorable profits were reported also by all groups reporting deposits of \$1,000,000 or more. If net profit after taxes is considered in terms of total assets, reflecting the profitability of the use of the total resources of the banks, the reports show that the smallest banks enjoyed the highest rate of return. The three small size-groups reported seven-tenths of one per cent net profit after taxes in terms of total assets, whereas banks in other size-groups reported one-half of one per cent and six-tenths of one per cent as their earnings on this basis.

TABLE 7
MEMBER BANK CAPITAL FUNDS RATIOS
ELEVENTH FEDERAL RESERVE DISTRICT
DECEMBER 1946

Bank Size-Groups Total Deposits (Thousands of dollars)	Capital Funds as Total Deposits	Per Cent of Risk Assets
Under \$500.....	11.9	49.2
\$500 to \$999.....	8.8	35.0
\$1,000 to \$1,999.....	6.6	25.7
\$2,000 to \$4,999.....	5.1	21.9
\$5,000 to \$9,999.....	4.6	16.9
\$10,000 to \$24,999.....	4.9	18.1
\$25,000 to \$49,999.....	4.1	19.6
\$50,000 and over.....	6.0	16.9

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

In terms of dollar volume, sales of department stores and furniture stores in this district during April and for the first four months of this year were running slightly ahead of the pace set a year ago. Customers are reported as becoming increasingly critical of high prices and notably more exacting and selective in buying, but sales figures indicate that they are still spending at a rate commensurate with the highest level of disposable income in regional and national history and are obligating future income through an expanding use of credit. Measured by the number of persons employed, activity in the building industry in Texas established a new postwar mark in April; but if the substantial decline in value of new contract awards which has been in progress since January continues into the summer, it may bring an unwelcome cutback in construction employment. The lag in volume of contract awards seems to be due mainly to present high costs of building materials and construction, and, in lesser degree, to unbalanced supplies of building materials, government limitations upon nonresidential construction, and scarcity of skilled craftsmen in some localities. Daily average production of petroleum in the district during April was only slightly below the all-time peak attained in June and July of last year, and preliminary estimates for May indicate that a new production record may have been established. Ranges, livestock, and growing crops, which had been retarded by lack of moisture in some parts of the district and by cool, wet weather in other areas during April, made good progress throughout most of the district in the first half of May, due to generally favorable temperature and moisture conditions. The Texas wheat crop made such rapid improvement during April that the United States Department of Agriculture forecast the total yield on May 1 at an all-time record of more than 112 million bushels and 20 million bushels more than had been forecast a month earlier.

BUSINESS

Due to the coming of Easter in the early part of the month, department store sales in April experienced the stimulus of only the final week of pre-Easter shopping but suffered the full effects of the seasonal post-Easter slump in soft-goods trade. It was March this year and April last year which benefited most, in the matter of sales, from the varying incidence of the Easter season. Nevertheless, total sales of monthly reporting department stores in the Eleventh District in April this year showed a moderate gain of three per cent in dollar volume over those of the preceding month as well as of the same month a year ago. By way of comparison, sales in April 1946 were six per cent above those of the previous month and 53 per cent greater than in the same month of 1945. Cumulated sales of these stores for the first four months of this year exceeded those of the same months last year by eight per cent. A year ago cumulated sales for four months were running 27 per cent ahead of those for the same months in 1945. These facts suggest that the rate of increase in dollar volume of sales is leveling off.

Recent weekly reports of department store sales show that the bottom of the post-Easter slump, reached in the third week after Easter, was followed by a sharp seasonal upturn in buying which raised sales during the first and second weeks in May to 10 per cent and 13 per cent, respectively, above the totals for the corresponding weeks in 1946.

Sales of reporting furniture stores in the district showed a moderate gain in April over those of the same month a year ago, but were slightly below those of the previous month. The

ratios of cash and credit to total sales were unchanged from the preceding month and stood at 17 per cent and 83 per cent, respectively, as compared with 24 per cent and 76 per cent in April of last year.

Most of the increase in the value of department store and furniture store stocks in this district at the end of April as compared with the same date last year seems to have been the result of an enlarged flow of goods from suppliers to retailers during the summer and fall of 1946, although some of the increase resulted from rising costs and valuations of merchandise received since the end of price and wage control. In recent months, numerous steps have been taken by most retailers to prevent top-heavy accumulation of stocks, with the result that end-of-April inventories at district department stores and furniture stores were slightly less than at the end of March. These steps have included selective price markdowns on slow-selling merchandise, cancellations of orders past due, highly selective ordering, over-all reductions in orders outstanding, ordering on short-term commitment, and partial ordering in advance of a season leaving room for fill-ins at lower prices as the season approaches.

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in				
		Net sales		Stocks †		
		April 1947 from April 1946	March 1947	Jan. 1 to Apr. 30, 1947 from 1946	April 1947 from April 1946	March 1947
Retail trade:						
Department stores:						
Total 11th Dist.	48	+ 3	+ 3	+ 8	+ 57	- 1
Corpus Christi.	4	+ 2	- 3	+13	+ 78	+ 2
Dallas.	7	- 3	- 1	+ 3	+ 53	+ 1
Fort Worth.	4	+ 3	+ 8	+ 6	+ 69	+ 2
Houston.	7	+ 4	- 1	+15	+ 75	- 1
San Antonio.	5	+10	+ 9	+ 9	+ 26	-10
Shreveport, La.	3	+ 1	+ 4	+ 3	.....	.....
Other cities.	18	+ 5	+ 8	+ 8	+ 67	+ 1
Retail furniture:						
Total 11th Dist.	48	+ 5	- 3	.....	+ 80	- †
Dallas.	4	- 5	- 2	.....	+ 98	+ †
Houston.	7	- 6	- 9	.....	.....	.....
Port Arthur.	3	+ 4	- 9	.....	.....	.....
San Antonio.	4	+18	+ 3	.....	.....	.....
Wholesale trade:*						
Machinery, eqp't & supplies.	3	+34	- 1	.....	.....	.....
Automotive supplies.	5	- 1	+ 2	- 3	+ 97	+ 1
Drugs.	4	+ 9	- 6	+10	.....	.....
Groceries.	22	+12	- 7	+13	+ 36	- 1
Hardware.	9	+26	+ 5	+31	+122	+ 7
Tobacco & products.	6	+ 6	+ 3	.....	- 9	+ 2

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

†Stocks at end of month. †Indicates change less than one-half of one per cent.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales—(1935-1939=100)							
	Unadjusted*				Adjusted			
	April 1947	March 1947	February 1947	April 1946	April 1947	March 1947	February 1947	April 1946
District.	347	337	306	337r	377	347	347	355r
Dallas.	326	330	307	335r	354	340	349	353r
Houston.	346	351	306	333r	360	395	319	336r
	Stocks—(1935-1939=100)							
	Unadjusted*				Adjusted			
	April 1947	March 1947	February 1947	April 1946	April 1947	March 1947	February 1947	April 1946
District.	317	326	306r	203r	326	343	343	209r

*Unadjusted for seasonal variation. r—Revised.

The relatively narrow margins of increase in department store sales achieved in April and other periods this year over comparable earlier periods are impressive chiefly for the evidence they afford of a continuing, though slackening, upward trend in the total of consumer spending in spite of widespread complaints about prices. With national and per capita disposable incomes at the highest levels in history, consumers appear to be venting their displeasure over prices more through increased selectivity in buying and emphasis upon supplying basic needs than through

any over-all reduction in the amount of their expenditures. Analyses of sales by types of merchandise in department stores and in other lines of trade indicate that resistance to high prices has checked sales volume mainly in luxury articles and in those items in which consumers' stocks have already been substantially replenished, such as women's and children's apparel and men's furnishings and sportswear. Money not spent for these goods appears to have been shifted, for the most part, to other types of merchandise rather than to savings. Some necessary soft goods still in short supply, for example, men's clothing of standard quality, are reported to be selling rapidly despite high, or even rising, prices. Purchases of food, at the highest price level in the nation's history, have risen to an estimated 42 per cent of the expenditures of moderate-income families, as compared with 33 1/3 per cent before the war. Home furnishings of the better type, major household appliances, and automobiles are still supported by a backlog of effective demand apparently sufficient to overcome a considerable amount of resistance to high prices among consumers whose liquid savings and current incomes keep them from being priced out of the market. The result is that with rising output of automobiles and other important consumer durables the volume of sales of these goods is still on the increase, and the ratio of spending for durables to total consumer expenditures is returning to the prewar pattern. Thus, on the whole, it seems that current high prices are not resulting in any general strike by consumers against buying or spending *per se*, with a concomitant increase in savings, but rather in a revision of the shares of total consumer expenditures going to different types of goods.

The unstable relationship between consumption and production may not continue indefinitely, however, for the number of units of durables, including housing, and other wanted goods, even food, which consumers can or will purchase at prevailing prices in coming months may fall below the volume of farm and industrial output necessary to sustain employment and consumer income at present levels. There are signs that a large, indeterminate group of would-be customers in low and middle income brackets already has been or soon will be priced out of the market for optional, though needed, goods. It appears that either some increases in dollar wages and incomes or moderate and orderly downward adjustments in prices with resultant increases in real wages and incomes will be necessary to bring consumer purchasing power and mass consumption into balance with the rising output of American farms, factories, and service establishments. The latter alternative, despite its difficulty, is generally regarded as the preferable development.

AGRICULTURE

Ranges and most growing crops were retarded in April by a lack of moisture in some western, extreme southern, and southeastern portions of the district and by cool, wet weather in other areas. More favorable conditions developed during the first half of May, and, with the breaking of the drought generally, except in some far western counties, all parts of the district were fairly well supplied with soil moisture. Crops and ranges developed more rapidly, and field operations generally made better progress, although interrupted in many northern areas by rains near the middle of the month. The condition of livestock improved as the result of increased range feeds.

Good to excellent growing conditions prevailed throughout April and early May in nearly all important wheat-growing areas of the district. Additional rainfall and lower temperatures during the second week of May were beneficial to the crop in the southern Low Rolling Plains, where some deterioration had occurred from dry, hot weather. As the result of generally favorable conditions, the wheat crop forecast of the United States

Department of Agriculture for Texas on May 1 was raised to 112,425,000 bushels—20,000,000 bushels above the April 1 forecast and nearly 30,000,000 bushels above the previous record crop produced in 1944. This compared with the 1946 crop of 62,916,000 bushels and a 10-year (1936-45) average of 41,287,000 bushels. The yield per acre was estimated on May 1 at 15 bushels, compared with a yield of 10.5 bushels in 1946 and an average of 11.5 bushels. The acreage left for harvest this year, which is estimated at 7,495,000 acres and only four per cent below the seeded acreage, is the highest on record. It is 25 per cent above the acreage harvested in 1946 and 108 per cent above average.

Corn developed rapidly in most areas during the first part of May, after having been delayed during the preceding month by unfavorable weather, which had retarded the growth of the crop and interrupted cultivation. Some replanting was necessary, due to poor germination of seed, light frost damage, and losses from insect infestation in some areas. Grain sorghums made good progress in southern portions of the district in April and early May, but were retarded by cool, wet weather in north central counties and by a lack of moisture in the southern Low Rolling Plains. Conditions improved in those areas by the middle of May, and seeding, which had been delayed for several weeks in the High and Low Rolling Plains, got under way. The development of oats in some western counties was retarded by lack of moisture in April; the crop was approaching maturity in southern areas by mid-May and was well advanced in northern counties. Rice seeding was nearing completion, and active harvest of flax was started in most lower coastal counties during the second week of May, with fairly good yields in prospect.

Cotton planting was delayed and growth of the crop retarded in April by the cool, wet weather which covered northeastern and northcentral parts of the district, but good progress was made in all southern areas and the crop developed more rapidly the first part of May. Fruiting started in extreme southern counties during the second week of May, and chopping was well under way in central and southeastern sections. Planting was interrupted in many northern areas, however, by rains and wet fields. The emergence of the boll weevil was far below average in central Texas during the first half of May. No weevils or punctured squares were reported from the Lower Rio Grande Valley counties in this period, and only very small infestations of flea hoppers have been found in that area.

CASH FARM INCOME

(Thousands of dollars)

	February 1947		Total receipts			
	Receipts from		Feb. 1947	Feb. 1946	Jan. 1 to Feb. 23 1947	1946
	Crops	Livestock*				
Arizona.....	\$ 5,761	\$ 3,114	\$ 8,875	\$ 7,042	\$ 22,151	\$ 19,371
Louisiana.....	3,096	4,678	7,674	10,774	27,799	26,411
New Mexico.....	925	4,142	5,067	3,737	10,747	8,638
Oklahoma.....	9,212	25,407	34,619	25,057	71,952	52,120
Texas.....	24,891	48,360	71,051	63,121	154,173	135,610
Total.....	\$ 43,685	\$ 83,601	\$ 127,286	\$ 109,731	\$ 286,822	\$ 242,150

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

SOURCE: United States Department of Agriculture.

Commercial vegetables made satisfactory growth during the first part of April. Rains during the middle of the month interrupted harvesting operations in all south Texas areas but were beneficial to most crops, particularly in nonirrigated sections. Unseasonably cool weather which followed the midmonth rains retarded development, and further interruptions of field work occurred due to general rains. Harvest of beans, cucumbers, tomatoes, and green corn was started during the last half of the month, and harvesting of onions and potatoes continued ac-

tive. Plantings of midseason and late vegetables made good progress on the lighter soils. Favorable weather conditions in early May permitted uninterrupted field work and benefited growing crops.

Range grass made fair growth during April and by mid-May was plentiful in all parts of the district, except for some former dry areas in the southern and western section. Cool weather aided in preserving the subnormal supply of moisture, but high temperatures and wind early in May depleted the reserve. Droughty conditions developed in some areas during the first part of May, but rains falling in the second week of the month relieved the urgent need for moisture in many Trans-Pecos and western plateau counties. Most areas reported sufficient moisture at mid-month to assure good early pasture and range feed, but some southwestern ranges continued dry.

Cattle and calves gained flesh on new range feed and on May 1 were in average condition in all parts of the district except in some scattered southwestern and far western areas, where continued dry weather and shortage of range feed caused some shrinkage. Stockmen have culled their herds closely to take advantage of high prices. Sheep and lambs, which generally came through the winter in below average flesh, made good gains in April and on May 1 were reported to be in about average condition. Shearing was nearly completed at that time in southern plateau counties but was just started in the northern part of the plateau. All classes of livestock continued to show improvement during the first part of May. The movement of cattle to pastures in Oklahoma and Kansas was near completion, and the spring movement of yearling wethers to market got under way.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	April 1947	April 1946	March 1947	April 1947	April 1946	March 1947
Cattle.....	78,544	88,054	60,931	37,104	31,703	28,973
Calves.....	15,010	14,835	21,200	14,630	21,991	18,477
Hogs.....	61,702	57,549	56,136	6,344	8,011	6,390
Sheep.....	105,746	259,019	88,932	29,323	77,801	12,851

COMPARATIVE TOP LIVESTOCK PRICES
(Dollars per hundred weight)

	Fort Worth			San Antonio		
	April 1947	April 1946	March 1947	April 1947	April 1946	March 1947
Beef steers.....	\$25.00	\$17.35	\$26.50	\$23.00	\$16.00	\$22.25
Stocker steers.....	20.75	16.50	20.00	.....	16.25	23.00
Heifers and yearlings.....	24.50	17.35	26.00	23.00	.....	23.00
Butcher cows.....	17.50	15.00	18.00	17.25	13.60	18.00
Calves.....	23.00	16.50	22.00	23.00	15.75	22.00
Hogs.....	23.75	14.65	27.50	26.50	14.65	23.60
Lambs.....	23.75	15.50	24.00	22.90	14.50	22.50

Cattle and calves moved from Texas ranges to market in large volume during April and early May, but the movement of sheep and lambs was far below normal. Receipts of cattle and calves at the Fort Worth and San Antonio markets in April were far above those of the preceding month but slightly under receipts of a year earlier. The movement of sheep and lambs into these markets in April was considerably greater than in the preceding month but fell 60 per cent below April 1946. Receipts of hogs were slightly greater than in March and approximately equal to receipts for April 1946.

Very little change occurred in prices received by farmers during the month ending April 15. Grain sorghum prices advanced about six per cent; corn prices rose slightly; while prices of all other grains and of cotton declined moderately. A small increase occurred in the prices of cattle, calves, and sheep; lamb prices were unchanged; while hog prices fell slightly below the record high of a month earlier. Milk prices declined seasonally. Prices received for oranges and Irish and sweet potatoes rose moderately, but grapefruit prices were slightly lower than at the middle of March.

Varied price movements were registered in the commodity markets after mid-April. Prices of corn, oats, and hogs declined during the latter part of the month but rose again during the first two weeks in May. Cotton prices rose sharply immediately after mid-April, underwent some decline toward the end of the month, and tended upward during the first part of May. Wheat prices varied within a narrow range until the end of April but declined moderately during the first part of May. Cattle and sheep prices moved upward slightly between mid-April and mid-May.

FINANCE

The seasonal decline in the gross demand and time deposits of member banks in the Eleventh District continued during April, when such deposits averaged \$5,142,000,000, representing a decrease of \$30,000,000 as compared with the preceding month and of \$342,000,000 as compared with the corresponding month last year. The decline from the preceding month occurred in the gross demand deposits of both reserve city and country banks. The time deposits of member banks reflected a further expansion, offsetting in part the decline in demand deposits.

Reserve balances of member banks in the district during April and the first half of May remained generally stable at an average of \$750,000,000 and closely approximated those of the corresponding period last year. The averages of both required and excess reserves of member banks during April showed only small changes as compared with those in the preceding month.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousands of dollars)

	May 15, 1947	May 15, 1946	April 15, 1947
Total gold certificate reserves.....	\$475,931	\$476,044	\$474,566
Discounts for member banks.....	200	1,144	100
Foreign loans on gold.....	719	1,440	389
U. S. Government securities.....	890,835	895,880	906,499
Total earning assets.....	891,754	898,464	906,988
Member bank reserve deposits.....	749,787	747,268	759,435
Federal Reserve Notes in actual circulation.....	570,481	568,828	573,465

The seasonal decline in the circulation of Federal Reserve notes of this bank which has been in evidence since the Christmas Holiday continued during April and the first half of May. On May 15 the total circulation amounted to \$570,500,000, representing a decrease of \$3,000,000 during the preceding thirty days. The total circulation on May 15 was approximately \$18,300,000 lower than on the same date a year ago and \$56,000,000 below the all-time peak reached at mid-December 1945.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS
IN LEADING CITIES—Eleventh Federal Reserve District

(Thousands of dollars)

	May 14, 1947	May 15, 1946	April 9, 1947
Total loans and investments.....	\$1,837,548	\$2,110,988	\$1,825,147
Total loans.....	737,346	683,965	746,948
Commercial, industrial, and agricultural loans.....	498,971	405,131	506,214
Loans to brokers and dealers in securities.....	6,408	7,906	5,056
Other loans for purchasing or carrying securities.....	69,587	146,103	69,930
Real estate loans.....	61,782	39,656	57,629
Loans to banks.....	1,752	285	962
All other loans.....	101,846	84,824	167,157
Total investments.....	1,100,202	1,427,023	1,078,199
U. S. Treasury bills.....	40,115	58,969	39,545
U. S. Treasury certificates of indebtedness.....	217,116	438,154	210,515
U. S. Treasury notes.....	110,572	215,905	106,244
U. S. Government bonds (including guaranteed obligations).....	645,565	645,597	637,981
Other securities.....	86,834	68,398	83,914
Reserves with Federal Reserve Bank.....	398,241	399,260	406,080
Balances with domestic banks.....	250,639	235,090	240,347
Demand deposits—adjusted*.....	1,520,016	1,431,899	1,491,356
Time deposits.....	334,256	303,542	332,040
United States Government deposits.....	34,278	357,382	46,993
Interbank deposits.....	492,092	555,810	494,287
Borrowings from Federal Reserve Bank.....	None	1,000	1,000

*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)

	April 1947	April 1946	Pctg. change over year	March 1947	Pctg. change over month
Abilene.....	\$ 27,158	\$ 22,901	+19	\$ 26,931	+ 1
Amarillo.....	71,953	54,442	+32	72,154	- 1
Austin.....	95,572	84,142	+14	98,928	- 3
Beaumont.....	72,345	55,627	+30	71,440	+ 1
Corpus Christi.....	65,772	67,564	- 3	64,207	+ 2
Corsicana.....	8,245	7,402	+11	8,815	- 6
Dallas.....	786,088	699,336	+12	753,893	+ 4
El Paso.....	96,430	79,546	+21	108,671	-11
Fort Worth.....	278,844	209,835	+33	265,969	+ 5
Galveston.....	57,697	50,697	+14	60,496	- 5
Houston.....	752,618	624,524	+21	755,418	- 1
Laredo.....	16,807	15,495	+ 8	17,314	- 3
Lubbock.....	46,905	38,599	+22	47,756	- 2
Monroe, La.....	25,310	22,472	+13	27,885	- 9
Port Arthur.....	28,993	25,855	+12	28,758	+ 1
Roswell, N. M.....	11,986	11,424	+ 5	12,015	- 1
San Angelo.....	22,928	23,929	- 4	23,086	- 1
San Antonio.....	227,911	201,146	+13	221,969	+ 3
Shreveport, La.....	104,774	86,752	+21	113,146	- 7
Texarkana.....	23,280	20,489	+14	23,203	+ 1
Tucson, Ariz.....	52,047	46,889	+11	54,316	- 4
Tyler.....	31,784	31,021	+ 2	32,733	- 3
Waco.....	45,075	37,193	+21	45,675	- 1
Wichita Falls.....	42,633	37,912	+12	42,713	- 1
Total—24 cities.....	\$2,993,155	\$2,555,192	+17	\$2,977,491	+ 1

*Includes the figures of two banks in Texarkana, Arkansas, located in the Eighth District.
†Change less than one-half of one per cent.

New Member Banks

The Boswell State Bank, Boswell, Oklahoma, was admitted to membership in the Federal Reserve System on April 28, 1947. This bank, which opened for business as a primary organization on April 14, 1947, has total capital funds of \$40,000, including capital of \$25,000, surplus of \$12,500, and undivided profits of \$2,500. Its officers are: Chas. Hassing, President; G. R. Brown, Vice President; and Vern Robertson, Cashier.

The Citizens State Bank, Ysleta, Texas, a newly organized institution, opened for business as a member of the Federal Reserve System on May 1, 1947. This bank has total capital funds of \$75,000, including capital of \$50,000, surplus of \$15,000, and undivided profits of \$10,000. Its officers are: O. T. Parker, President; Frank B. Howard, Vice President; and Forrest W. Cooper, Secretary.

New Par Bank

On May 15, 1947, the First State Bank, Premont, Texas, a newly organized nonmember bank located in the Eleventh Federal Reserve District, opened for business and was added to the Federal Reserve Par List on the same date. This bank has capital funds of \$52,500, including capital of \$35,000 and \$17,500 in surplus and undivided profits. Its officers are: C. Woodrow Laughlin, President; Frank B. Lloyd, Vice President; H. J. Mosser, Vice President; and Earl C. Gilmore, Vice President and Cashier.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Average of daily figures in thousands of dollars)

	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
April 1945.....	\$4,039,267	\$380,585	\$2,030,429	\$242,778	\$2,008,838	\$137,807
April 1946.....	5,012,062	472,155	2,520,721	300,908	2,491,341	171,247
December 1946.....	4,837,618	506,672	2,323,619	321,379	2,513,999	185,293
January 1947.....	4,786,048	510,956	2,393,445	325,735	2,493,503	185,221
February 1947.....	4,669,675	514,396	2,218,668	327,017	2,451,007	187,379
March 1947.....	4,634,452	517,295	2,225,418	326,693	2,429,034	190,602
April 1947.....	4,617,549	524,355	2,208,463	330,604	2,409,086	193,751

Gross deposits of weekly reporting banks in the district increased \$16,000,000 during the five weeks ended May 14, 1947, reflecting an expansion of \$31,000,000 in adjusted demand and time deposits which more than offset the decrease of \$15,000,000 in Government and interbank deposits. During the period, these banks added \$10,300,000 to their balances with correspondent banks but reduced their reserve balances with the Federal Reserve Bank by \$7,800,000. The net gain in available funds was utilized to increase total loans and investments by \$12,400,000.

SAVINGS DEPOSITS

Reporting Banks—Eleventh Federal Reserve District

Number reporting banks	April 30, 1947		Percentage change in savings deposits from		
	Number of savings depositors	Amount of savings deposits	April 30, 1946	March 31, 1947	
Beaumont.....	3	12,366	\$ 7,151,468	- 8.1	- 2.9
Dallas.....	8	132,888	77,575,681	+10.1	+ 0.7
El Paso.....	2	33,132	23,838,430	+ 6.2	- 0.3
Fort Worth.....	3	42,371	34,493,842	+ 8.8	+ 0.3
Galveston.....	4	26,365	20,997,822	+ 5.6	+ 0.2
Houston.....	8	105,587	70,794,628	+ 2.7	+ 0.1
Lubbock.....	2	1,093	1,627,196	-35.1	-16.5
Port Arthur.....	2	5,969	5,317,611	- 3.3	- 0.2
San Antonio.....	5	40,291	48,363,775	+ 9.9	+ 0.1
Shreveport, La.....	3	32,723	26,476,856	+ 3.2	+ 0.3
Waco.....	3	9,790	9,681,610	+ 8.9	+ 0.01
Wichita Falls.....	3	7,016	4,619,303	- 2.6	- 0.3
All other.....	56	63,228	54,072,210	+ 8.1	+ 0.4
Total.....	102	513,099	\$383,010,432	+ 6.2	+ 0.1

MEMBER BANK RESERVES AND RELATED FACTORS

Eleventh Federal Reserve District

(Millions of dollars)

	Changes in weeks ended					Cumulative changes	
	May 14, 1947	May 7, 1947	Apr. 30, 1947	Apr. 23, 1947	Apr. 16, 1947	5 weeks ended May 14, 1947	Jan. 1 to May 14, 1947
Federal Reserve Credit—							
local.....	+ 6.6	-11.6	+ 0.1	- 5.6	+ 7.4	- 3.1	- 2.5
interdistrict commercial & financial transactions.....	- 3.6	-17.4	- 7.5	-19.9	-21.3	-69.7	-305.2
Treasury operations.....	+ 9.2	+23.4	+14.8	+ 4.8	+ 3.8	+56.0	+228.4
Currency transactions.....	+ 2.5	- 2.2	+ 0.5	.....	+ 3.9	+ 4.7	+ 46.7
Other deposits at the Federal Reserve Bank.....	.....	+ 0.4	- 0.5	+ 0.3	+ 0.2	+ 0.5	.....
Other Federal Reserve Accounts.....	- 0.1	- 0.1	+ 0.6	.....	+ 0.2	+ 0.6	+ 0.5
Member bank reserve balances.....	+14.6	- 7.5	+ 8.0	-20.4	- 5.7	-11.0	- 32.1

Note: Amounts preceded by a minus sign reduce reserves; those preceded by a plus sign add to reserves.

Between April 9 and May 14, weekly reporting banks experienced a further liquidation of \$9,600,000 in loans. Commercial, industrial, and agricultural loans, which had remained generally steady between the middle of January and the early part of April, declined \$10,200,000 during the five weeks ended May 14. The decrease of \$5,300,000 in "all other" loans reflected an extension of the downward trend in evidence since mid-January. The upward trend in real estate loans continued during the five-week period, when the net expansion of \$4,200,000 brought the total of such loans on May 14 to \$61,800,000. This amount was \$22,100,000, or 56 per cent, above the total on the corresponding date in 1946. The investments of these banks increased \$22,000,000 during the five-week period, with holdings of all classes of securities sharing in the increase.

INDUSTRY

The general trend of industrial activity in the Southwest is closely paralleling that in the nation as a whole, where industrial production has remained on a high plateau 88 to 89 per cent above the 1935-1939 average, after attaining that record high level for a peacetime month in January of this year. Employment in manufacturing establishments in the Southwest has varied little since late in 1946. In Texas, it declined slightly in March of this year to 325,000 persons, as compared with 330,000 at the postwar peak last December and 294,000 at the postwar low in February 1946. The number of workers now engaged in manufacturing in the State is approximately 135,000 more than in 1940 but 118,000 fewer than at the peak of war manufacturing activity in November 1943.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

Consumption at:	April	April	March	August 1 to April 30	
	1947	1946	1947	This season	Last season
Texas mills.....		17,656	16,979		147,296
United States Mills.....	882,880	813,782	875,124	7,802,330	6,771,882
U. S. stocks—end of month:					
In consuming estab'm'ts....	2,112,346	2,387,882	2,257,524		
Public stg. & compresses....	2,506,678	7,605,701	3,354,119		

The slight decline in manufacturing employment in Texas since last December reflects primarily contraction in nondurable fields, particularly in textile manufacture and food processing. Some cutbacks in employment in establishments manufacturing furniture and finished lumber products, and in stone, clay, and glass products plants also have occurred, but employment in production of other durables has been steady. Most executives of manufacturing establishments who have been interviewed in recent weeks do not expect much change in employment in their plants during the next few months.

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to April 30 This season	Last season	August 1 to April 30 This season	Last season
Cottonseed received at mills (tons).....	565,611	618,125	2,979,171	3,081,344
Cottonseed crushed (tons).....	595,934	680,770	2,841,022	3,063,149
Cottonseed on hand April 30 (tons).....	26,931	21,554	255,855	236,543
Production of products:				
Crude oil (thousand lbs.)....	180,135	205,197	890,181	954,772
Cake and meal (tons).....	279,877	315,394	1,251,667	1,348,582
Hulls (tons).....	132,611	158,430	665,393	734,809
Linters (running bales).....	203,675	215,166	911,293	929,037
Stocks on hand April 30:				
Crude oil (thousand lbs.)....	2,094	1,320	13,130	14,505
Cake and meal (tons).....	27,309	12,467	125,477	49,982
Hulls (tons).....	12,216	5,791	45,558	41,071
Linters (running bales).....	16,908	8,173	103,311	57,164

SOURCE: United States Bureau of Census.

In the construction industry in Texas, employment expanded during the first four months of this year, rising from 78,000 in January to perhaps 91,000 in April, when a new postwar peak in construction employment was established. The rate of increase has been lower than expected, however, and further gains may be less than seasonal, since commitments for future construction have not taken the upturn which usually occurs in the spring.

Detailed information concerning nonagricultural employment in establishments other than manufacturing plants is not available on a current basis. In December 1946, such employment totaled 1,047,000 in Texas. This was near an all-time peak and exceeded the total for December 1940 by 128,000. A somewhat more than seasonal decline in this type of employment occurred in January and February of this year, the total dropping to 986,000. Since then, apparently, there has been less than the usual seasonal upturn in this segment of nonagricultural

employment in the State, for declines in transportation, retail trade, service, and medical establishments surveyed by the Texas State Employment Service have not been offset in full by gains in utilities, wholesale trade, finance, and government establishments.

Construction Activity and Construction Costs

Expectations prevailing in the fall of last year that 1947 would be characterized by a rising volume of construction, reaching perhaps the highest levels of record, have been altered by recent declines or very minor increases in the value of awards during a season of the year when substantial expansion of commitments for building normally occurs. In the United States, the value of awards for construction was only fractionally larger in April than in January, and for the first four months of the year was very little greater than during the comparable period in 1946. In the district, the value of awards declined 37 per cent from January to April, but the total was at such an unusually high level in January that, despite the subsequent decline, the total during the January-April period was 14 per cent larger than during the same period in 1946. The drop in value of awards which has occurred in the district during the spring does suggest, however, that 1947 may not be the year of intensive construction activity in the Southwest which had been expected.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

	(Thousands of dollars)				
	April 1947	April 1946	March 1947	January 1 to April 30 1947	January 1 to April 30 1946
Eleventh District—total....	\$ 44,037	\$ 68,421	\$ 58,899	\$ 231,419	\$ 203,377
Residential.....	18,088	34,946	24,915	89,295	83,289
All other.....	25,949	33,475	33,984	142,124	120,088
United States*—total.....	602,338	734,911	598,755	2,212,918	2,177,404
Residential.....	256,668	370,590	282,881	1,005,359	837,625
All other.....	345,670	364,321	313,874	1,207,559	1,339,779

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

Contractors and analysts of the construction industry generally attribute the slackening of demand to the present high cost of construction, although they also regard government limitations upon nonresidential construction, unbalanced supplies of building materials, and scarcity of skilled construction workers as hindrances to expansion of construction. The rise in costs, as compared with the prewar period and the early months following the war, has been quite pronounced. The United States Department of Labor's index of prices of building materials, which in 1939 stood at 90.5 per cent of the 1926 average, and at 118.3 in October 1945, rose to 177.5 in March 1947, indicating an increase of 97 per cent in the average cost of building materials from 1939 to the spring of this year. Prices of individual building materials have risen at widely divergent rates,

INDEXES OF WHOLESALE PRICES OF BUILDING MATERIALS

	(1926=100)							
	All building materials	Brick and tile	Cement	Lumber	Paint & paint materials	Plumbing and heating	Structural steel	Other building materials
March 1947	177.5	132.4	112.3	280.3	176.1			
Feb. 1947	174.8	132.3	109.9	263.6	173.9	117.1	127.7	141.5
Jan. 1947	169.7	132.2	108.3	249.9	171.2	117.0	127.7	139.0
Dec. 1946	157.8	130.0	106.9	227.2	155.4	114.9	120.1	131.8
Nov. 1946	145.5	129.1	107.0	192.1	151.3	107.2	120.1	125.3
Oct. 1946	134.8	127.8	106.5	178.9	110.2	107.2	120.1	122.5
1946 average	132.6	122.9	104.1	178.4	118.5	103.8	118.4	118.6
1945 average	117.8	112.4	99.4	155.1	106.9	93.4	107.3	104.4
1944 average	115.5	101.7	95.8	153.3	105.2	92.2	107.3	103.1
1943 average	111.4	99.1	92.8	141.4	102.3	90.7	107.3	102.0
1942 average	110.2	98.0	94.0	133.0	100.3	95.4	107.3	103.5
1941 average	103.2	93.7	92.0	122.5	91.4	84.8	107.3	98.3
1940 average	94.8	90.5	90.8	102.9	85.7	80.4	107.3	93.3
1939 average	90.5	91.4	91.3	93.2	82.8	79.2	107.3	90.3

SOURCE: Bureau of Labor Statistics, U. S. Department of Labor.

the average price of lumber increasing 190 per cent between 1939 and the spring of 1947, whereas the price of cement increased only 23 per cent during that period.

Increased labor costs, reflecting higher wage rates and fluctuating productivity, delays in receipt of materials, shortages which require use of expensive substitutes, and difficulties which have accompanied the procurement of labor and the initiation of new projects have also contributed significantly to rising construction costs. As the accompanying table indicates, awards

AVERAGE VALUE PER SQUARE FOOT OF CONSTRUCTION CONTRACTS

AWARDED—TEXAS

	Residential building	Nonresidential building*
January-March 1947.....	\$6.68	\$6.29
October-December 1946.....	6.45	6.53
1946.....	5.66	5.50
1945.....	4.30	6.15
1944.....	3.84	5.03
1943.....	3.66	5.09
1942.....	3.62	4.48
1941.....	3.20	4.09
1940.....	3.10	4.73
1939.....	3.26	4.72

* Includes major alterations in existing structures.

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

for construction in Texas during the first quarter of 1947 averaged \$6.68 per square foot on residential and \$6.29 per square foot on nonresidential building. These averages were not much changed from the last quarter of 1946, but were more than double the average values of 1940 in the case of residential building, and were up one-third in nonresidential construction. These figures must not be viewed, however, as a precise index of the actual increases in costs, inasmuch as the comparisons do not take into account variations in the types of construction undertaken in the different periods. They may understate somewhat the magnitude of the increase.

BUILDING PERMITS

	April 1947		Percentage change valuation from		Jan. 1 to Apr. 30, 1947		Percentage change valuation from 1946	
	No.	Valuation	Apr. 1946	Mar. 1947	No.	Valuation		
Abilene.....	131	\$ 1,252,745	+172	+376	420	\$ 1,878,838		-18
Amarillo.....	179	766,040	+ 27	+ 88	626	2,151,733		-34
Austin.....	410	2,379,470	+ 38	+ 42	1,260	6,056,775		- 7
Beaumont.....	314	368,588	+ 95	- 13	1,141	1,400,587		+10
Corpus Christi.....	395	1,079,612	+ 72	- 42	1,498	5,200,155		+44
Dallas.....	1,594	5,166,228	+ 20	+ 7	5,170	16,185,049		-25
El Paso.....	124	417,095	+ 46	- 16	491	2,350,765		+79
Fort Worth.....	697	1,766,348	- 15	- 4	2,327	7,326,925		-31
Galveston.....	136	120,775	- 17	- 38	483	753,542		-14
Houston.....	689	4,459,386	+ 6	+ 16	2,531	18,820,678		-43
Lubbock.....	187	583,555	+ 94	- 74	732	3,698,243		+81
Port Arthur.....	116	192,014	- 66	- 17	525	767,749		-17
San Antonio.....	1,101	1,617,527	- 12	- 14	4,494	7,094,901		-36
Shreveport, La.....	339	718,032	+ 40	- 26	1,222	3,578,494		-13
Waco.....	147	465,134	+ 23	- 26	515	2,217,769		+63
Wichita Falls.....	61	115,790	- 43	- 25	246	590,990		+34
Total.....	6,620	\$21,377,339	+ 20	- 2	23,681	\$80,073,193		-24

Contractors generally indicate that the rise in building costs may have been arrested, at least temporarily. The rise in prices of most building materials has slackened somewhat since March, and the prices of some materials, including lumber and paint, are reported to have weakened slightly. The price increases in materials and increases in wage rates which have occurred in the past two or three months are said to be largely or completely offset by improved productivity of labor and increasing administrative efficiency, arising primarily from more orderly flow of materials. If material prices and wage rates should stabilize, contractors indicate that a continued improvement in labor efficiency and a reduction in contractors' margins can be expected to effect minor reductions in construction costs. Meanwhile, some prospective builders apparently are delaying the letting of contracts in the expectation that costs will decline precipitously, as they did during the period of postwar readjustment in 1920 and 1921.

Rising Trends of Demand for Petroleum

Demand for petroleum products during the first four months of 1947 exceeded expectations, thus repeating the experience in 1946, when consumption rose above forecast demand by a considerable margin. During the war period, analysts of the petroleum industry generally agreed that an upward trend in consumption of petroleum products in the United States would characterize the two decades following the war. They foresaw a moderate to pronounced decline in petroleum consumption during the first postwar year, however, due to cutbacks in military demand following cessation of hostilities, and did not expect consumption to be restored to levels attained during the war until three to five years after the return of peace.

Such forecasts underestimated the resilience of the civilian economy. Although demand for petroleum products declined substantially for a brief period when the major shift from war to peacetime operations occurred, it regained war levels by the end of 1945, and during 1946 total consumption of crude oil and its products exceeded that of any prior year. Rapid mechanical conversion of industry, early return to high levels of industrial and commercial activity, intensive use of passenger automobiles, and a less drastic reduction in military consumption than anticipated have already contributed to a rise in demand for the industry's products to levels which analysts did not expect to be attained until 1949 or 1950.

Projections prepared by the Economics Committee of the Interstate Oil Compact Commission indicate a probable average demand for petroleum products of 5,700,000 barrels daily in 1947, as compared with the previous record of 5,321,000 barrels in 1946. The strong demand is being reflected in rising requirements for domestic crude oil. Production of crude oil in the United States averaged 4,918,000 barrels daily in April 1947, the highest level attained since the all-time peak in June and July 1946. Production in the Eleventh District in April was only slightly below the all-time peak, and outside the district it set a new record. Preliminary estimates for May indicate that former peak production both in the district and in the nation will be increased during the summer in order to meet rising requirements for gasoline and to accumulate adequate stocks of fuel oils to meet peak demands next winter.

UNITED STATES DEMAND AND SUPPLY FORECASTS, 1947

	(Thousands of barrels daily)				Year	Actual 1946
	First quarter	Second quarter	Third quarter	Fourth quarter		
Gasoline.....	2,015	2,380	2,420	2,255	2,267	2,138
Kerosene.....	395	240	215	350	300	268
Distillate fuel oil.....	1,110	700	610	960	845	746
Residual fuel oil.....	1,540	1,355	1,265	1,450	1,403	1,333
Other.....	790	900	960	890	885	836
Total demand.....	5,850	5,575	5,470	5,905	5,700	5,321
Crude production.....	4,780	4,950	5,000	5,000	4,932	4,749
Natural gasoline.....	345	350	355	365	355	321
Imports.....	470	430	440	440	450	370
Total supply.....	5,595	5,730	5,795	5,825	5,737	5,440
Stock change.....	-255	155	325	-80		119

SOURCE: Economics Committee, Interstate Oil Compact Commission.

The petroleum industry apparently can meet the current increase in demand without great difficulty by expanding production of crude oil in the Southwest. Many fields outside this area are operating at near their maximum efficient rates of production, and some areas in the Midwest already may have exceeded those rates; but production in the Eleventh District, which averaged approximately 2,430,000 barrels daily during May, could probably be increased to 2,865,000 barrels daily without reducing ultimate recovery from the fields.

Existing refining capacity also appears adequate to meet the immediate requirements of the economy. Operating refineries, producing at 88 per cent of capacity in March 1947, probably have an adequate margin of unused capacity to satisfy increases in demand. Moreover, government-owned refineries not now in use can be operated if the need for additional refining capacity becomes acute. Transportation of the increasing flow of crude oil may present some difficulties, however, pending completion of projected pipe-line projects, particularly in West Texas and New Mexico, where the petroleum industry must, for the time being, rely heavily upon rail facilities to transport additional quantities of oil. Moreover, shortage of storage capacity and delay in transporting products may create temporary difficulty at refineries during peak operations.

CRUDE OIL PRODUCTION—(Barrels)

	April 1947		Increase or decrease in daily average production from	
	Total production	Daily avg. production	March 1947	April 1946
District 1.....	622,400	20,747	+ 210	N.A.*
2.....	4,741,150	158,038	+ 518	N.A.
3.....	14,437,450	481,248	- 4,633	N.A.
4.....	7,260,350	242,012	+ 617	N.A.
5.....	1,142,400	38,080	- 151	N.A.
6.....	10,006,150	333,538	+19,238	N.A.
Other 6.....	3,345,000	111,500	+ 639	N.A.
7b.....	1,110,150	37,005	+ 547	N.A.
7c.....	1,036,600	36,220	+ 1,341	N.A.
8.....	14,602,850	486,762	+12,812	N.A.
9.....	4,074,550	135,818	+ 5,707	N.A.
10.....	2,546,850	84,895	+ 284	N.A.
Total Texas.....	64,975,900	2,165,863	+37,129	+148,463
New Mexico.....	3,098,400	103,280	- 1,031	+ 7,485
North Louisiana.....	2,883,550	96,118	+ 1,147	+ 10,591
Total District.....	70,957,850	2,365,261	+37,245	+166,539
Outside District.....	76,588,400	2,552,947	+32,059	+117,174
United States.....	147,546,250	4,918,208	+69,304	+283,713

SOURCE: Estimated from American Petroleum Institute weekly reports.

*Not available because of changes in report areas.

Projections of United States demand for petroleum products submitted in 1945 to the Special Senate Committee Investigating Petroleum Resources estimated a rise in daily consumption to 5,650,000 barrels by 1950 and to 7,200,000 barrels by 1970. In view of the present strong demand for about 5,700,000 barrels daily, these estimates appear conservative. Whether such a long-term upward trend of demand occurs depends upon such variable or unpredictable factors as the rate of population growth, the movement from rural areas to cities, the level of employment, the efficiency of motors, and the development of alternative sources of power. The forces which may stimulate increased consumption during coming decades seem likely to be stronger, however, than those which could contribute to a contraction of consumption. Domestic demand for motor fuel will expand as old cars are replaced and the number of commercial and private automobiles in operation is increased. Shifts from coal to oil burning equipment by industrial, commercial, and private users are expected to continue, and expanding mechanization of farms may significantly increase demand for petroleum products. Moreover, the needs of aviation seem destined to expand, and conversion of maritime commerce to more efficient oil burning equipment is likely to amplify demand.

The increase in domestic requirements will eventually be accompanied by rising consumption abroad. Extensive destruction of oil using facilities and reduction of living standards in England, Japan, and throughout much of Continental Europe and Asia may delay the upward movement of foreign demand for several years, but it has been estimated that by the middle

1960's, when United States demand for petroleum products may approach 7,000,000 barrels daily, world demand may total 12,000,000 barrels daily, or about one-third above 1946 levels.

Expansion of consumption of petroleum products to the degree forecast would require substantial investments in new transportation and refining equipment, or significant improvement in the technology of crude oil processing. It would also require far heavier withdrawals from crude oil reservoirs than during prewar decades. The adequacy of reserves of oil to meet these expanding requirements is a particularly significant question in the Southwest, where oil production and refining play highly important roles as sources of employment and income.

Despite extensive knowledge concerning the structure and location of oil bearing formations, the rate at which new reserves may be discovered in the future is open to dispute. Either shortage or abundance of crude oil may face the national and regional economies. Available information suggests, however, that intensive search for oil will be justified in view of increasing demands. If demand for petroleum products in the United States should continue at forecast levels of 5,700,000 barrels daily and domestic production of crude oil to meet requirements should run at about 5,000,000 barrels daily, as at present, it will be necessary to discover 9,375,000,000 barrels of crude oil during the next five years in order to maintain proved reserves at the January 1, 1947, level. As the accompanying table indicates, oil discoveries slightly exceeded that amount during the 1935-1939 period and fell slightly below during 1940-1944. Discoveries during 1945-1946 were at a rate slightly in excess of 2,150,000,000 barrels annually, which, if continued, would provide a small surplus over the production mentioned above. In the Eleventh District, discoveries must total 4,190,000,000 barrels during the next five years to offset withdrawals, if present rates of production continue. Although discoveries fell below that level from 1940 to 1944, increase of wildcatting to all-time peaks since the end of the war and acceleration of developmental drilling have raised discovery rates to about 1,000,000,000 barrels annually, an amount sufficient, for a while at least, to provide a comfortable margin over projected consumption.

PRODUCTION AND DISCOVERY OF CRUDE OIL

	(Thousands of barrels)		
	1935-1939	1940-1944	1945-1946
United States			
Total oil produced.....	5,855,000	7,326,000	3,439,000
Daily rate of production.....	3,206	4,012	4,711
Total oil discovered*.....	10,706,000	9,295,000	4,331,000
Net additions to proved reserves.....	4,851,000	1,970,000	892,000
Proved reserves, end of period.....	18,488,000	20,453,000	21,345,000
Eleventh District			
Total oil produced.....	2,542,000	3,142,000	1,635,000
Daily rate of production.....	1,392	1,721	2,240
Total oil discovered*.....	6,692,000	3,738,000	2,127,000
Net additions to proved reserves.....	4,150,000	596,000	492,000
Proved reserves, end of period.....	11,623,000	12,224,000	12,716,000

*Including revision of estimates.

SOURCES: American Petroleum Institute; Bureau of Mines; The Oil and Gas Journal.

Maintenance of discoveries at levels which will offset long-term production demands probably will require intensification of wildcatting and drilling and continuous extension of exploration to new formations, to greater depths, and into coastal waters, where new technical difficulties may contribute to rising costs of exploration and development. If these efforts to extend the horizons of exploration are successful, domestic production may continue to meet essential domestic requirements. Otherwise, the United States may come to rely in part upon the abundant reserves of crude oil which are being developed abroad with American skills, manpower, and capital.