

MONTHLY BUSINESS REVIEW



of the FEDERAL RESERVE BANK of Dallas

Volume 33

Dallas, Texas, January 1, 1948

Number 1

BUSINESS AND FINANCIAL TRENDS IN 1947

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A review of economic developments during 1947 and a consideration of some of the more important problems which have injected themselves so forcefully into the center of the economic scene perhaps should be prefaced by a very brief reference to the level of economic activity at the end of 1946.

In the closing months of that year industrial production and employment in most lines of activity throughout the nation continued to be maintained at record peacetime levels. Department store sales, reflecting largely increased prices but also some expansion in the volume of goods, were larger in dollar amount than could be accounted for by the normal seasonal factors. Consumer expenditures, especially for nondurable goods, had mounted to record levels, while expenditures on construction projects and for capital equipment and expansion purposes continued at or near peak levels. Prices of industrial commodities reflected a substantial advance which was continued during the last months of the year, while, on the other hand, prices of a number of farm products and foods showed declining tendencies from peaks reached earlier in the fall.

Yet, despite those evidences of apparent prosperity, an atmosphere of uncertainty pervaded the business system at the end of 1946, for some important danger signals were becoming clearly evident. The danger of the development of an unhealthy inventory situation at different levels of distribution was a source of considerable concern and was beginning to be recognized by business leaders and others. The effect of price pressures seemed to be more apparent as buyers became more selective in their purchases and as the rate of savings declined and some groups began to draw upon their liquid assets. Maladjustments in the economic system which had not been corrected during the preceding postwar months seemed to be bearing more heavily upon the flow of goods and purchasing power, despite the high level of business activity and incomes. In fact, the vast majority of forecasts and predictions of things to come pointed toward some degree of depression or recession, generally timed to occur during the second or third quarter of 1947. It has been stated, perhaps with much truth, that never had an anticipated change in the course of business activity been so widely advertised and universally expected.

During the first five or six months of 1947, a very mixed business situation developed, providing some basis for those who held to the belief that a change in the trend of business was imminent and, at the same time, providing the basis for a small but gradually increasing school of thought which held a counter view. Perhaps it is not inaccurate to say that during the first five or six months of the year there occurred a leveling off of the boom which had been gaining strength for so long, but that a series of new developments, changes in attitudes, and the persistent revival of strong inflationary forces combined to prevent the business curve from breaking downward at that time.

A very large increase, beginning early in the year, in the nation's exports of agricultural products, raw materials, and semi-processed and processed goods imposed additional heavy requirements upon an already strong domestic demand. Varied effects ensued from this increased export volume. In such basic industries as steel, coal, and agriculture the effects of the export boom were felt immediately and directly and were reflected in a further tightening of an already short supply of basic raw materials and processed goods and numerous important agricultural products. Scarcely less important, however, the effects quickly permeated from these basic industries to other industries, including manufacturers of automobiles, electrical equipment, farm equipment, numerous durable goods industries, and the transportation system, which was sorely hampered by a shortage of freight cars. In fact, it was not long before the influences of the abnormally large volume of exports were extended to many other industries, large and small, which are dependent for their raw materials upon the products and materials of the nation's basic industries.

These developments in the field of foreign trade, which tended to exert continued upward pressures upon the demand side of the supply-demand equation, gave support to important segments of the price structure and contributed to the reversal of a softening price trend which at the time seemed to be in its early stages. Although the nation's net export balance reached its peak in May and then declined moderately, partial recovery during the last half of the year, despite fears of dollar shortages and other limiting factors, resulted in continued strong support for the price structure. The agricultural price structure also was influenced by a somewhat disappointing corn crop, when considered in the light of prevailing demand, and as a consequence prices of feed grains, meats, and dairy products strengthened substantially.

During this period the numerous predictions of some degree of recession were not wholly without desirable effect upon businessmen. Such forecasts seemed to introduce a strong element of caution in business practices, particularly with respect to inventory accumulation, thus tending to prevent further aggravation of a situation that had become somewhat unbalanced and, in fact, resulting in a corrective movement to some extent. Orders and advance commitments tended to decline, while special efforts were made to move excess inventories to avoid the danger of an unsound accumulation. This trend appeared particularly at the wholesale and retail levels of distribution, although manufacturers also made some progress in obtaining a better balanced inventory situation. Accompanying this change of attitude on the part of businessmen, a tendency toward more cautious and particularly selective purchasing developed among consumers during the early months of the year. The combination of these forces tended to dampen demand somewhat, especially in various soft goods lines. In fact, for a few months there were scattered areas within the economic system which reflected some degree of recession, but their over-all effect upon the business situation was not marked enough to bring about more than a temporary leveling off of total business activity.

As the months passed and buyers observed the resistance in the economic system to price declines and as they recognized the continuation of underlying inflationary forces, attitudes of consumers and businessmen seemed to undergo a significant change. Gradually consumers began to come into the market again and exerted a strengthened demand for a wide variety of goods, while businessmen, fearing shortages and a revival of price increases, began to restock inventories more actively. Moreover, in other fields of activity, such as construction and capital goods and equipment, a substantial upturn occurred. Individuals who had postponed purchasing homes and building new homes in anticipation of a declining market reversed their thinking apparently and came into the market to take advantage of existing prices rather than run the risk of purchasing or building under an even more adverse price situation. Business and industry, suffering in many instances from a shortage of needed equipment or laboring under the difficulties of operating with semi-obsolete or deteriorated equipment, likewise entered actively into the capital goods market. Governmental bodies began to undertake more actively various types of public works projects which had been long delayed, and many industrial organizations and other types of business enterprises placed projected plant expansion plans into effect.

At times during the year, developments occurred which had the effect of increasing production costs. The substantial wage increase in the coal industry resulted not only in higher prices for coal but extended its influence immediately to some of the heavy industries which are large users of that fuel, leading to price increases for the products of those industries, which, in turn, contributed to price increases for the products of many other industries dependent, directly or indirectly, on such basic materials. Again, freight rate increases granted to railroads reacted upon the cost structure of many industries in a similar manner, adding their force to the pressures for higher prices. These developments emphasize clearly the interdependence of the different segments of our economic system and reflect how cost increases in industries at the basis of the system permeate rather quickly upward through virtually all levels of industrial and business activity.

On the purchasing power side of the picture, a substantial expansion of bank credit, continuation of the growth of consumer credit, scattered instances of wage increases, and the payment of the Armed Forces Leave Bonds in September provided additional funds which contributed toward maintaining a very high demand for a relatively short volume of goods and services.

The cumulative effect of these developments, most of which occurred during the first three-quarters of the year, resulted in bringing about a very high average rate of business activity for the full year 1947. Virtually all of the major indexes of economic activity rose to peacetime record levels during the year, while some indexes and business measurements even exceeded the high levels reached during the war years.

The largest civilian labor force in the nation's history has been engaged at full employment, yet a strong demand for labor of most types persists. Income payments to individuals during the latest period for which figures are available have been running at an annual rate of approximately \$200,000,000,000. Moreover, despite high taxes and the pressure of inflated prices upon incomes, the purchasing power or real income of most individuals has been favorable in terms of prewar relationships. Expenditures for goods and services as measured by the gross national product, which reflects the dollar value of all goods and services produced in the nation, reached an all-time peak in the third quarter of the year at a level on an annual basis approximating \$235,000,000,000. A substantial part of the increase in incomes and in the dollar volume of goods and services consumed reflects the degree of price inflation which exists in the business system. Nevertheless, the physical volume of goods produced, as indicated by the Industrial Production Index of the Board of Governors of the Federal Reserve System, has been running at or near peacetime record levels.

Although the picture of business activity at the year end was one of high prosperity, it is generally recognized that the business situation in some respects is vulnerable, because there are still inherent within it numerous factors of instability, strain, and uncertainty. In a sense, a secondary inflationary boom has been built upon the very high level of business activity that followed the stabilizing tendencies which were cut off in their incipient stages during the first half of 1947.

Two and a half years have passed since the end of the war without significant progress toward a state of better balance in the price structure. Full employment of the civilian labor force has been achieved, but not without strains which presage instability. Perhaps that is a characteristic of an economy operating on the basis of full employment. It may be that in order to maintain our economic system at a point of full employment it is necessary to permit expansive forces to take dominance yet, at the same time, maintain such controls in one way or another as to prevent a "break-through" of those forces. Recently, the inflationary impact on buying power has become more apparent as the rate of savings has declined, the use of credit has increased, and many consumers, especially in the lower and low-middle income groups, have found it necessary to draw upon their past savings in order to support their standard of living at prevailing prices.

In brief, by the end of 1947 it had again become very evident that inflationary forces had gained the ascendancy, and the public, business leaders, government officials, and others were brought face to face with the serious consequences of a strong inflationary movement. With the recognition of the seriousness of this situation, there has been much discussion of ways and means of controlling inflation. The problem of inflation control has become the dominant domestic economic problem confronting the country's leaders at this time. Obviously, a problem so complex will induce a variety of suggested remedies and means of control for its solution. In fact, it is desirable that all possible means of meeting the situation be argued out to the fullest extent necessary so that a sound solution on an economic basis may be achieved. In the course of that discussion, however, it is important that the approach to the problem continually be kept in terms of the basic cause of the existing inflationary pressures.

During the past several years, principally as a result of war financing, a tremendous fund of purchasing power was accumulated which, with additional amounts of private credit created during the postwar period, largely remains in the economic system in the form of bank deposits, currency, and other liquid assets. It is this swollen fund of money and money equivalent which has provided the basic cause of the existing inflationary pressures. The total volume of effective purchasing power, which represents in large measure the effective demand for goods and services, has been substantially greater than could be absorbed by the available supply of goods and services flowing from the nation's productive machine. Notwithstanding the remarkable ease and speed with which the nation converted its productive system from production for war purposes to civilian production, the supply of goods and services continued to be inadequate to meet the demand reflected by an abnormally large and, in fact, increasing volume of purchasing power. As long as the volume of money or its equivalent in the hands of consumers, businessmen, and others is large relative to the supply of goods and services which that purchasing power can demand, strong upward price pressures will persist. In fact, it is generally recognized that the basic cause of an inflationary development is an excessive increase in the stream of money or its equivalent. This would suggest that the approach to the current problem of inflation should be through those avenues which offer promise of preventing a further increase in purchasing power; which encourage saving to check to some extent the utilization of existing purchasing power as a factor of demand for goods and services; and which increase the productive output of our economic system.

Of course, inflation characteristically feeds upon itself, as witness the effects of the so-called wage-price spiral and the question as to whether wage increases are an effect of inflation or a cause of inflation. The same question has been raised with regard to the expansion of bank credit—is expanding bank credit an effect of inflation or a cause of inflation? Discussion of these problems sometimes may take on the character of the “chicken-or-the-egg” argument. It may be admitted that wage increases or, perhaps, an expanding volume of bank credit are, in the first instance, an effect and outcome of an inflated situation, but it is also true that the use of the increased wage or the additional bank credit may stimulate further price increases and thus become also a cause of additional inflation.

Obviously, during a period of high prices it requires more purchasing power in the hands of individuals and businesses to transact their essential business operations, but it is also true that during such periods when the supply of goods and services is relatively tight additions to purchasing power may tend to have the effect of stimulating competitive bidding for a scarce supply of materials or services without bringing about a compensating increase in the volume of production.

It is frequently stated, and correctly so, that the current inflationary situation would be relieved by an increase in the production of goods and services. That is not to be denied, but it is questionable whether a significant increase in the volume of goods and services can be produced in the short run. On the one hand, the nation's labor force is fully employed, its productive plant and equipment is operating at a high level of capacity, and the supply of raw materials and essential basic products is restricted when measured in terms of effective demand. On the other hand, however, it is generally

recognized that productivity of labor, capital, and management has not reached maximum levels of efficiency and, furthermore, it is probable that the short work week, under conditions such as now prevail, tends to contribute to a relatively high cost structure. Under such circumstances, changes in the efficiency of production occur slowly; moreover, it is improbable that production costs will be lowered significantly, at least as long as the inflationary pressures prevail. Therefore, although one of our primary objectives should be to improve the productivity of our industrial system and to increase our production of goods and services, in the meantime it is necessary to prevent further aggravation of the situation by holding in check unwarranted increases in purchasing power and by restraining demand to such an extent as to bring the supply-demand equation into better balance. An improvement in productive processes surely will occur, but it will develop with comparative slowness. While it is developing, checks and restraints should be maintained to restrict practices and developments which tend to increase purchasing power either of individuals or of businesses.

Among the most important developments during 1947 of an anti-inflationary character were a continuation of the policy of Government debt retirement and the change in policy regarding Treasury bills, which gradually extended its influence to the rates on Treasury certificates of indebtedness and ultimately to the market yields on Government bonds and to private credit rates.

Substantial debt retirement during the first half of the year out of accumulated Treasury deposits and then later out of budgetary surpluses provided the most effective single means of reducing purchasing power, as Government securities held by the commercial banks and the Federal Reserve banks were retired in large volume with funds obtained from individuals and businesses. In addition, these fiscal and credit policies combined to exert moderate pressure upon the reserves of the banking system and probably, despite the increase in commercial bank credit, exerted some restraining influence during the late part of the year by introducing an element of uncertainty into the credit situation.

Elimination of the posted $\frac{3}{8}$ percent rate on Treasury bills in July was followed by successive weekly increases in the average accepted rate for new offerings of bills, with the rate rising steadily to approximately .95 percent by mid-December. During the same period the rate on Treasury certificates of indebtedness was increased by a series of steps from $\frac{7}{8}$ percent to $1\frac{1}{8}$ percent for the current January 1 issue. This firming of short-term rates on Government securities extended its influence to the field of private credit rates, with commercial banks in the large financial centers rather promptly adjusting their short-term rates to bring them in line with the rates on these two types of short-term Government securities. In general, although the effect of these policies of money management has been, as was expected, moderate and orderly in its development, there has been a tendency toward slightly higher rates of interest.

In view of the general acceptance of the policy of debt retirement out of budgetary surpluses during periods of high and profitable business activity, it is probable that this practice will continue to be one of the principal anti-inflationary forces as long as a high level of business provides tax incomes to the Federal Government substantially in excess of its necessary expenditures. Acceptance of such a policy is especially important during periods of inflation.

A review of developments in the Southwest during the past year reveals that the forces which conspired to bring about a high level of business activity in the country as a whole extended their influences very generously into this area. Agricultural production and the production of petroleum and petroleum products, which together are the source of approximately 40 percent of the district's income, enjoyed very favorable conditions throughout the year. Industrial activity reached new peacetime peaks, while retail sales also were rising to record levels.

Probably outstanding developments in agriculture in this district during 1947 were the record winter wheat crop harvested and the large cotton crop which, although substantially short of record production, exceeded production in 1946 by more than two million bales and approximated the 1936-1945 average for the five states which lie wholly or in part in the Eleventh Federal Reserve District.

Rice and citrus crops also set new production records, while, on the other hand, the production of feed grains was substantially lower than in 1946. Cattle, calves, and hogs were marketed in much larger volume during 1947 than during the preceding year, while the movement of sheep was somewhat smaller. As a result of the very large volume of agricultural production of the states in this district and the favorable price situation which prevailed during the marketing seasons, cash farm income in the five southwestern states rose to an all-time high of more than \$3,000,000,000, a total some 25 percent above the figure for 1946.

The large domestic and foreign demand for petroleum and its products stimulated the production of crude oil in this district to the highest level of record, a point about 75 percent above the 1939 rate. Refining operations at the war-enlarged refineries of the district were carried on throughout the year virtually at capacity. Expansion programs were pushed in the oil industry to increase production of crude oil and to enlarge refining and transportation facilities. Also, developmental drilling approached record levels, while exploratory drilling rose to new peaks. Average crude oil prices rose substantially during 1947, increasing from an average price of \$1.42 per barrel in 1946 to \$2.11 per barrel in October 1947, and then late in the year to approximately \$2.60 per barrel. As in the case of agricultural production, the abnormally large volume of petroleum and petroleum products, produced and moved at high prevailing prices, resulted in a very substantial increase in that industry's contribution to the income of this district.

Other industrial progress in the district during 1947 was reflected in the construction industry, with awards totaling about \$650,000,000 and substantially exceeding the value of awards for any prior year except 1942. The increase in awards was not confined to restricted categories of construction, although it was accounted for principally by greater awards for public works, utilities, and institutional building. Probably more commercial buildings and residential units were constructed in the district than in any previous year. Employment showed very pronounced gains in the apparel, iron and steel, and food products industries, and in chemical plants, with moderate expansion occurring in most other categories of manufacturing. Significant gains in employment in transportation, public utilities, contract construction, and financial and service establishments also contributed to bring the level of nonagricultural employment 10 percent above that of 1946 and 20 percent above 1939.

Further reflecting the increased business activity in the district stimulated so greatly by the favorable agricultural and industrial situation, department store sales showed a cumulated increase of about 6 percent over 1946, as total retail sales reached record levels. Some of the most significant sales gains during 1947 over the preceding year were reported by food stores, automobile dealers and service stations, household appliance stores, and building supply firms.

The high level of activity in all of the important segments of the district's economy during 1947 is reflected by significant increases in the important banking items. Total assets of the member banks in the Eleventh Federal Reserve District are estimated to have risen by more than \$465,000,000 during the year as total loans expanded by approximately \$220,000,000 and total investments increased somewhat more than \$130,000,000. Demand deposits of all member banks in the district increased by more than \$350,000,000, while time deposits rose by about \$80,000,000. The increase in deposits and the expansion of the loan portfolios of the district's financial institutions clearly reflect the high level of business activity which was maintained in this district throughout the year.

The capital accounts of the district's member banks are estimated to have increased by almost \$30,000,000. This increase in member bank capital reflects the favorable earnings position of the banks and the conservative dividend policies which have been followed; in addition, some new capital has been obtained through the sale of stock. The net effect of these capital developments has been to strengthen further the position of the member banks of this district to meet the necessary financial requirements of business, industry, and agriculture in the area.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

The influence of pre-Christmas shopping was reflected in sharply increased dollar volume of sales at department, apparel, furniture, and jewelry stores throughout November and early December. Credit sales showed a tendency to rise more rapidly than cash transactions, particularly at furniture stores, where gains in instalment buying more than offset a substantial decline in the volume of cash sales.

Rains beginning at mid-November and recurring at intervals during the closing weeks of 1947 brought belated improvement in range and winter wheat prospects to extensive droughty areas in the western part of the district and accelerated the growth of winter pastures and commercial vegetable crops in other sections. Though interrupted somewhat by the rains, harvesting of most field crops was completed by early December, and the gathering of late cotton in the High Plains neared completion as the month ended. Marketing of vegetables from the Winter Garden, Coastal Bend, and Valley areas proceeded at near normal rates, but shipments of the record crop of Texas citrus fruits lagged considerably as compared with those of a year ago.

The petroleum and construction industries within the district, under pressure of unusually heavy demands for their output, faced a winter of near capacity operations. Other major industries responded to expanding demands for their products by intensifying their activities during the closing months of 1947 although shortages of iron and steel restricted the output of some manufacturers.

BUSINESS

Stimulated by an early rush of pre-Christmas shopping, dollar volume of sales in department stores of this district moved up sharply during November, registering gains of 12 percent over the same month in 1946 and of 14 percent over October. The year-to-year gain was the greatest since January 1947, and the increase from the previous month was the third largest for the year, exceeded only in March and September. With the exception of one locality, reporting stores in all sections of the district shared in the total increase, the highest gains being achieved in Houston and Shreveport. Among the stores showing the breakdown of sales between cash and credit, cash sales constituted 37 percent of total sales, compared with 36 percent in the previous month and 43 percent in November 1946. The cumulated increase in sales from January through November over the same months of 1946 rose to a little more than five percent. Reported sales during the first two weeks of December indicated a slight slowing down from the November level in the rate of gain over corresponding weeks a year ago.

Among retail furniture stores of the district total sales in November exceeded those of the corresponding month in 1946 by 16 percent and those of the previous month by 12 percent. Cash sales, however, were down 18 percent and two percent, respectively, from the comparable earlier periods, while instalment sales showed more than compensating increases of 23 percent and 15 percent. Credit sales constituted 84 percent of total sales in November, compared with 78 percent a year ago and 82 percent in the previous month.

At department stores the ratio of November collections to receivables was 53 percent on charge accounts and 30 percent on instalments, compared with 59 percent and 33 percent, respectively, in November 1946, preceding the first easing of the credit restrictions of Regulation W. Among reporting furniture stores receivables increased 41 percent over November a

year ago, while collections rose negligibly. Compared with October, receivables were up nine percent and collections were off three percent.

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in			Stocks †	
		Net sales	Net sales	Percentage change in	November 1947	October 1947
		November 1946	October 1947	Nov. 30, 1947 from 1946	November 1946	October 1947
Retail trade:						
Department stores:						
Total 11th Dist.....	48	12	14	5	8	5
Dallas.....	7	5	9	†	-5	3
Corpus Christi.....	4	-2	10	3	8	6
Fort Worth.....	4	9	7	6	21	6
Houston.....	7	28	26	9	25	4
San Antonio.....	5	9	16	4	2	8
Shreveport La.....	3	20	7	8	..	..
Other cities.....	18	10	12	13	12	4
Retail furniture:						
Total 11th Dist.....	44	16	12	..	11	2
Dallas.....	4	11	22	..	-8	7
Houston.....	3	44	7	..	..	..
Port Arthur.....	3	36	11	..	..	..
San Antonio.....	4	11	21	..	..	..
Wholesale trade*:						
Machinery eqpt & supplies.....	3	26	33	..	..	..
Automotive supplies.....	5	-6	-7	..	42	7
Drugs.....	5	1	-14	..	-4	-4
Groceries.....	27	-†	-13	14	17	4
Hardware.....	9	16	-6	18	32	2
Tobacco & products.....	7	-14	-17	..	10	6

*Compiled by United States Bureau of Census. (Wholesale trade figures preliminary.)
 †Stocks at end of month. ‡Change less than one-half of one per cent.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales—(1935-1939=100)							
	Unadjusted*			Adjusted				
	Nov. 1947	October 1947	Sept. 1947	Nov. 1946	Nov. 1947	October 1947	Sept. 1947	Nov. 1946
District.....	507	396	387	435r	415	360	368	357r
Dallas.....	467	382	389	427r	386	347	351	353r
Houston.....	595	419	388	446r	491	381	361	368r

	Stocks—(1935-1939=100)							
	Unadjusted*			Adjusted				
	Nov. 1947	October 1947	Sept. 1947	Nov. 1946	Nov. 1947	October 1947	Sept. 1947	Nov. 1946
District.....	382	346r	319	324	357	306	285	303

*Unadjusted for seasonal variation. r-Revised.

Reflecting the rapid turnover of holiday and staple merchandise, as well as a somewhat restrained inventory policy on the part of many retailers, merchandise stocks at the end of November in both department and furniture stores showed increases over the corresponding month in 1946 of about 10 percent, most of which probably could be accounted for by price increases during the year. Percentages of increase in inventories over the preceding month were still smaller—five percent for department stores and almost negligible at furniture stores. Orders outstanding at department stores totaled slightly less than at the same time a year ago but were up seven percent from October.

AGRICULTURE

The weather that prevailed throughout the Eleventh Federal Reserve District during November and the first part of December was, with certain exceptions, generally favorable for harvesting operations and field work. There was some damage to vegetables in the commercial garden areas of Texas, due to low temperatures. Harvesting of vegetables in the south and of cotton in the northwest parts of the State was interrupted by occasional rains. Small grain prospects continued to improve, and fall and winter vegetables made good progress. Feed and pasture prospects also showed improvement, but ranges and grains at mid-December were furnishing only limited grazing. Condition of livestock was considerably below normal for this

season of the year. With few exceptions, farm commodity prices continued to rise during November and early December. The December 1 estimates of the year's cotton production for both the United States and the states of the Eleventh Federal Reserve District, with the exception of Louisiana, were above the estimates of a month earlier. Cotton production in the five states in 1947 was about 84 percent above that of 1946 and slightly above average.

The December 1 cotton report of the United States Department of Agriculture estimated the United States crop for 1947 at 11,694,000 bales, or 189,000 bales above the November 1 forecast. Increases in expected production in California and Texas accounted for most of the upturn. This latest estimate of the 1947 crop is more than three million bales larger than the small production of 1946, but about 700 thousand bales below the 10-year (1936-45) average. The 1947 yield in the United States, estimated at 265.4 pounds per acre, is about 13 percent above that of 1946 and about six percent above average. The Bureau of the Census reports that 10,056,347 bales of the 1947 crop were ginned prior to December 1, representing 86 percent of the estimated total crop, compared with 85 percent of the crop ginned by the same date in 1946. No estimate of cottonseed production will be made until final ginnings for the season are released. However, if the ratio of lint to cottonseed is the same in 1947 as the average for the preceding five years, production would be about 4,744,000 tons, compared with 3,513,000 tons in 1946 and the 10-year average of 5,143,000 tons.

The estimate of the Texas cotton crop for 1947 was revised upward 110,000 bales on December 1 to 3,360,000 bales. This estimate, which is approximately double the 1946 crop, indicates the greatest production for any year since 1937. Yield per acre in 1947, now estimated at 195 pounds, is 27 pounds above the 1936-45 average and only two pounds below the yield harvested in 1937. Cotton acreage in cultivation on July 1 was estimated at 8,365,000 acres, compared with 6,283,000 acres in 1946. Abandonment of acreage in 1947 was 1.1 percent, or about normal. Practically all of the increase over the indicated production of a month ago occurred in the High Plains, where generally better yields were being harvested than were expected earlier. A record crop was produced in the South High Plains, due to a combination of record acreage and good yields. Production estimates for other areas of the State on December 1 were not greatly different from earlier forecasts. An unusually dry growing season, resulting in relatively light insect damage in all areas, and excellent early supplies of moisture

the 1946 crop. The Oklahoma crop, placed at 325,000 bales, likewise is below average but about 24 percent larger than the previous crop. The New Mexico and Arizona cotton crops, estimated at 160,000 and 220,000 bales, respectively, are the largest in these states since 1937.

During the latter half of November and the first part of December, conditions in most of the commercial truck areas were generally favorable for the harvesting of fall crops and the growth of fall and winter vegetables. General rains interrupted harvest of beans, peppers, and tomatoes, but the improved moisture conditions and mild temperatures were very beneficial to winter vegetables, especially in those sections where tender crops had been damaged by cold early in November. Because of drought conditions during the planting season, growing crops in the nonirrigated Coastal Bend and Raymondville districts at the beginning of December were limited in acreage and variety. Field work was resumed after the mid-November rains, but it was doubtful that a very large crop of winter vegetables would be planted in these districts.

Citrus trees are in excellent condition, and beneficial rains and more favorable temperatures since mid-November have hastened maturity and improved the quality of the fruit. Production of grapefruit in Texas was estimated on December 1 at 24,000,000 boxes, or equal to the record crop produced in 1945. A new record orange crop of 5,800,000 boxes was forecast for the State. The United States grapefruit crop was estimated at 62,270,000 boxes, and the orange crop at 108,260,000 boxes. Harvesting and marketing of citrus in Texas, however, continue to lag behind last season, due to lateness of the crop and unfavorable prices. Shipments of Texas grapefruit prior to December 15 fell 32 percent below those for the same period in 1946, while orange shipments were down 41 percent. Prices received by farmers for citrus in November 1947 averaged about 20 percent below those of the same month of the preceding year, and spot market quotations indicate that further declines in prices occurred during the first half of December.

Rains fell over the range and pasture areas of the district during November and December, ending the drought that had prevailed since midsummer in the western part of the district. The rains came too late, however, to improve range conditions materially in the former droughty areas. The condition of ranges in Texas on December 1 was slightly above that of a month earlier, but was about nine percent below normal for the season of year. Cattle and sheep continued to lose flesh during November despite heavy supplemental feeding, and on December 1, the condition of cattle was five percent below average and that of sheep eight percent below average for that date.

The cattle feeding situation on the first of December supported earlier indications of a reduction in the number of cattle to be fed for market this winter. During November the movement of feeder cattle into several important cattle feeding states of the Corn Belt was much smaller than in November 1946. The drought-breaking rains in the wheat-pasture area of central and western Kansas, Oklahoma, and the Texas Panhandle are not expected to cause any large increase in the numbers of cattle and sheep moving into those areas for grazing, since the wheat sprouted from this moisture will generally have too little growth to sustain much winter grazing. However, prospects for spring grazing in these areas have been improved. It was estimated by the Bureau of Agricultural Economics that the number of lambs on feed in the United States will be the lowest since 1929, due to heavy slaughter and to shortages of grain pastures. Lamb feeding on wheat pastures in western Oklahoma and the Texas Panhandle remains negligible.

TEXAS—COTTON PRODUCTION BY CROP REPORTING DISTRICTS

(Thousands of 500-pound gross weight bales)

	December 1, 1947 forecast	1946	10-year average 1936-1945
1-N. North High Plains.....	90	35	55
1-S. South High Plains.....	940	198	402
2. Permian Plains.....	450	270	539
3. North Central.....	15	14	51
4. Northern Texas Prairies.....	815	482	816
5. East Texas.....	175	96	383
6. Trans-Pecos.....	125	99	74
7. Edwards Plateau.....	30	15	52
8. Southern Texas Prairies.....	310	185	327
9. Coastal Prairies.....	125	46	133
10. South Texas.....	285	229	129
Total.....	3,360	1,669	3,021

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

were important factors contributing to the large cotton production in the State in 1947. Ginnings of cotton in Texas prior to December 1 totaled 2,823,000 bales, or 84 percent of the estimated 1947 crop, compared with 1,495,000 bales, or 90 percent of the crop, ginned during the same period in 1946. The 1947 cotton crop in Louisiana was estimated on December 1 at 505,000 bales, which is below average but more than double

Total receipts of livestock at the Fort Worth and San Antonio markets during November were 16 percent below those of October. This was more than a seasonal decline, resulting largely from a sharp reduction in marketing of livestock after the rains that fell at midmonth. Due partly to the same cause and partly to the fact that marketings were unusually heavy in November 1946 after discontinuance of price controls, receipts for the month were eight per cent less than for the same month of the previous year.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	Nov. 1947	Nov. 1946	October 1947	Nov. 1947	Nov. 1946	October 1947
Cattle.....	81,671	85,691	100,169	41,934	44,865	52,201
Calves.....	60,153	78,054	68,257	35,691	34,913	40,549
Hogs.....	65,911	85,862	40,347	7,184	7,397	6,115
Sheep.....	89,458	78,172	135,918	32,256	36,852	51,801

COMPARATIVE TOP LIVESTOCK PRICES

	(Dollars per hundred weight)					
	Fort Worth			San Antonio		
	Nov. 1947	Nov. 1946	October 1947	Nov. 1947	Nov. 1946	October 1947
Beef steers.....	\$31.00	\$25.00	\$27.00	25.00	\$20.00	\$24.50
Stocker steers.....	22.00	17.00	22.50	.....	.....	.....
Heifers and yearlings.....	26.00	25.50	27.00	25.00	18.00	24.25
Butcher cows.....	18.25	16.00	17.50	17.00	15.00	17.00
Calves.....	24.00	17.00	22.50	22.00	16.00	20.50
Hogs.....	26.50	26.00	29.75	25.75	25.00	28.50
Lambs.....	23.50	22.00	22.50	21.00	19.50	20.00

The November 15 price report of the United States Department of Agriculture showed that prices received by Texas farmers for most products had undergone varied changes since mid-October. Sharp declines were registered in prices of hogs, cattle, sweet potatoes, and citrus, but there were further increases in the price of grains, hay, cotton, peanuts, sheep and lambs, turkeys, eggs, and dairy products. The average price of rice reached \$3.00 per bushel, the highest since 1919. Oats set a new record at \$1.12 per bushel, and wheat prices, averaging \$2.70 per bushel, were only one cent under the record set in May 1917. Cotton prices rose a fraction of a cent per pound, averaging 30.6 cents for the month ending November 15, compared with the United States parity price of 30.01 cents per pound.

Reports from spot commodity markets indicate that from November 15 to mid-December the prices of all grains rose, except wheat, which remained steady. Cotton prices rose substantially during the period, while prices received for livestock made moderate to sharp gains.

FINANCE

Changes in principal banking items of the weekly reporting member banks in the Eleventh District during the four weeks ended December 10 included a slowing down in the rate of loan expansion and actual declines in total deposits and total investments.

Total loans of the weekly reporting member banks in this district rose to \$1,009,312,000, but it is notable that the increase during this latest four-week period was only \$35,479,000, as compared with \$79,066,000 for the preceding five-week period which ended November 12. An increase of \$33,302,000 in commercial, industrial, and agricultural loans indicated a continued need for banking funds to finance seasonally heavy inventories and the distribution of an unusually large volume of agricultural products moving to market. It is significant, however, that the expansion in this category of loans was substantially less than in the preceding five-week period. In fact, the decline in the rate of total loan expansion was accounted for

very largely by the fact that commercial, industrial, and agricultural loans during the latest four-week period increased by \$33,302,000, as contrasted with an increase of \$70,402,000 in the preceding five-week period.

Loans in the "all other" category increased \$6,671,000, marking the fourth consecutive advance in this type of loans and reflecting at least in part a continued rise in the amount of consumer credit outstanding. Real-estate loans during the four weeks ended December 10 recorded an increase of \$1,370,000, in contrast to the slight decrease of \$756,000 which occurred during the preceding five-week period. This latest development with respect to real-estate loans reflects a resumption of the upward trend which has prevailed during most of the year. In contrast with the expansion of the different types of loans mentioned above, security loans of the weekly reporting member banks experienced a rather substantial decline of \$5,896,000, a movement which was counter to the trend of the past few months.

On December 10, total investments of the weekly reporting member banks were \$1,297,769,000, or \$2,765,000 less than on November 12. Principal changes in the Government security holdings of these banks included a decline in holdings of Treasury certificates and Government bonds amounting to \$18,777,000 and \$4,680,000, respectively, during this latest four-week period, while their investments in Treasury notes and Treasury bills increased by \$17,020,000 and \$4,331,000, respectively. The increase in holdings of Treasury bills reflected a continuation of the trend which began about two months ago and may indicate greater receptiveness to these issues by the member banks as a result of the gradually but steadily rising short-term rate. Holding of all other stocks and bonds, after rising steadily for the past few months, experienced a decline of \$659,000, thus further contributing to the over-all decline in the investment portfolios of the weekly reporting member banks.

For several months total deposits of the weekly reporting member banks have reflected significant increases, but during this latest four-week period ended December 10 a decline of \$29,853,000 was reported in this item, bringing the total to \$2,948,281,000. Demand deposits, on the other hand, increased \$24,260,000, while time deposits, which reflected a decrease of \$2,778,000 for the five-week period ended November 12, also experienced a slight increase amounting to \$1,043,000 during the four weeks ended December 10. These gains in demand and time deposits, however, were much more than offset by decreases of \$47,245,000 in interbank deposits and of \$7,911,000 in Government deposits, which accounted for the decline in total deposits referred to at the beginning of this paragraph.

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

(Thousands of dollars)

	Dec. 10, 1947	Dec. 11, 1946	Nov. 12, 1947
Total loans and investments.....	\$2,307,081	\$2,198,805	\$2,274,367
Total loans.....	1,009,312	839,981	973,833
Commercial, industrial, and agricultural loans.....	707,348	541,018	674,046
Loans to brokers and dealers in securities.....	6,887	11,415	7,355
Other loans for purchasing or carrying securities.....	67,172	96,038	72,600
Real estate loans.....	76,156	57,619	74,786
Loans to banks.....	193	1,117	161
All other loans.....	151,556	132,774	144,885
Total investments.....	1,297,769	1,358,824	1,300,534
U. S. Treasury bills.....	40,884	48,468	36,553
U. S. Treasury certificates of indebtedness.....	172,458	282,995	191,235
U. S. Treasury notes.....	127,286	178,283	110,286
U. S. Government bonds (inc. gtd. obl.).....	845,680	768,287	850,360
Other securities.....	111,461	80,791	112,120
Reserves with Federal Reserve Bank.....	507,180	459,602	499,820
Balances with domestic banks.....	267,184	257,728	325,135
Demand deposits—adjusted*.....	1,875,223	1,721,670	1,850,963
Time deposits.....	376,449	359,838	375,406
United States Government deposits.....	20,144	104,320	28,055
Interbank deposits.....	676,465	615,095	723,710
Borrowings from Federal Reserve Bank.....	12,500	1,500	1,500

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

MONTHLY BUSINESS REVIEW

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
November 1945.....	\$4,824,008	\$444,663	\$2,441,944	\$284,172	\$2,382,064	\$160,491
November 1946.....	4,864,407	503,710	2,341,164	319,618	2,523,243	184,092
July 1947.....	4,758,677	542,053	2,288,215	339,590	2,470,462	202,493
August 1947.....	4,845,031	540,172	2,324,633	338,401	2,520,398	201,771
September 1947.....	4,925,009	540,511	2,360,755	337,863	2,564,254	202,648
October 1947.....	5,100,591	541,504	2,437,292	337,197	2,663,299	204,307
November 1947.....	5,236,063	543,685	2,524,890	337,324	2,761,173	206,361

SAVINGS DEPOSITS

Reporting Banks—Eleventh Federal Reserve District

	Number reporting banks	November 30, 1947		Percentage change in savings deposits from	
		Number of sav- ings depositors	Amount of sav- ings deposits	Nov. 30 1946	October 31 1947
		Beaumont.....	3	12,022	\$ 6,615,495	-12.7	-0.4
Dallas.....	8	137,467	78,489,197	4.0	0.5
El Paso.....	2	34,686	23,774,076	1.2	0.7
Fort Worth.....	3	42,156	34,691,780	3.0	0.6
Galveston.....	4	23,141	22,024,020	6.9	-0.4
Houston.....	8	105,482	69,843,012	-1.1	-0.3
Lubbock.....	2	1,256	1,879,737	-12.7	-0.4
Port Arthur.....	2	6,152	5,041,436	-5.1	-0.3
San Antonio.....	5	39,391	47,248,035	4.5	0.1
Shreveport, La.....	3	32,827	26,009,227	-2.1	-0.9
Waco.....	3	9,892	9,647,061	5.4	0.3
Wichita Falls.....	3	6,924	4,702,335	0.4	0.3
All other.....	56	63,968	54,726,615	4.3	0.3
Total.....	102	515,364	\$384,692,026	2.0	0.1

Bank debits for the month of November as reported by 24 cities in the district showed a net decline of 5 percent, reflecting numerous decreases and a few spotted gains. Lubbock, Texas, reported a 12 percent increase, while 2 percent gains occurred at Beaumont, Texas, and Roswell, New Mexico. Other cities reporting showed losses ranging from 1 and 2 percent, respectively, for Monroe and Shreveport, Louisiana, to as much as 10 and 26 percent, respectively, at Abilene and Corsicana, Texas. The annual rate of deposit turnover for the banks in the 24 reporting cities declined from 13.1 to 12.2 for the month of November.

Federal Reserve notes of the Dallas Bank in actual circulation showed minor fluctuations and a slight downward trend during the last half of November. The net decline during that period, however, was largely erased by an end-of-the-month upturn and a further, though irregular, expansion during the first half of December. Circulation reached a high for the four-week period of \$629,474,000 on December 4. That total, however, was \$2,165,000 below the all-time peak established on November 13. On December 15, note circulation of this bank stood at \$627,735,000, or slightly less than the \$628,078,000 outstanding on November 15.

Borrowings from the Federal Reserve Bank of Dallas amounted to \$12,500,000 on December 10. This represented a substantial increase over the amount outstanding on November 12 and was accounted for by a considerable amount of rediscounting during the first 10 days of December.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousands of dollars)

	Dec. 15, 1947	Dec. 15, 1946	Nov. 15, 1947
Total gold certificate reserve.....	\$515,079	\$508,568	\$530,611
Discounts for member banks.....	11,000	3,100	2,700
Foreign loans on gold.....	1,313	4,650	1,247
U. S. Government securities.....	975,344	928,847	1,009,521
Total earning assets.....	987,657	936,597	1,013,468
Member banks reserve deposits.....	830,801	787,699	841,167
Federal Reserve Notes in actual circulation.....	627,735	609,117	628,078

BANK DEBITS, END-OF-MONTH DEPOSITS, AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Dollar figures in thousands)

City	Debits			End-of-month deposits*	Annual rate of turnover		
	Pctg. change over				Nov. 1947	Nov. 1946	October 1947
	Nov. 1947	Nov. 1946	October 1947				
Tucson, Ariz.....	\$ 52,966	9	-10	\$ 83,879	7.7	7.6	8.6
Monroe, La.....	35,933	20	-1	41,446	10.4	9.4	10.8
Shreveport, La.....	121,427	17	-2	151,316	9.7	8.5	10.1
Roswell, N. M.....	14,619	9	2	19,579	9.1	7.9	9.4
Abilene.....	33,234	20	-10	40,121	10.0	8.4	11.3
Amarillo.....	86,306	30	-7	85,636	12.1	10.8	13.3
Austin.....	96,397	22	-4	100,566	11.3	9.8	11.6
Beaumont.....	84,712	27	2	96,662	10.7	9.4	10.9
Corpus Christi.....	72,196	20	-6	74,657	11.8	10.3	12.6
Corsicana.....	10,242	5	-26	20,360	6.0	6.1	8.4
Dallas.....	924,995	20	-7	706,220	15.8	13.9	17.3
El Paso.....	115,237	10	-4	111,330	12.6	11.5	13.4
Fort Worth.....	303,978	14	-9	278,708	13.1	11.5	14.4
Galveston.....	60,711	11	-4	90,887	8.0	7.9	8.4
Houston.....	899,009	23	-5	818,323	13.3	11.8	14.3
Laredo.....	15,312	3	-2	21,040	8.9	8.8	9.2
Lubbock.....	37,250	74	12	65,442	16.6	10.7	15.7
Port Arthur.....	30,905	14	-7	38,766	9.5	8.3	10.1
San Angelo.....	29,229	19	-9	39,706	8.9	7.6	9.8
San Antonio.....	221,973	4	-9	318,191	8.4	7.9	9.1
Texarkana†.....	15,673	8	-4	22,556	8.4	7.3	9.0
Tyler.....	36,059	11	-5	48,372	8.9	8.8	9.2
Waco.....	51,253	11	-5	67,076	9.1	8.5	9.8
Wichita Falls.....	48,254	11	-4	76,674	7.7	7.7	8.0
Total—24 cities.....	\$3,447,875	19	-5	\$3,417,513	12.2	10.8	13.1

*Demand and time deposits at the end of the month include certified and officers' checks outstanding but exclude deposits to the credit of banks.

†This figure includes only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including two banks located in the Eighth District amounted to \$10,927.

MEMBER BANK RESERVES AND RELATED FACTORS

Eleventh Federal Reserve District

(Millions of dollars)

	Changes in weeks ended				Cumulative changes	
	Dec. 10, 1947	Dec. 3, 1947	Nov. 26, 1947	Nov. 19, 1947	4 weeks ended Dec. 10, 1947	Jan. 1 to Dec. 10, 1947
Federal Reserve Credit—						
local.....	5.3	9.0	-16.8	26.8	24.3	-5.5
interdistrict commercial & financial transactions....	6.2	-13.0	-8.5	-17.2	-32.5	-400.9
Treasury operations.....	5.0	3.0	15.5	-5.2	18.3	481.8
Currency transactions.....	.....	-4.9	7.2	4.1	6.4	-8.9
Other deposits at the						
Federal Reserve Bank....	0.2	-0.9	-0.2	.....	-0.9	-0.6
Other Federal Reserve						
Accounts.....	0.2	0.7	0.1	0.1	1.1	3.7
Member Bank reserve						
balances.....	16.9	-6.1	-2.7	8.6	16.7	69.6

Note: Amounts preceded by a minus sign reduces reserves; all others add to reserves.

Analysis of Changes in Principal Banking Items of Member Banks—Eleventh Federal Reserve District and United States

September 30, 1946—October 6, 1947

A recent release of the Board of Governors of the Federal Reserve System showing the assets and liabilities of all member banks in the United States on October 6, 1947, and certain selected earlier call dates provides the basis for a comparison of some of the principal banking items of the member banks in the Eleventh Federal Reserve District with the member banks in the United States as a whole.

On the latest call report date, October 6, 1947, total deposits of all member banks in the United States were \$118,484,788,000. Of that amount, member banks in the Eleventh Federal Reserve District held \$5,545,820,000, or 4.68 percent. During the war years, the percentage growth in deposits in the banks of this district was substantially greater than for the banks of the nation as a whole. It was felt, however, that after the war that favorable trend would reverse itself, but so far no such reversal has become apparent. In fact, the share of the nation's member bank deposits held by the member banks of this district continued to increase during the year between the September 30, 1946, call date and the latest call date on October 6 as the percentage of the nation's member-bank deposits held by Eleventh District member banks rose from 4.47 percent to the 4.68 percent figure stated above.

Further evidence of the favorable deposit growth in this district is reflected by the fact that during the year between these call dates Eleventh District member banks experienced an increase in deposits amounting to \$196,107,000, or 3.67 per cent, while deposits of all member banks in the nation showed a decline of \$1,185,465,000, or .99 percent. The decline in total deposits of all member banks reflected the net effect of the restrictive influence upon deposits resulting from the Treasury's debt retirement program and reduction of Government deposits. This reduction was more substantial at the large city banks and more than offset the increases which occurred in other deposits of all member banks during the period which was characterized by rising prices and general business expansion.

Loans of member banks in the Eleventh District as disclosed by the October call report totaled \$1,427,113,000 and represented 4.64 percent of the loans of all member banks, which amounted to \$30,738,020,000 on that date. In this connection, it appears that member banks in this district have not expanded their loans quite as much, relatively speaking, as have the nation's member banks, because on September 30, 1946, loans of member banks in this district were 4.90 percent of the nation's total, whereas last October they stood at 4.64 percent.

That situation with respect to loans is further revealed in the fact that the total loan increase of all member banks in the country amounted to \$5,962,847,000, an increase of 24.07 percent during the call year between September 30, 1946, and October 6, 1947, while in this district member banks showed a loan increase of \$211,678,000, or 17.42 percent. It is notable that in the case of member banks both in this district and in the nation as a whole the volume of loans exhibited a sustained upward trend throughout most of the year. Also, an accelerated rate of increase was very apparent during July, August, and September of 1947, with loan expansion by all member banks in the nation during that three-month period proceeding at an annual rate of \$8,328,000,000 and for the member banks in the Eleventh District at an annual rate of \$430,908,000.

Total investments of all member banks on October 6, 1947, amounted to \$66,590,464,000, reflecting a decline of \$8,340,475,000, or 11.13 percent, from September 30, 1946. Whereas total investments of these banks represented 75.15 percent of combined loans and investments at the end of September 1946, the proportion declined to 68.42 percent on October 6, 1947. A similar pattern was followed by the member banks of the Eleventh District as total investments declined from 68.98 percent of combined loans and investments on September 30, 1946, to 63.90 percent on October 6, 1947.

Reflecting the more liquid cash position of the member banks in this district as compared with member banks throughout the nation, Eleventh District member banks held cash and balances totaling \$1,869,592,000, equivalent to 33.70 percent of total deposits, whereas the cash and balances of all member banks in the nation, totaling \$29,595,257,000, represented 24.97 percent of total deposits. In each case, these percentages reveal a slight gain in cash and balances from September 30, 1946, when the corresponding figures were 31.46 percent for member banks in the Eleventh District and 23.20 percent for all member banks.

On October 6, total capital accounts of the nation's member banks were \$8,462,983,000, reflecting a deposits-to-capital ratio of 14.0 to 1, whereas the ratio for member banks in the Eleventh District on October 6 stood at 17.29 to 1, with total capital accounts amounting to \$320,736,000. Study of comparative data discloses a slight net improvement of about equal degree in the capital ratio for both groups of banks, as the ratio for all member banks on September 30, 1946, was 14.82 to 1 and for member banks in the Eleventh District, 18.27 to 1.

Dollar increases in total capital accounts between September 30, 1946, and October 6, 1947, reflected a greater percentage increase in capital for the member banks of this district than for the member banks of the nation as a whole, as the Eleventh District member banks increased their total capital accounts by \$27,923,000, or 9.54 percent, while the nation's member banks added \$386,217,000, or 4.78 percent, to their capital accounts.

NEW MEMBER BANK

The First State Bank of Greggton, Greggton, Texas, a newly organized institution, located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business on December 6, 1947, as a member of the Federal Reserve System and of the Federal Deposit Insurance Corporation. This bank has total capital funds of \$80,000, including capital of \$50,000, surplus of \$15,000, and undivided profits of \$15,000. Its officers are: Tom Cook, Sr., Chairman of the Board; E. O. Watkins, President; G. A. Holder, Executive Vice President; G. H. Brawley, Active Vice President; Sam Weldman, Vice President; D. McIntosh, Cashier; and M. K. Howard, Assistant Cashier.

NEW PAR BANK

The Winkler County State Bank, Wink, Texas, a newly organized nonmember bank located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, was added to the Federal Reserve Par List on its opening date, December 15, 1947. This bank, a member of the Federal Deposit Insurance Corporation, has total capital funds of \$60,000, including capital of \$40,000, surplus of \$10,000, and unallocated funds of \$10,000. Its officers are: R. A. Lipscomb, President; B. M. Stodgill and O. O. Whitten, Vice Presidents; and William C. Young, Cashier.

INDUSTRY

Major industries in the Eleventh Federal Reserve District intensified activities during the closing months of 1947 in response to expanding demands for their products. Manufacturers of work clothing and women's apparel, who had experienced sharp cutbacks in demand in late spring and early summer, expanded operations markedly, and employment in the apparel industry at the end of the year was near the all-time peak. The food processing industry also sustained operations at unusually high levels as did the lumber-and timber-products and chemicals industries. Producers of metal products were unable to expand operations rapidly because of continued shortages of iron and steel, but they increased employment gradually, and during December, appear to have reached higher levels of operation than at any time since the peak of employment attained during the war. Moreover, demand for oil-field equipment, agricultural machinery, structural iron and steel materials, building appliances and fixtures, and other metal products is expected to remain strong for some months at least.

The petroleum industry in the district continues to operate at levels substantially above those of a year ago and near to peak capacity. Daily average production of crude oil in the district during November was slightly below the all-time record established during the preceding month, largely as the result of reduced output in East Texas, but further reduction is considered unlikely in view of the growing demand for crude oil and its products. Exploration and development are proceeding at near record rates, and refineries in the district are being operated very close to rated capacity.

MONTHLY BUSINESS REVIEW

CRUDE OIL PRODUCTION—(Barrels)

	November 1947		Increase or decrease in daily average production from	
	Total production	Daily avg. production	November 1946	October 1947
District 1.....	736,700	24,557	5,527	154
2.....	4,866,200	162,207	15,167	134
3.....	14,611,400	487,047	23,647	-5,611
4.....	7,622,450	254,081	23,534	-5,426
5.....	1,246,750	41,558	4,610	505
6.....	9,124,550	304,152	-19,315	-15,651
Other 6.....	3,526,400	117,547	12,760	753
7b.....	1,243,500	41,450	6,270	-2,271
7c.....	1,249,750	41,658	12,295	997
8.....	19,309,900	643,660	136,633	-2,035
9.....	4,012,050	133,735	11,782	-2,194
10.....	2,645,200	88,173	7,330	974
Total Texas.....	70,194,750	2,339,825	245,150	-33,125
New Mexico.....	3,561,550	118,718	18,761	2,591
North Louisiana.....	3,194,500	106,487	14,485	3,376
Total District.....	76,980,900	2,566,030	278,396	-27,158
Outside District.....	80,750,639	2,691,688	187,693	32,036
United States.....	157,731,539	5,257,718	466,089	4,878

SOURCE: Estimated from American Petroleum Institute weekly reports.

The petroleum industry both in the district and in the nation is confronted with extraordinary demands, which continue to increase rapidly. Demands for the year 1947 in the United States were 10 percent higher than in 1946, and the Economic Advisory Committee of the Interstate Oil Compact Commission estimates a further increase of six percent in demand during 1948. Tight supply situations already have developed in New England, Great Lakes, and Pacific-West areas, where, despite relatively mild weather during the fall, consumption of heating oils was unusually large, and adequate stocks were not accumulated to meet winter demands. Gasoline consumption also has exceeded normal rates, and stocks of that product have been partially depleted. In recent weeks, large marketing organizations are reported to have found it necessary in some areas to refuse new customers and to institute voluntary allocation of heating oils and gasoline.

The present shortages of petroleum products in various sections of the country are largely the result of transportation bottlenecks arising from lack of ocean tankers, barges, railroad tank cars, loading facilities, and pipe-line carrying capacity. Apart from these hindrances to distribution of current supplies, domestic demand is pressing strongly against present producing ability and refining capacity. Since midsummer

PETROLEUM DEMAND AND SUPPLY FORECASTS—UNITED STATES
(Thousands of barrels daily)

	Estimated		1948					
	1947	1948	1947 quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	
Gasoline.....	2,138	2,294	2,430	2,300	2,125	2,550	2,625	2,425
Kerosene.....	268	303	325	375	415	250	220	410
Distillate fuel oil.....	746	886	975	1,025	1,275	790	720	1,125
Residual fuel oil.....	1,333	1,438	1,470	1,480	1,595	1,400	1,370	1,515
Other.....	836	948	995	975	885	1,000	1,115	975
Total demand.....	5,321	5,869	6,195	6,155	6,295	5,990	6,050	6,450
Crude production.....	4,749	5,078	5,385	5,300	5,300	5,350	5,450	5,440
Natural gasoline.....	321	357	385	365	375	380	390	395
Imports.....	370	432	475	420	410	450	520	520
Total supply.....	5,440	5,867	6,245	6,085	6,085	6,180	6,360	6,355
Stock change.....	119	-2	50	-70	-210	190	310	-95

SOURCE: Economics Advisory Committee, Interstate Oil Compact Commission.

neither production of crude oil nor refinery output has been able to keep pace with the rapid increase in demand for petroleum products, despite production of crude oil at maximum efficient rates in nearly all fields in the Southwest and in other areas and operation of refineries virtually at capacity, including obsolete installations which under ordinary circumstances would be left idle or dismantled.

Expansion programs are being pushed by the petroleum industry to increase production of crude oil and to enlarge refining and transportation facilities, but all expansion programs are retarded by shortages of pipe and other iron and steel products. Even if steel were plentiful, the projects could not be completed rapidly enough to alleviate present supply difficulties or to pre-

vent the more acute shortages which are anticipated for mid-winter and next spring. Moreover, demand for crude oil and its products may increase more rapidly than the industry's productive capacity can be enlarged.

The tight supply situation has led to intense competition among refineries, which have been operating on profit margins approximating \$1.00 per barrel and have been able to pay price premiums or to grant concessions to producers and pipe-line companies in order to assure themselves adequate supplies of crude oil. Price premiums have been reflected promptly in posted prices, and a very marked increase in the price of crude oil has occurred, with associated, although less pronounced, increases in the prices of petroleum products. As the accompanying table indicates, average crude oil prices rose from \$1.42 per

WHOLESALE PRICES, CRUDE OIL AND SELECTED COMMODITY GROUPS

	Index numbers—1926=100							
	Crude oil prices*	Crude oil	All commodities	Farm products	Foods	Other (nonagric.) commodities	Fuel and Light-ing materials	
1930.....	\$1.19	63.3	86.4	88.3	90.5	85.2	89.9	78.5
1935.....	.96	51.1	80.0	78.8	83.7	77.9	85.3	73.5
1940.....	1.02	54.3	78.6	67.7	71.3	83.0	94.8	71.7
1945.....	1.22	64.9	105.8	128.2	106.2	99.7	117.8	84.0
1946.....	1.42	75.5	121.1	148.9	130.7	109.5	132.6	90.1
November 1946.....	1.64	87.2	139.7	169.8	165.4	120.7	145.5	94.5
June 1947.....	1.94	103.2	147.6	177.9	161.8	131.4	174.4	103.9
September 1947.....	1.94	103.2	157.4	186.4	179.3	138.2	183.3	114.1
October 1947.....	2.11	112.2	158.5	189.7	177.8	139.9	185.8	115.9
November 1947†.....	2.59†	137.8	159.0	188.4	177.9	142.0	186.2	118.7
Percent increase:								
1940-June 1947.....		90.1	87.8	162.8	126.9	58.3	84.0	44.9
1940-Nov. 1947.....		153.8	102.3	178.3	149.5	71.1	96.4	65.6
1945-Nov. 1947.....		112.3	50.3	47.0	67.5	42.4	58.1	41.3
Nov. 1946-Nov. 1947.....		58.0	13.8	11.0	7.6	17.6	28.0	25.6

*Average price per barrel. †Reflects Nov.-Dec. general price increase. ‡Estimated.

SOURCE: Bureau of Labor Statistics, except crude oil dollar price and price index computed from Bureau of Mines, World Oil, and other sources.

barrel in 1946 to \$2.11 in October, 1947, an increase of about 47 percent. On November 28, one large company which had experienced considerable difficulty in obtaining adequate quantities of crude oil at the posted price increased prices 50 cents per barrel. Although there was resistance for a time to this increase by several larger companies, the new price schedule is now in force virtually throughout the industry, raising the average price of crude oil to approximately \$2.60 per barrel, or about 60 percent higher than a year ago and 160 percent above the 1939-1940 average price. It will be observed from the table that, whereas crude oil increased in price only slightly more rapidly from 1940 to June 1947 than commodities in general and much less than farm products and foods, the increase in the price of crude oil during the fall of 1947 was especially rapid, amounting to about 34 percent. Crude oil prices now are at a significantly higher level as compared with 1940 than are the prices of nonagricultural commodities in general, and somewhat higher than the prices of foods.

The rise in crude oil prices has been described by some industry representatives as a stimulant to drilling, discovery, and production, but other prominent industry spokesmen have pointed out that price increases cannot induce a significant increase in output of petroleum and its products from existing facilities since production of crude oil is at maximum efficient levels and refineries are being operated at very near capacity. Moreover, it is doubtful whether price increases can greatly accelerate expansion of the petroleum industry's output during 1948 by stimulating enlargement of facilities, since shortages of casing, pipe, and other iron and steel products probably will restrict the magnitude of drilling and expansion programs which can be undertaken. It is also unlikely that higher prices for crude oil and finished products will reduce consumption sufficiently to alleviate the shortage of supply. Domestic and foreign demands appear strong enough to clear the market of larger quantities of products than now are being consumed,

even at substantially higher prices. It has been proposed, therefore, that the larger companies stabilize prices by absorbing at the refinery level the recent 50-cents-per-barrel increase in the price of crude oil instead of passing it on to ultimate consumers, where it would be reflected in an increase of one to two cents per gallon in the price of gasoline and in proportionate increases in the prices of other products. Although some petroleum industry representatives have expressed the opinion that substantial contraction of the margins would be a healthy development in that it would discourage the recurrence of premium prices on crude oil which have been the underlying cause of the price advances during the past year, the consensus of the industry representatives with whom the price situation has been discussed is that refinery margins soon will be restored by increasing prices of finished products, and that the price structure will continue very unstable, with crude oil prices rising further.

The construction industry also is operating at unusually high levels in the district. Employment on contract construction increased to a postwar peak in October and apparently maintained that level in the succeeding month. The unusual acceleration of construction during the fall of 1947 was accompanied by a marked increase in the value of awards, which suggests that building will be carried on intensively for some time. The value of construction contract awards in this district increased markedly in October to a new postwar peak of nearly \$71,000,000, and preliminary data indicate that awards were near that high level in November. The increase in awards at the time of year normally characterized by a decline occurred in both residential and nonresidential construction. The expansion of nonresidential awards partially reflects removal of federal controls over commercial and other nonresidential building, which, although effective last July, was not reflected immediately since time was required to initiate and process plans for new construction. The increase probably also reflects weakening resistance to high construction costs. Contractors report that many industrial, commercial, and institutional clients who formerly were determined to await a break in costs have gone ahead with building programs in recent months, and that a still larger number are readying plans for early initiation.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

	(Thousands of dollars)				
	November 1947p	November 1946	October 1947p	Jan. 1 to Nov. 31 1947p	Jan. 1 to Nov. 31 1946
Eleventh District—total...	64,785	29,747	72,827	627,534	521,053
Residential.....	27,184	10,759	22,779	229,770	214,866
All other.....	37,601	18,988	50,048	397,764	306,187
United States*—total.....	715,108	503,745	793,286	7,134,505	7,032,444
Residential.....	290,220	221,113	349,490	2,926,977	2,948,737
All other.....	424,888	282,632	443,796	4,207,528	4,083,707

*37 states east of the Rocky Mountains.

p—Preliminary.

SOURCE: F. W. Dodge Corporation.

The pronounced increase in the value of awards for residential construction in this district from \$13,000,000 in September to nearly \$23,000,000 in October and to \$27,000,000 in November seems to have been accounted for almost exclusively by the increase in awards for Title VI projects. Title VI is a war emergency measure designed originally to support war housing construction, but extended after the war to induce construction of rental housing for veterans, Congress having authorized insurance commitments of \$4,200,000,000 during the period from May 1946 to March 1948. Title VI provides for insurance of loans running up to twenty-five years on projects of one to four units and up to thirty-two years and seven months on projects of eight units or more. This title con-

trasts with other FHA insurance titles in that it provides insurance on loans not in excess of 90 percent of *estimated current cost*, including land, instead of 90 percent of *estimated value*.

BUILDING PERMITS

	November 1947		Percentage change valuation from		Jan. 1 to Nov. 30, 1947		Percentage change valuation from 1946
	No.	Valuation	Nov. 1946	Oct. 1947	No.	Valuation	
Abilene.....	74	\$ 293,814	90	— 8	992	\$ 4,014,866	5
Amarillo.....	146	1,016,607	157	— 1	1,963	8,177,418	17
Austin.....	263	1,756,030	78	12	4,673	18,346,428	8
Beaumont.....	265	320,765	26	—43	3,748	5,733,176	63
Corpus Christi.....	197	711,057	60	—68	3,812	14,074,045	49
Dallas.....	1,312	4,146,875	67	—40	15,566	52,759,635	19
El Paso.....	79	1,190,606	238	43	1,437	7,508,132	76
Fort Worth.....	486	3,181,932	196	22	6,947	25,711,824	17
Galveston.....	132	272,467	184	38	1,729	2,423,010	3
Houston.....	634	5,736,620	353	—31	7,796	65,080,064	31
Lubbock.....	155	574,880	16	—10	2,222	9,958,256	16
Port Arthur.....	174	238,692	166	25	1,879	2,182,689	10
San Antonio.....	1,308	4,122,714	143	54	13,687	26,594,667	20
Shreveport, La.....	314	1,949,884	323	78	3,805	11,740,162	39
Waco.....	135	594,633	39	—34	1,678	8,375,651	70
Wichita Falls.....	49	117,028	3	—39	774	2,288,794	23
Total.....	5,723	\$26,225,204	143	—13	72,708	\$264,968,817	25

When it became generally known among builders late in September that the Title VI program must soon be curtailed because of approaching depletion of the allocated insurance funds, prospective builders rushed to submit projects for acceptance. The result was that Title VI project awards were even larger in November than during the preceding month despite the suspension of the program on November 12. Applications received on that date alone in the Dallas FHA office, which serves forty-one North Texas counties, totaled \$10,000,000. Lending under the Title VI program probably will be resumed soon since Congress has authorized an additional \$750,000,000 of insurance commitments.

The maintenance of residential and nonresidential building activity at unusually high levels nationally as well as in this district has imposed pressures upon suppliers of building materials, whose facilities and labor force proved somewhat small to meet the extraordinarily large demands of 1947. Building material prices, rising rather steadily throughout the past 12 months, have reflected the poor balance between demand and the industry's capacity. During November building material prices were on the average 28 percent higher than a year earlier, 58 percent above the 1945 level, and nearly double the 1940 average.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	November 1947	November 1946	October 1947	August 1 to November 30 This season	November 30 Last season
	Consumption at:				
Texas mills.....	11,944	18,715	13,827	49,304	77,379r
United States mills.....	759,498	878,025r	826,216	3,023,763	3,487,069r
U. S. stocks—end of month:					
In consuming estab'm'ts... 1,858,676	2,118,065				
Public stg. & compresses... 5,360,906	6,208,001r				

r—Revised.

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).....	897,690	467,193	3,106,691	2,336,828
Cottonseed crushed (tons).....	471,711	308,873	1,691,202	1,356,986
Cottonseed on hand Nov. 30 (tons).....	480,407	215,574	1,515,017	1,097,648
Production of products:				
Crude oil (thousand pounds).....	142,444	90,958	515,206	420,967
Cake and meal (tons).....	222,500	144,931	780,965	598,852
Hulls (tons).....	105,493	68,606	383,472	312,130
Linters (running bales).....	157,614	105,982	527,276	431,360
Stocks on hand November 30:				
Crude oil (thousand pounds).....	16,496	12,963	58,972	54,036
Cake and meal (tons).....	13,206	23,781	71,590	81,598
Hulls (tons).....	23,743	29,258	72,493	79,525
Linters (running bales).....	44,114	28,530	170,509	128,428

SOURCE: United States Bureau of Census.

MONTHLY BUSINESS REVIEW

JANUARY 1, 1948

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

Industrial production expanded somewhat further in November. Department store sales showed more than a seasonal increase in November and the first half of December. Wholesale commodity prices generally continued to advance.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production advanced 2 points in November to 192 percent of the 1935-39 average, a new postwar peak rate.

Output of durable goods expanded somewhat further, reflecting largely increases in activity in most machinery, transportation equipment, and nonferrous metal fabricating industries. Output of steel in November was at a slightly lower rate than in October, but in the early part of December scheduled operations rose to new postwar peaks. Motor truck assemblies were curtailed in November and early December, as a result of model changeover activity at plants of a major producer, while output of passenger cars increased. Output of lumber and other construction materials was maintained in large volume.

Manufacture of nondurable products continued to increase in November, reflecting mainly a further marked rise in activity at cotton textile mills and an expansion in the volume of livestock slaughtered as a result of reduced feed supplies and high prices for feeds. Liquor production, which increased sharply in October, was curtailed in November in accordance with the Federal program to conserve grain.

Production of minerals rose somewhat further in November, reflecting further gains in output of bituminous coal as increased numbers of freight cars became available.

CONSTRUCTION

Values of most types of construction contract awards, according to the F. W. Dodge Corporation, showed seasonal declines in November and were substantially larger than a year ago. The number of dwelling units started during the month, as estimated by the Department of Labor, decreased from 94,000 in October to 82,000 in November; completions increased from 83,000 units to 86,000.

DISTRIBUTION

Department store sales showed a sharp seasonal increase in November and the Board's adjusted index rose to a new high of 300 percent of the 1935-39 average, as compared with 275 in October and 291 in September. Value of sales continued at a high level in the first half of December and was 8 percent above the corresponding period in 1946. Value of department store stocks has also increased in recent months and is above the corresponding period of a year ago.

Shipments of most classes of railroad revenue freight were maintained in large volume in November and the first half of December, after allowance for usual seasonal declines at this time of the year. Coal shipments continued to increase and were at the peak rate reached at the beginning of the year.

COMMODITY PRICES

Wholesale commodity prices generally advanced further in November and the early part of December. Crude petroleum prices were increased sharply and advances were announced in refined petroleum products, newsprint, rayon, textile products, shoes, and some metal products. Government disposal prices for Japanese silk were reduced by nearly one-half. Prices of commodities traded in the organized markets rose further in November but showed little change in the first three weeks of December.

The consumers' price index was unchanged from September to October. Food prices generally showed little change in November and December, while additional increases occurred in retail prices of other goods and services.

BANK CREDIT

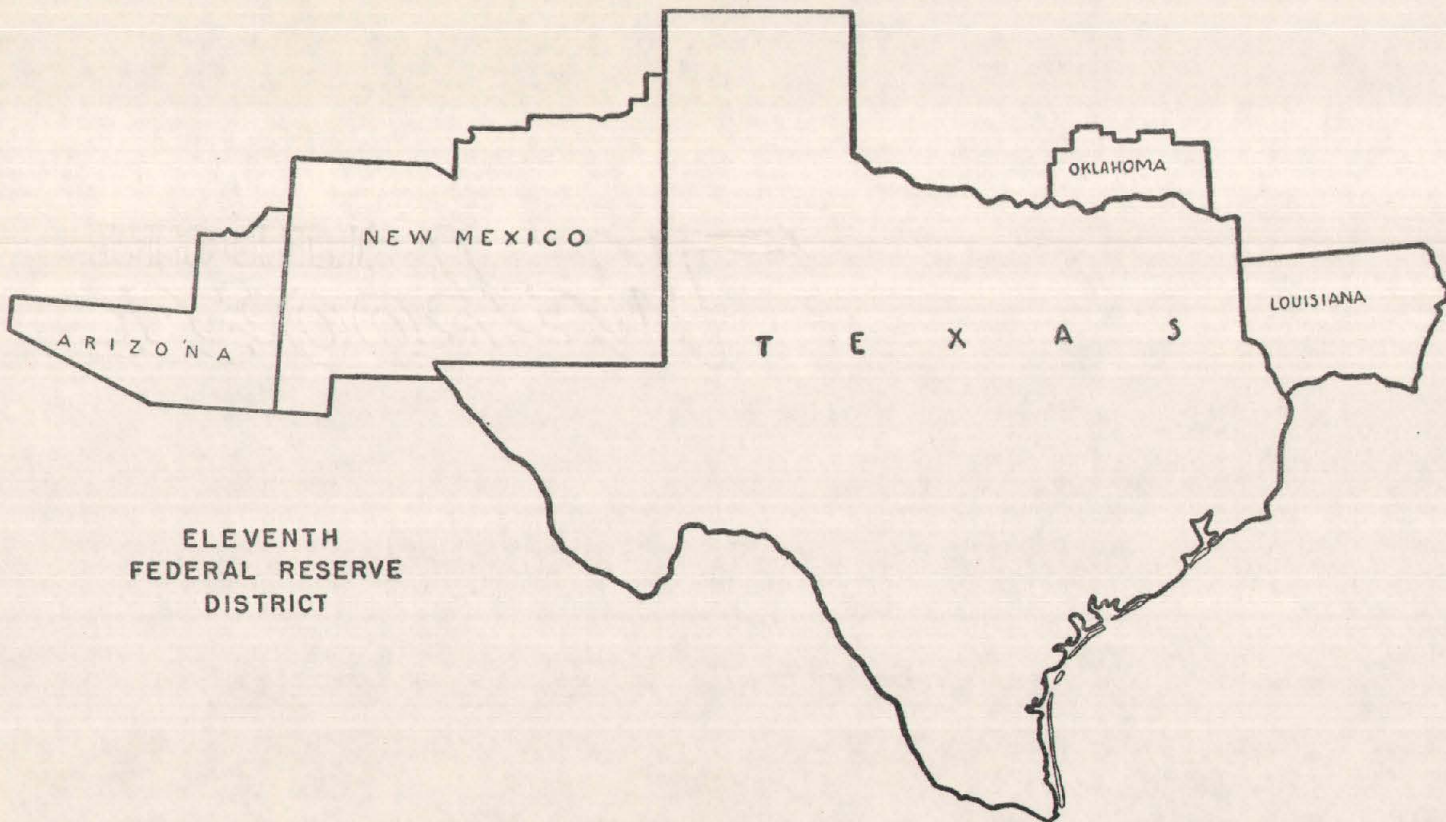
Loans to businesses, consumers, and real estate owners expanded further at banks in leading cities during November and the first half of December. Demand deposits of individuals and businesses increased 800 million dollars at these banks, and currency in circulation rose by 400 million.

In the four weeks ending December 17, member banks gained reserves as a result of a continued inflow of gold, Treasury transactions, and Federal Reserve purchases of Government securities. These sources of reserves more than offset the seasonal growth in currency.

Reserve Bank holdings of Government securities declined in the four-week period, reflecting Treasury retirement of bills and certificates. The System also sold substantial amounts of bills and certificates in the market, but purchased larger amounts of notes and bonds.

INTEREST RATES AND BOND YIELDS

Prices of Treasury bonds, which declined sharply in October and November, were held firm after the middle of November by official support. Prices of corporate bonds declined further. Yields on Treasury certificates rose and a new issue of 1½ percent one-year certificates was offered in exchange for the issue maturing January 1.



**ELEVENTH
FEDERAL RESERVE
DISTRICT**