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SIXTH ANNUAL DISTRICT SURVEY OF RETAIL CREDIT STORES: SUMMARY AND COMMENTS

A continued expansion in the dollar value of sales, a marked rise in instalment business, a substantial growth in receivables outstanding, an increase in bad debt losses, and a slowing down in the rate of inventory accumulation constitute some of the principal developments at retail credit stores in the Eleventh Federal Reserve District during 1947 which are analyzed in the following pages. The data presented were obtained from the recently completed Sixth Annual Retail Credit Survey, which was conducted as part of a yearly nationwide project of the Federal Reserve System. In the current survey, data were obtained from representative firms in nine lines of retail trade in which credit sales normally constitute an important portion of total sales: namely, automobile dealerships, auto tire and accessory stores, department, furniture, hardware, household appliance, jewelry, men's clothing, and women's apparel stores. The experience of firms, individually and collectively, in each of the several lines of trade varied widely, reflecting in part local factors and operating policies and in a large measure the effect of economic conditions having a direct bearing upon the supply of and demand for goods in that particular line of trade, as well as over-all economic conditions which exerted uneven pressures upon various segments of the economy.

Significant Economic Trends

A brief review of significant economic trends in the Nation and in the Eleventh Federal Reserve District may be helpful in providing a background for a critical study of trade developments during 1947. For a more complete summary, the reader is referred to the article entitled, "Business and Financial Trends in 1947," printed in the January 1, 1948 issue of the *Monthly Business Review* and the summary of developments for the year 1947 in the February 1, 1948 issue.

In many phases of the economy, both nationally and regionally, new all-time records were established during the year 1947, and in others activity was at a very high level, though not in record volume. Factors of major importance to retailers were the high level of production, the record number of people engaged in remunerative activity, and the record volume of disposable income placed in the hands of the consuming public. On the supply side of the equation, the physical volume of industrial production during 1947 rose to 187 percent of the 1935-39 average, an increase of 10 percent over that in 1946. This increase in production was not shared proportionally by the major commodity components. The most pronounced increase, 15 percent, occurred in the production of durable goods, reflecting the recovery of durable goods manufacturing from the relatively low operation during the reconversion period in 1946 and the strong demand for these products of industry. It should be emphasized, however, that shortages and the irregular flow of raw materials continued to hamper the rate of operation in important durable goods industries and affected the

volume and composition of total production. The rise of about 12 percent in the output of minerals resulted chiefly from the large and expanding demands of industry and of individuals for fuels and other mineral products. In the important category of nondurable goods, where demands were less urgent and where supplies in many sectors had caught up or were rapidly catching up with demand, production increased slightly less than 6 percent. In many lines of nondurable goods the production and flow of goods to consumers were at a high level during the war period, and in others manufacturing establishments were able to reach a high level of production immediately after the close of the war. As a result, the filling of pipe lines and the satisfaction of the backlog of demand were accomplished much earlier than in the case of most durable goods. Agricultural production, which amounted to 137 percent of the 1935-39 average in 1947, remained at about the same high level of other recent years. In consequence of the high level of production and the expansion in construction, trade, and services, the number of persons gainfully employed in 1947 averaged approximately 59,500,000 persons, or about 1,000,000 more than in the preceding year. Therefore, it may be stated that in 1947 there was virtually full utilization of the Nation's manpower and facility resources.

On the demand side of the equation, the backlog of requirements carried over from the war period, combined with the large volume of liquid assets held by individual consumers, the large and expanding current incomes of consumers, and utilization of credit resources, exerted strong pressures upon the available supplies. The aggregate disposable personal income, representing total personal income less personal taxes and nontax payments, reached a new peak during 1947 of \$175,300,000,000, an increase of about \$17,000,000,000 or nearly 11 percent over the level of 1946. This increase reflected chiefly the larger receipts from salaries and wages brought about by advancing salary and wage rates and the increase in the number of persons gainfully employed. At the same time many consumers made use of their accumulated liquid assets or of their credit resources to augment current purchases. For instance, consumer credit outstanding increased by about \$3,200,000,000 during 1947, of which about \$2,200,000,000 or nearly 70 percent represented a rise in instalment credit outstanding. This trend was partially offset by the disposition of other consumers to liquidate existing debts or to increase their savings. The rate as well as the amount of net savings declined appreciably during 1947. The net increase in personal savings during the year, amounting to \$10,900,000,000, was \$3,900,000,000 or 26 percent smaller than in 1946. In relation to total personal income, the rate of savings was at 5.5 percent as compared with 8.4 percent in 1946.

A major factor bearing directly upon the dollar value of production and of sales, as well as upon the distribution of demand among the several lines of trade, was the steady and substantial rise in prices. The sharp upward movement in prices which developed after the middle of 1946 persisted throughout 1947. The wholesale price index compiled by the Bureau of Labor Statistics averaged 152 percent of the 1926 average as compared with 121 percent in 1946, an increase of about 26 percent. The index of consumers' prices, or the cost of living, rose to 159 percent of the 1935-39 average from 139 percent in 1946, an increase of 14 percent. Contributing to the price advances was the persistence of sellers' markets for a large percentage of the Nation's products, which permitted rising costs to be passed on in higher selling prices. In other lines where supplies were overtaking or exceeding demand, curtailment of production had the effect of exerting an upward pressure upon retail prices. Moreover, the large foreign demand, which was strongest in the spring and summer when domestic demand showed signs of tapering off, exerted some influence on the price structure.

Reflecting the effects of price advances as well as the increases in real output, the dollar value of all goods and services produced in the United States during 1947 aggregated \$230,000,000,000, an increase of \$26,000,000,000 or 13 percent more than in 1946. While a substantial share of the total represented production of capital goods and net exports to foreign countries, personal consumption expenditures of \$164,400,000,000 were about 14 percent higher than in the preceding year. Of this total, 12 percent represented expenditures for durable goods, 60 percent for nondurable goods, and 28 percent for all types of services. As compared with 1946, expenditures for durable goods increased by 33 percent, those for nondurable goods rose by 14 percent, and those for services increased by only 9 percent. Sales at all retail stores in the United States aggregated \$117,700,000,000, representing an increase of \$17,000,000,000 or 17 percent over the total for 1946. It will be noted that the increase in the dollar value of retail sales was approximately the same as that in disposable

personal income, but the percentage gain was somewhat larger. While inventories of retail stores at the end of 1947 were 15 percent higher than a year earlier, the rate of increase was smaller than that of sales.

In viewing the high levels of production and income and their effects upon retail distributors, it should be emphasized that conditions were not uniform in the various segments of industry or in the several lines of production. In some of the basic industries and in many lines of durable goods, capacity production was inadequate to meet the strong demand for their products, shortages of equipment or its delayed delivery had retarding effects upon production of other goods, and the inability of consumers to obtain certain goods exerted an influence upon the distribution of consumer expenditures because of the willingness of some consumers to divert their funds to the purchase of other merchandise. Throughout the year the inadequate supply of steel had a limiting effect upon industrial plant expansion and the production of such important goods as housing, automobiles, farm implements, other equipment of various types, and many other lines of consumer durable goods. Although consumer durable goods generally were available in much greater quantities than in other recent years, the volume of sales doubtless would have been considerably larger if more units of goods had been available. On the other hand, production in many lines of nondurable goods during 1947 showed a tendency to catch up with or exceed the effective demand. This was particularly true of some soft goods lines, such as piece goods, men's and women's clothing, and household goods. It is significant, however, that in virtually all lines of activity the high level of production, combined with the improvement in the relationship between demand and supply, enabled retail merchants to develop a better balanced inventory position and to readjust inventories more nearly in line with consumer preferences.

In the Eleventh Federal Reserve District the pattern of developments was similar generally to that in the Nation, but there were certain variations which should be noted. This area is essentially a producer of raw materials and of semiprocessed goods. While manufacturing activity is expanding, output of such products still represents only a small percentage of the national total, and its contribution to the region's income is small in comparison with that of other lines of economic activity. Hence, the income of the region and the business of the retailers are dominated by the production and value of its agricultural and mineral products and the activities related to them. During 1947, the production of some major crops showed exceptionally large increases, exceeding those for the Nation by a wide margin; and since prices of some commodities rose sharply, the increase in farm income was much more pronounced than that in production. While income from other crops was affected adversely by reduced production, lower prices, or both, the farmers of the region had a larger increase in income than those of the Nation as a whole. Receipts from the sale of livestock and livestock products also increased by more than the national average. Production of crude petroleum, which contributes heavily to the income of the region, also increased sharply, and as this product was sold at a steadily rising price the increase in income was even more pronounced. Without detailing other developments which add to or detract from the favorable picture presented above, it may be stated that, taken as a whole, the income of this District during 1947 increased by a greater percentage than that for the Nation. It should be recognized, however, that the various sections of the District did not share proportionately in this increase. Likewise, the retail distributors located in the various sections of the District were affected favorably or adversely in relation to the geographical distribution of the income of the respective areas in which they are located.

Descriptive Facts About Survey

The factors discussed in the foregoing summary constitute the background for an understanding of developments which were reflected in the several lines of retail trade of the District in the annual Retail Credit Survey for 1947 conducted during February and March of this year.

Important items covered in the survey were total sales, cash sales, credit sales (charge-account and instalment), accounts receivable, inventories, and bad debt losses of the reporting firm. The data on balance sheet items included in the surveys of other recent years were not obtained for 1947. Reports for 1947, with comparative figures for 1946, were received from 379 firms operating 550 retail outlets. These stores, located in 74 cities and towns throughout the territory of the Eleventh Federal Reserve District, reported aggregate net sales in 1947 of approximately \$428,000,000.

Although the majority of the reports and the major portion of sales represented establishments operating in the principal cities of the District, it should be noted that the reporting stores are fairly well distributed among the nine lines of trade and are believed to constitute a reasonably representative sample of retail trade developments in widely separated geographical areas of the Southwest.

Activities of national chain store outlets are reported, for the most part, in consolidated form to the Board of Governors of the Federal Reserve System and are reflected only in its analysis of developments at retail credit stores in the Nation as a whole. For that reason, the sample of firms included in the survey for the Eleventh Federal Reserve District represents chiefly independent stores and local outlets of chains operating in limited areas. Moreover, because the main purpose of the survey was a study of developments relating to credit conditions in retail trade, firms selling for cash only were excluded from the sample.

Analysis of Data

In the following analysis, attention is directed first to general developments with respect to sales, inventories, receivables, and bad debt losses and then to the more specific and detailed developments in each line of trade surveyed. These presentations are followed by comments upon the variations in the collective experiences of stores located in some of the principal cities of the District. Finally, attention is given to certain comparisons of large, medium, and small businesses. It is believed that the analysis brings out some of the more apparent relationships and presents what are considered to be significant conclusions derived from the data. However, readers of this summary, especially the operators of retail stores, may be able to find much information and many other significant relationships in the tables presented with the text. For that reason, it is hoped that those interested in retail store operations will study the data carefully, not only to find new facts and relationships of interest to themselves but also to test the validity of the conclusions herein presented.

Total sales. After having increased sharply in 1946, due both to the increased flow of merchandise to consumers and the rapid rise in prices during the last half of the year, total sales of reporting stores included in Table I registered a gain of only 11 percent in 1947 over the combined sales of the same stores in 1946. This percentage gain was only about one-third as large as in the preceding year and was very unevenly distributed among the several lines of trade. In each of the reporting lines the percentage gain over the preceding year was smaller than that registered in 1946, or a decrease in sales was reported. Moreover, the individual stores experiencing decreases in sales as compared with the preceding year were more numerous in 1947 than in 1946, comprising nearly one-fourth of all reporting stores. Automobile dealerships and household appliance stores again reported large increases in sales, with all reporting stores except one showing sales gains during the year. Furniture and hardware stores again experienced more than average sales gains, but the percentage increases were much smaller than those in 1946. Although the 1947 sales of auto tire and accessory, department, and men's clothing stores were slightly in excess of those in the preceding year, the number of stores reporting decreased sales increased sharply. Jewelry and women's apparel stores, which had the smallest percentage gains from 1945 to 1946, reported decreases in sales during 1947.

From these comments it may be observed that sharpest percentage gains were registered in those lines of durable goods where the backlog of demand was exceptionally large and the rapidly increasing supply made it possible for consumers to acquire long-awaited and much needed merchandise. In other lines, where consumers had previously made rapid progress in satisfying their most urgent demands, consumers generally not only showed a disposition to restrict the volume of their purchases but also showed greater resistance to price advances and evidenced more concern over the quality of merchandise

TABLE I
SALES AND STOCKS—BY KIND OF BUSINESS
Eleventh Federal Reserve District

Kind of business	Number of stores	Number of stores showing increase or decrease in total sales		Percentage change 1947 over 1946	
		Increase	Decrease	Total sales	Stocks at end of year*
Automobile dealers.....	74	74	0	44	21
Auto tire and accessory stores.....	77	40	37	5	9
Department stores.....	54	36	18	4	10
Furniture stores.....	67	47	20	13	11
Hardware stores.....	49	41	8	15	25
Household appliance stores.....	113	112	1	47	43
Jewelry stores.....	32	21	11	-10	1
Men's clothing stores.....	43	25	18	1	13
Women's apparel stores....	41	30	11	-1	7
Total.....	550	426	124	11	11

*Dollar value at retail.

purchased. The resurgence of this price and quality consciousness, combined with increased and better distributed supplies of merchandise, accelerated the return of the more highly competitive conditions among retail stores that were characteristic of prewar trade. Promotional and clearance sales were more frequent, and efforts to draw customers' attention to price or quality aspects of merchandise were intensified. It should also be observed that in some lines of trade the increases in sales were so small as to suggest that the gains resulted entirely from higher prices and that the unit volume of sales declined.

Cash Sales. In contrast with developments in 1946 when general and substantial increases occurred in cash sales, only three of the nine lines of trade reported further increases in 1947. These increases occurred only in those lines of durable goods where the consumer purchases of long-awaited or much needed merchandise were facilitated by the ability and willingness to pay cash. A perusal of Table III will indicate that in only one line, automobile dealerships, did cash sales constitute a larger percentage of total sales in 1947 than in 1946. In other lines, the declines in the ratio of cash sales to total sales were fairly uniform, ranging from four percentage points in the case of hardware and women's apparel stores to nine percentage points in the case of auto tire and accessory firms. On the whole, however, cash sales still represented a relatively large proportion of total sales and exceeded the prewar ratios by a substantial margin.

Credit sales. The shifting of sales from a cash to a credit basis in most reporting lines represented the extension of a trend that has been in progress since the close of the war or before. The increase in credit sales during 1947, as well as the division of credit sales between charge and instalment sales, probably was influenced in varying degrees by the several factors discussed below. Consumers have shown a tendency to re-establish credit relationships broken or discontinued during the war period or to establish such relations at other retail outlets. This trend has been encouraged by retail stores generally, since they have endeavored to re-establish relations with former credit customers and to extend their credit facilities to present or potential customers who are considered good or satisfactory credit risks. The use of credit facilities has become more widespread as an increasing number of consumers have sought to satisfy as rapidly as possible the backlog of demand that accumulated during the war period. This trend was facilitated by the removal of controls on charge accounts on December 1, 1946, and on instalment accounts on November 1, 1947. Moreover, as merchandise became more plentiful and as credit controls were dropped, there was a trend toward the competitive easing of credit terms as a stimulant to sales volume. This means of stimulating business has been resorted to as a partial offset to consumer resistance to rising prices. Finally, rising prices have been exerting increasing pressure upon the budgets of many families, with the result that more and more of the ready cash has been diverted to the purchase of food and related products and of other items usually sold on a cash basis.

Charge-account sales during 1947 increased at stores in all reporting lines of trade except auto tire and accessories, but the increases generally were relatively small in comparison with the large gains reported in 1946. As might have been expected, the most pronounced increases occurred at hardware and household appliance stores and at automobile dealerships, where the unusually large gains in total sales were made possible by the use of both cash and credit resources. Examination of the ratios in Table III reveals that in six of the nine reporting lines of trade charge-account sales constituted a larger percentage of total sales in 1947 than in 1946. In general, the high ratios predominated in those lines where instalment sales are relatively unimportant or represent only a small percentage of total sales.

TABLE II
SALES BY TYPE OF BUSINESS TRANSACTION AND END-OF-YEAR RECEIVABLES BY KIND OF BUSINESS

Eleventh Federal Reserve District

Kind of business	Percentage change 1947 over 1946					
	Cash	Sales Charge accounts	Instalment	Total accounts	Receivables-end-of-year Charge accounts	Instalment accounts
Automobile dealers....	53	21	88	19	18	28
Auto tire and accessory stores.....	-12	-13	95	70	-†	103
Department stores....	-8	11	61	31	23	99
Furniture stores.....	-15	7	19	45	25	47
Hardware stores.....	5	23	78	36	34	51
Household appliance stores.....	14	58	64	27	23	32
Jewelry stores.....	-21	9	-13	17	19	15
Men's clothing stores..	-10	11	32	32	31	38
Women's apparel stores	-10	9	3	24	23	48
Total.....	†	13	47	32	23	76

†Indicates change of less than one-half of one percent.

Instalment sales increased during 1947 in all reporting lines except jewelry, and in five lines the gains were impressive, ranging from 61 percent to 95 percent. Moreover, those large increases occurred mostly in the same lines that experienced the most impressive gains in 1946. Four of these lines, however,

TABLE III

PERCENTAGE OF CASH AND CREDIT SALES TO TOTAL
SALES—BY KIND OF BUSINESS

Eleventh Federal Reserve District

Kind of business	Percentage of total sales					
	Cash		Charge accts.		Instalment	
	1947	1946	1947	1946	1947	1946
Automobile dealers.....	59	56	30	36	11	8
Auto tire and accessory stores..	51	60	21	25	28	15
Department stores.....	42	47	53	49	5	4
Furniture stores.....	20	26	14	14	66	60
Hardware stores.....	40	44	58	54	2	2
Household appliance stores...	22	28	48	45	30	27
Jewelry stores.....	41	47	37	31	22	22
Men's clothing stores.....	49	54	48	43	3	3
Women's apparel stores.....	48	52	48	44	4	4
Total.....	44	48	45	44	11	8

represent stores engaged predominantly in the distribution of durable goods. In the case of department, hardware, men's clothing, and women's apparel stores, instalment sales constituted a very small percent of the total, since credit sales are handled mostly on a charge-account basis. In other reporting lines except furniture, instalment sales during 1947 still were less than one-third of total sales. The high ratio at furniture stores merely reflects the fact that furniture is sold largely on an instalment basis, and that characteristic persisted throughout the war period when the significance of instalment sales generally declined substantially.

Receivables. As a background for the following discussion of year-end receivables outstanding, the presentation of a few facts regarding the trend and composition of consumer credit outstanding in the United States may be helpful. From Table IV it will be noted that while total consumer credit outstanding increased by only one-third during 1947, there were extremely wide variations in the percentage gains among the several types of credit. Instalment credit, which constituted slightly less than one-half of the total outstanding at the end of the year, rose by 55 percent during 1947 and reached a level only slightly below the record amount outstanding in August 1941. The factor contributing most significantly to the rise last year was the expansion of 82 percent in instalment sale credit. Again, there were wide variations in the percentage gains in sale credit originating among the several lines of trade, ranging from 44 percent for furniture to 112 percent for automobiles. Despite the large gain during 1947, total instalment sale credit was still about one-fourth below the 1941 peak. Modifying to some extent the large gain in instalment sale credit in 1947 was the more moderate increase of 37 percent in outstanding instalment loans made by various lending institutions. The fact that these loans are now more than one-third higher than in 1941 is indicative of the extent to which instalment loans displaced instalment sale credit during the war period. In comparison with the large increase in instalment credit, charge-account credit increased by only 18 percent in 1947, after having risen by 56 percent in 1946.

Turning to an analysis of the experience of reporting stores in this District with receivables during 1947, it may be stated that in most lines of trade the rise in charge-account receivables was at a greater rate than that in charge-account sales, indicating a general slowing down in the rate of collections. Except for auto tire and accessory stores, the increase in charge accounts in each line was equal to or greater than that for all charge accounts in the United States. With respect to instalment accounts, the increases in six of the nine lines were more pronounced than the respective increases in instalment sales, probably reflecting a lengthening of pay-out periods. Instalment accounts at reporting stores showed a much smaller expansion than instalment sale credit in the United States. Where comparisons are possible, only department and furniture stores increased instalment accounts by a greater percentage

TABLE IV
ESTIMATED CONSUMER CREDIT OUTSTANDING

Type of credit	(In millions of dollars)		Percent change 1947 over 1946
	Amount outstanding 1947	Amount outstanding end-of-year 1946	
Instalment credit—total.....	\$ 6,154	\$ 3,976	55
Sale credit—total.....	2,839	1,558	82
Automobile.....	1,151	544	112
Department and mail order stores.....	650	337	93
Furniture stores.....	528	366	44
Household appliance stores..	52	28	86
Jewelry stores.....	192	123	56
All other stores.....	266	160	66
Instalment loans.....	3,315	2,418	37
Single payment loans.....	2,697	2,262	19
Charge accounts.....	3,612	3,054	18
Service credit.....	916	874	5
Total consumer credit...	\$13,379	\$10,166	32

SOURCE: *Federal Reserve Bulletin*, March 1948.

than the national average. The underlying reasons for the relatively smaller growth of instalment accounts in this District may be found in several factors, such as the continued large percentage of cash sales, the more extensive use of charge-account credit, and the resort to lending institutions for the financing of a larger percentage of purchases that ordinarily would create instalment sale credit.

Inventories. In comparison with the very large increases in 1946, inventories at the reporting stores in the several lines of trade showed only moderate increases during 1947. In fact, the increases in a majority of the lines were so small as to suggest that they resulted entirely from a rise in prices. The major increases occurred in those durable goods lines where adequate supplies have been difficult to obtain or where inventories were relatively low at the end of 1946. In soft goods lines, merchants generally have become more cautious with respect to building up inventories and have directed more effort toward ridding their shelves of the less desirable goods and obtaining a better balance of supplies in accordance with consumer preference.

TABLE V
PERCENTAGE CHANGES IN BAD DEBT LOSSES AND
RATIOS OF BAD DEBT LOSSES TO CREDIT SALES
BY KIND OF BUSINESS

Eleventh Federal Reserve District

Kind of business	Percentage change in bad debt losses 1947 over 1946 Total	Ratios of bad debt losses to total credit sales	
		1947	1946
Automobile dealers.....	37	0.25	0.24
Auto tire and accessory stores.....	119	0.70	0.42
Department stores.....	-3	0.35	0.41
Furniture stores.....	29	0.34	0.33
Hardware stores.....	69	0.87	0.66
Household appliance stores.....	43	0.29	0.34
Jewelry stores.....	20	1.21	1.04
Men's clothing stores.....	37	0.93	0.76
Women's apparel stores.....	30	0.57	0.48
Total.....	15	0.41	0.42

Bad debt losses. The increase in bad debt losses during 1947 was not an unusual or unexpected development in view of the substantial expansion in credit sales, the slowing down in the rate of collections, and the easing of credit terms. On a percentage basis the increases were quite large and showed a wide variation as between the several lines of trade. The only kind of business to report a decrease in bad debt losses in 1947 as compared with 1946 was department stores. When bad debt losses in the several lines of trade are related to the respective credit sales it will be observed that the experience was very favorable. The data presented in Table V show that the smallest losses in relation to credit sales occurred at automobile dealerships, where they amounted to only 25 cents out of each \$100 of credit sales. The largest losses, amounting to \$1.21 out of each \$100 of credit sales, were reported by jewelry stores.

Analysis by Line of Trade

For readers engaged in or otherwise especially interested in a particular kind of business, there are presented below brief summaries of significant developments during 1947 in each of the nine lines of trade covered by the survey.

Automobile dealerships. Although 1947 production of automobiles virtually equaled the record number turned out in 1941, supplies were much too small to satisfy the urgent demand. Consequently, increased sales of cars, combined with the large parts and repair business, enabled automobile dealers to increase greatly their aggregate volume of business. Total sales in 1947 exceeded by 44 percent the very high level reached in 1946. In most divisions of the business, demand was strong enough to enable dealers to require customers to make large down payments or, where desirable, to make settlement in cash. Also, many customers were willing to pay cash in order to accelerate deliveries. In consequence, cash sales in 1947 increased 53 percent over those in 1946 and constituted 59 percent of total sales as compared with 56 percent in 1946. The volume of charge-account sales increased 21 percent, although they were only 30 percent of total sales in 1947 as against 36 percent in 1946. Although instalment sales rose sharply for the second consecutive year, they constituted only 11 percent of total sales in 1947. Reflecting the good collection experience and probably the sale of receivables, accounts receivable outstanding at the end of 1947 were only 19 percent larger than a year ago even though total credit sales increased by a substantially larger percentage. Instalment

accounts at reporting stores in the District, which had been declining for several years, increased 28 percent during 1947. The size of this increase was small in relation both to the gain in instalment sales of these firms and the rise of 112 percent in total automobile instalment credit outstanding in the United States. Inventories, which had more than doubled in 1946, showed a further increase of 21 percent in 1947. The rapid turnover, however, militated against the accumulation of merchandise. Bad debt losses in 1947, while 37 percent larger than in 1946, represented only 25 cents for each \$100 of credit sales or about the same as in 1946.

Auto tire and accessory stores. The moderate increase during 1947 over 1946 of only 5 percent in total sales of auto tires and accessories is indicative of the fact that the most pressing demands of consumers for these types of merchandise were satisfied relatively early in the postwar period. This industry converted to peacetime production immediately after the end of the war and, with the increased productive facilities, was able to work off the backlog of demand and to build up adequate inventories of tires and tubes in a relatively short time. The early return of competitive conditions is suggested by the fact that steady prices in the earlier postwar period gave way to some price reductions in 1947 and additional quality lines calculated to appeal to consumers at various income levels were introduced. Collateral factors affecting the volume of sales were the tendency for new cars to be equipped completely prior to delivery and the disposition of owners of old cars to hold new equipment purchases to a minimum. During the year there was a sharp reversal in the trend of cash and charge-account sales, which declined 12 percent and 13 percent, respectively, from 1946. Instalment sales, which normally represent an important element in this line of trade, increased 95 percent in 1947 over 1946 and constituted 28 percent of total sales as compared with 15 percent in the preceding year. Year-end instalment receivables, which had declined during the war period, rose by 132 percent in 1946 and again by 103 percent in 1947. Bad debt losses at reporting stores increased very sharply, both in actual amount and in relation to credit sales, yet such losses in 1947 represented only 70 cents for each \$100 of credit sales as compared with 42 cents in 1946.

The generally cautious inventory policies followed by dealers and the adequacy of supplies are indicated by the fact that the 9 percent increase in year-end inventories was only moderately larger than the percentage gain in the year's sales.

Department stores. The sales of department stores in the District, which had shown a substantial expansion throughout the war period, leveled off during 1947. Among the significant developments during the year were the preponderance of declines in sales in those departments representing women's apparel and accessories and the very sharp increases in sales of several items of house furnishings, which include the several kinds of household appliances. Sales of men's clothing increased substantially, but those of other types of men's wear showed relatively small changes. During the war and early postwar period, when durable goods were scarce, sales of women's apparel and accessories increased disproportionately to total sales, but during 1947 there was a trend toward the correction of this distortion.

The decline of 8 percent in cash sales during 1947 was about counterbalanced by a rise in charge-account sales. Reflecting these trends, cash sales comprised only 42 per cent of total sales, while the proportion of charge-account sales rose to 53 percent. Instalment sales and year-end instalment receivables were both approximately double the small totals for the preceding year, but they still represented a small proportion of the department store business. Department stores represented the only line of trade to experience a decline in bad debt losses during 1947. Such losses were equivalent to 35 cents for each \$100 of credit sales in 1947, as against 41 cents in 1946.

Indicative of the cautious inventory policies among department stores of the District was the maintenance of outstanding orders throughout most of 1947 at a substantially lower level than in 1946. Although the value of inventories was high at the end of 1946, substantial reductions were ef-

fectured during the first part of 1947 and were not increased significantly until the final quarter of the year. At the year-end, stocks were 10 percent higher than at the close of 1946, but among individual departments changes ranged from decreases of nearly one-third to increases of more than 200 percent. These variations reflect in part the strenuous efforts to bring about a better balance between inventories of various types of goods and at the same time to maintain a firm control over total inventories.

Furniture stores. In many respects, the year 1947 was a period of adjustment in furniture manufacturing and distribution. Demand continued at a high level, reflecting the furnishing of new housing units, the heavy buying by veterans and others who were establishing or re-establishing homes, and the widespread replacement of old furniture. At the same time, there was a noticeable shift in the demand for the various types of furniture, with the emphasis upon better quality. Retailers generally were confronted with the problem of reducing stocks of inferior quality merchandise and of increasing supplies of better quality goods in the face of rising consumer resistance to high prices.

Total sales in 1947 showed a further increase of 13 percent over those in 1946. Reflecting the diminishing importance of cash transactions in the furniture trade after a noticeable increase during the war period, cash sales declined 15 percent in 1947, while increases of 7 percent and 19 percent, respectively, occurred in charge-account and instalment-account sales. As a percentage of total sales, cash sales declined to 20 percent in 1947 from 26 percent in 1946, charge-account sales remained unchanged at 14 percent, and instalment sales rose to 66 percent in 1947 from 60 percent in 1946. Although the percentage of business handled on an instalment basis in 1947 was larger in the furniture trade than in any other of the nine reporting lines of trade, it is still well below the prewar ratio. As compared with the preceding year, charge-account receivables at the end of 1947 were up 25 percent, and outstanding instalment accounts were 47 percent larger, reflecting chiefly the easing of credit terms. Bad debt losses increased 29 percent in 1947 over 1946, but such losses were held down to 34 cents per \$100 of credit sales, or about the same as in 1946. Inventories increased 11 percent, or slightly less than that in sales.

Hardware stores. A strong demand for items handled by hardware stores continued during 1947, with total sales of reporting stores exceeding those in the preceding year by 15 percent. Although scarcities in supplies of many items, especially builders' hardware, persisted during much of 1947, supplies of most items were obtainable in much larger quantities than in the preceding year. This fact made possible the building up of better balanced inventories and was responsible in part for the increase of 25 percent in total inventories during the year. Hardware stores represented one of the three reporting lines of trade in which cash sales continued to increase in 1947, but the size of the increase, 5 percent, was small. The proportion of total sales represented by cash sales, however, dropped to 40 percent in 1947 from 44 percent in 1946. This decrease was counterbalanced by a rise in charge-account sales, which constituted 58 percent of total sales in 1947 as against 54 percent in 1946. Instalment sales, which normally represent an insignificant portion of the hardware business, constituted only 2 percent of total sales in each year. Total accounts receivable, represented chiefly by charge accounts, increased 36 percent or a much larger percentage gain than that shown for credit sales. The rise in credit sales was accompanied by an increase of 69 percent in bad debt losses. These losses represented 87 cents per \$100 of credit sales in 1947 as against only 66 cents in 1946.

Household appliance stores. The business of household appliance stores rose sharply in 1947, the increase of 47 percent in total sales being the largest reported among the nine lines of trade included in the survey. This increase in sales was accompanied by a 43 percent expansion in inventories. These gains, following much larger ones in 1946, reflect largely the unusual conditions of supply and demand prevailing in this field. As early as 1946, radios and smaller household appliances were flowing to consumers in very large volume, and by the end of that year output of the various types of major appliances was nearing or exceeding the 1941 production rate. In 1947, output in each case was greatly

in excess of that in either 1946 or 1941. Hence, the retail stores were favored by a large increase in supplies and an eagerness for the goods. While cash sales increased 14 percent, the most impressive gains were the 58 percent increase in charge-account sales and the 64 percent increase in instalment sales. Although year-end receivables increased substantially, the gains were moderate in comparison with the large increase in credit sales, indicating rapid customer liquidation of accounts and probably the transfer of accounts to financing agencies. Although bad debt losses in 1947 were 43 percent larger than in 1946, the much larger increase in credit sales accounted for the decline in losses per \$100 of credit sales to 29 cents from 34 cents in 1946.

Jewelry stores. Total sales of reporting jewelry stores declined 10 percent in 1947 after having shown a smaller gain in 1946 than most other lines of trades. Since much of the merchandise handled by jewelry stores is included in the luxury class by consumers, the return of long-awaited and much needed durable goods to the market in large quantities has offered strong competition with jewelry for the consumers' dollar. With an increasing number of consumers finding it difficult to meet the rising cost of living out of current income, there has been a tendency to defer the purchase of unnecessary or luxury goods. Cash sales declined 21 percent in 1947 as compared with 1946 and, conforming with the trend in other recent years, showed a further decrease in relation to total sales. Nevertheless, cash sales in 1947 represented 41 percent of total sales as compared with 37 percent for charge-account sales and 22 percent for instalment-account sales. The slowing down of collections in the trade is indicated by the increases during the year of 19 percent in charge-account receivables and of 15 percent in instalment-account receivables. The increase of 20 percent in bad debt losses was smaller than in most other lines of trade, but these losses amounted to \$1.21 per \$100 of credit sales in 1947 and \$1.04 in 1946. The dollar value of inventories at the end of 1947 was about the same as a year earlier.

Men's clothing stores. The increase of only one percent in the total sales of reporting men's clothing stores in 1947 over 1946 was indicative of the rapidly diminishing backlog of demand. In the latter part of 1945 and in 1946, the rapid discharge of men from the armed forces created a tremendous demand for clothing and furnishings, and the principal factor limiting the volume of sales at retail outlets was the inability of producers to turn out garments in sufficient quantity to satisfy the urgent demand. In view of the shortages of cloth, manufacturers in turn were limited in the selection of materials and patterns, with the result that output of various types of garments was influenced strongly by the material available. Due to limited supplies and the urgency of demand, there was a tendency for retailers to accept whatever merchandise was available for purchase. Toward the end of 1946, however, the most urgent demand had been met, and by the end of the first quarter of 1947 it was evident that pipe lines generally had been filled. While demand continued strong throughout the year, consumers generally showed increasing resistance to high prices and a growing reluctance to purchase either the lower-priced, inferior quality garments or the higher-priced, fine quality garments. Moreover, as supplies became more plentiful, consumers evidenced greater selectivity in the type and quality of merchandise they would accept, and retailers, through the composition of orders, exerted pressure upon manufacturers to supply goods more in line with consumer preferences.

The decrease of 10 percent in cash sales during 1947 as compared with 1946 probably reflected the re-establishment by veterans of credit relations with retailers and a diminishing supply of cash resources. In contrast with the trend in cash sales, charge-account sales increased 11 percent and instalment sales rose 32 percent. It should be observed, however, that cash sales in 1947 still constituted 49 percent of total sales or about the same ratio as charge-account sales. Despite the large percentage increase in instalment-account sales, the increase in dollar amount was so small that the ratio to total sales did not change from the 3 percent reported for 1946. The more pronounced increase in receivables than in credit sales indicated slower payments on outstanding accounts. The bad debt losses in 1947 increased by 14 percent or slightly more than the rise in credit sales. Losses from bad debts amounted to 93 cents for each \$100 of credit sales in 1947 as compared with 76 cents in 1946. The

inventories of reporting stores, after increasing 123 percent during 1946 from the low base at the end of 1945, rose only 13 percent further in 1947. The principal problem of retailers during the latter year was to achieve a better balance in the composition of inventories in relation to the current and prospective demand for various types and qualities of merchandise.

Women's apparel stores. The production of and demand for women's apparel, which had

TABLE VI
PERCENTAGE CHANGE IN SALES, END-OF-YEAR RECEIVABLES, AND STOCKS—BY KIND AND LOCATION OF BUSINESS

Eleventh Federal Reserve District

Kind of business by location	Number of stores	Percentage change 1947 over 1946—		
		Total sales	Total end-of-year receivables	Stocks*
Automobile dealers:				
Eleventh District.....	74	44	19	21
Amarillo.....	4	52	35	10
Corpus Christi.....	3	37	23	68
Dallas.....	8	49	6	†
El Paso.....	3	41	29	32
Lubbock.....	4	36	21	63
San Antonio.....	5	35	5	11
Seguin.....	3	32	27	37
Wichita Falls.....	3	16	15	11
Auto tire and accessory stores:				
Eleventh District.....	77	5	70	9
Houston.....	3	—17	22	63
Department stores:				
Eleventh District.....	54	4	31	10
Abilene.....	3	†	20	—3
Corpus Christi.....	3	5	32	—2
Dallas.....	6	1	18	—7
Fort Worth.....	3	2	35	6
Houston.....	5	16	68	47
San Antonio.....	6	†	31	11
Waco.....	3	—†	18	7
Furniture stores:				
Eleventh District.....	67	13	45	11
Austin.....	3	7	73	11
Dallas.....	5	6	50	—7
Denison.....	3	—5	8	23
Houston.....	11	24	40	37
San Antonio.....	6	8	41	—13
Hardware stores:				
Eleventh District.....	49	15	36	25
Longview.....	3	30	105	86
San Antonio.....	3	7	2	43
Household appliance stores:				
Eleventh District.....	113	47	27	43
Dallas.....	3	30	52	31
Jewelry stores:				
Eleventh District.....	32	—10	17	1
Monroe, La.....	3	—10	45	—9
Dallas.....	4	—15	17	12
Houston.....	4	—4	18	—2
Men's clothing stores:				
Eleventh District.....	43	1	32	13
Shreveport, La.....	4	8	70	20
Houston.....	4	—10	30	31
Women's apparel stores:				
Eleventh District.....	41	—1	24	7
Dallas.....	3	—8	—3	4
Houston.....	6	—1	27	25

*Retail value.

†Indicates change of less than one-half of one percent.

risen sharply in recent years and reached abnormally high levels in 1946, turned downward in 1947. This readjustment to a lower level occurred despite the drastic change in style which outmoded wardrobes and caused much larger purchases by many consumers than otherwise would have been made. Accompanying the rapid style change were price increases on the new-style garments, a shift in the composition of demand, and reduced-price clearance sales on old-style merchandise. One prominent development was the drift away from coats, suits, and certain type of dresses and a stronger demand for skirts and blouses. At reporting stores in the District, aggregate dollar sales in 1947 were one percent below those in 1946, and when adjustment is made for the higher prices, unit sales apparently declined substantially. The decline of 10 percent in cash sales was approximately counterbalanced by an expansion in charge-account sales. As in the case of men's clothing, sales of women's apparel were about evenly divided between cash and charge-account sales. Instalment sales continued relatively unimportant, constituting only 4 percent of total sales. Accounts receivable outstanding at the end of 1947 were nearly one-fourth higher than a year earlier, an increase much larger than the gain in credit sales. The amount of losses from bad debts increased 30 percent from 1946 to 1947, but the total was so small that it represented only 57 cents from each \$100 of credit sales in 1947 as compared with 48 cents in 1946. The readjustment in demand was also reflected in inventories. After increasing by 98 percent in 1946, inventories showed an increase of only 7 percent in 1947.

Comparative Data by Cities and by Kind of Business

For the benefit of those who are interested in comparing their experience with the combined figures of reporting stores in the same city, there is presented Table VI summarizing data on sales, inventories, and year-end receivables. In some instances the sample of reporting stores may be too small to assure the reliability of the figures, but they are presented to permit comparisons for as many cities as possible. A study of the data would suggest that in only a few instances is the variance of

the local data from those of the District so great as to rule out peculiarities of the local situation as a possible cause of the variance.

Comparative Data by Size of Business

There are presented in Table VII data on sales, inventories, and inventory turnover by size of store and by line of business. It will be observed that the large stores showed the largest increase in sales, while the medium-size stores reported the smallest. The small stores, however, reported the largest percentage gain in inventories as well as the lowest rate of turnover. The medium-size stores reported the highest turnover rate. Except in the case of automobile dealers, the turnover rates in the several lines of business during 1947 did not vary significantly from the respective ratios in 1946.

TABLE VII

TOTAL SALES AND INVENTORIES BY SIZE OF STORE AND KIND OF BUSINESS

Eleventh Federal Reserve District

Classification	Number of stores*	Percentage change		Inventory turnover	
		Total sales	1947 over 1946 Year-end stocks at retail	1947	1946
Size classification:					
Large stores.....	290	16	13	4.9	4.8
Medium stores.....	115	2	8	5.0	5.3
Small stores.....	81	8	17	4.1	4.5
All sizes.....	486	11	11	4.9	4.9
Kind of business:					
Automobile dealers.....	71	47	21	9.0	7.4
Auto tire and accessory stores.....	67	4	9	3.9	4.0
Department stores.....	48	4	10	4.8	5.0
Furniture stores.....	49	16	11	3.4	3.3
Hardware stores.....	39	17	25	3.8	4.0
Household appliance stores....	109	49	43	4.4	4.2
Jewelry stores.....	26	—8	1	2.0	2.1
Men's clothing stores.....	42	1	13	4.2	4.6
Women's apparel stores.....	35	—†	7	6.1	6.6

*Identical stores reporting both sales and inventories.
†Indicates change of less than one-half of one percent.

Some Observations About Trade Developments in 1947

In concluding the comments on the 1947 Retail Credit Survey, it may be appropriate to summarize some of the developments and trends suggested by the data reported and by collateral information obtained from other sources:

1. The increase in the dollar volume of sales during 1947 reflected chiefly an increase in prices and consumer purchases of larger quantities of durable goods. In soft goods and luxury merchandise, it appears that the unit volume of sales showed a downward trend and in some instances counterbalanced the effect of rising prices upon the dollar value of sales. These trends appear likely to persist throughout most of the current year.

2. The price and quality consciousness of consumers was intensified during 1947. Reports of consumer resistance to high prices and of their unwillingness to accept merchandise of inferior quality have become more numerous. While necessity has required some shifts from higher-priced to lower-priced merchandise, consumers generally are looking for quality merchandise at prices they consider reasonable or can afford to pay. These trends may become more pronounced if rising prices should place more pressure upon current incomes.

3. It appears that an increasing number of consumers are running short of dollars. Increased living costs appear to be absorbing a growing proportion of current income, leaving fewer dollars to be used in purchasing other merchandise.

4. The number of products in which shortages persist are becoming fewer. In most items supplies have caught up or are rapidly catching up with demand. This development has already increased competition among retail outlets, and it is likely to be intensified in 1948. Retailers are returning to reduced-price and promotional sales as a means of stimulating consumer buying. As supplies of goods increase and competition is intensified, there is a tendency for prices to level off or decrease. In fact, prices of some goods, even among the durable items, are softening.

5. Significant developments have been the noticeable increase in credit sales and an increase in the ratio to total sales. Moreover, the volume of outstanding accounts has risen at a more rapid rate than credit sales, indicating a slowing down in the rate of collections. At the same time there has been a competitive easing of credit terms, a trend which may be accelerated in the event competition for sales volume becomes more pronounced. Under these circumstances, bad debt losses may increase.

6. Consumer demands for lower prices and better quality merchandise, combined with increased operating costs, may tend to compress the profit margins of retailers.

The foregoing developments suggest some of the forces operating in the retail fields of merchandising. The strength of the forces during the current year will vary among the several lines of trade and among individual retail outlets. As the year advances, changing conditions may tend to strengthen or to soften their effect. It is hoped that study of these trends may be of value to individual retailers in their attempts to solve their own operating problems.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

Farmers have made good progress with field work but weather conditions have been generally unfavorable for seed germination and crop development. Both surface and subsoil moisture supplies are still deficient over much of the western portion of the District, and the high winds during recent weeks have tended to sap topsoil moisture in other areas. Planting intentions of farmers in the District indicate that the total acreage planted to crops other than cotton may closely approximate plantings in 1947. The sharp increase in the acreage of crops intended for grain sorghums is about counterbalanced by decreases in the acreages of several other crops. Scattered reports from various sections of the District suggest an increase in cotton acreage. With the improvement in range conditions, livestock are recovering from the effects of the severe winter but their condition is below average for this season.

The daily average production of crude petroleum in the District during March, amounting to 2,639,000 barrels, declined slightly from the peak rate established in February but was 311,000 barrels higher than in March 1947. Current production allowables in Texas indicate that April production may reach a new peak. After reaching a postwar peak in February, the rate of construction contract awards declined substantially in March. Nevertheless, total value of awards for the first quarter of the year closely approximated that of the corresponding period last year. Due to the rise in building costs, however, the physical volume of construction represented by the awards declined somewhat.

The dollar sales of department stores in the District during March were 33 percent larger than in February and 18 percent higher than in March 1947. Even after adjustment for the early date of Easter this year, the increase in sales over March last year was about 10 percent as compared with a year-to-year gain of 6 percent during the first two months of the year.

Federal Reserve notes of the bank continued to decrease during the past month bringing the net decline since the first of the year to about \$36,000,000, the largest decline of record for this period. Commercial, industrial, and agricultural loans of weekly reporting member banks declined further between March 10 and April 14. Due to the sharp increase during the first half of April, deposits at these banks showed little net change during the period.

BUSINESS

Despite the setback caused by the severe cold wave during the second week of March, pre-Easter buying at department stores was in large volume. During the two weeks immediately preceding Easter, when favorable weather prevailed, sales rose sharply and exceeded those in the corresponding weeks of 1947 by a wide margin. In the weeks following Easter, widespread clearance and promotion sales featuring reduced prices were successful in maintaining business at a relatively high level. For the full month of March, dollar sales were one-third higher than in February and 18 percent above those in March last year. The adjusted index of sales, which makes allowance for seasonal factors and the varying date of Easter, rose in March to 384 percent of the 1935-39 average from 368 percent in February and 347 percent in March 1947.

Cash sales during March constituted 36 percent of total sales, a slight increase from the previous month but a noticeable decline from the 41 percent registered in March last year. Simultaneously with the increased use of cash in making purchases, department store collections in March showed a tendency to

recover, at least temporarily, from the downward trend evident in recent months. The ratio of collections on charge accounts outstanding at the first of March rose to 53 percent from 51 percent in February, regaining the level recorded in January. Collections on instalment accounts outstanding at the beginning of March amounted to 25 percent as compared to 19 percent in February and 22 percent in January. The increases in cash sales and in collections probably reflected in part the higher pay rolls as out-of-door workers returned to continuous employment after long periods of unemployment during the severe weather earlier in the year.

WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in				
		Net sales			Stocks †	
		March 1947	March 1948 from February 1948	Jan. 1 to Mar. 31, 1948 from 1947	March 1947	March 1948 from February 1948
Department stores:						
Total 11th Dist.....	48	18	33	11	25	7
Corpus Christi.....	4	3	41	— 1	12	8
Dallas.....	7	15	26	6	16	7
Fort Worth.....	4	20	31	11	30	16
Houston.....	7	32	40	23	40	3
San Antonio.....	5	10	28	11	14	1
Shreveport, La.....	3	31	45	19	..	..
Other cities.....	18	15	37	6	34	10
Retail furniture:						
Total 11th Dist.....	38	11	19	..	7	3
Dallas.....	3	6	6	..	— 5	4
Houston.....	3	— 2	21	..	..	..
Port Arthur.....	3	43	52	..	..	..
San Antonio.....	4	19	23	..	..	..
Wholesale trade:*						
Hardware.....	9	8	14	3	20	3
Industrial supplies..	3	23	32	..	34	6
Drugs.....	4	— 2	8	— 1	— 8	1
Dry Goods.....	7	4	31	..	11	5
Groceries.....	22	5	9	1	12	— 3
Tobacco & products..	8	4	10	2	..	..

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

†Stocks at end of month.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Daily average sales—(1935-39=100)

	Unadjusted*			Adjusted		
	March 1948	February 1948	January 1948	March 1948	February 1948	January 1948
District.....	384	324	316	337r	384	368
Dallas.....	363	320	295	329r	374	364
Houston.....	447	359	348	351	502	408

Stocks—(1935-39=100)

	Unadjusted*			Adjusted		
	March 1948	February 1948	January 1948	March 1948	February 1948	January 1948
District.....	399	377r	346	326	420	385

*Unadjusted for seasonal variation.

r-Revised.

The dollar value of inventories at department stores rose 7 percent during March, and the total at the end of the month exceeded that of a year earlier by about one-fourth. The marked widening in the margin of gain over last year since the end of 1947 reflects in part the smaller than anticipated sales volume during the first quarter of 1948. The slowing down in demand and the increase in stocks earlier in the year generated caution on the part of many department store executives, with the result that forward buying became more selective and the volume of new orders was reduced. In consequence of these developments and the heavy deliveries during March, outstanding orders declined further and at the end of the month were one-fourth lower than at the close of February and 5 percent less than a year ago.

The dollar sales at reporting furniture stores in the District, which had declined in February, rose 19 percent in March and exceeded the total for March 1947 by 11 percent. Credit sales increased by a greater percentage than total sales and constituted 86 percent of the total in March this year as compared with 82 percent in March last year. Furniture sales since the

first of the year, while exceeding those of the corresponding period last year, also have been generally disappointing. Reports indicate that consumer resistance to high prices is becoming more persistent and widespread, and this development has created uncertainty over the future trend of business. Reflecting in part the cautious attitude of furniture store managers, efforts have been made to maintain a firm control over inventories. At the end of March total inventories were 3 percent above those at the end of February and 7 percent above those at the close of March 1947. At the end of 1947, inventories were 10 percent higher than a year earlier.

AGRICULTURE

Weather conditions in late March and early April were generally unfavorable for planting and development of crops. The already short moisture supply was rapidly depleted by high, dry winds, causing further delay in planting many field crops. While near mid-April rains which fell over Louisiana and much of the eastern half of Texas were beneficial to seeded crops in those areas, most of the western and northwestern sections of the District remained dry. Planting of new crops in the commercial vegetable areas has made considerable advancement, although growing crops have been affected adversely by winds and moisture shortages. Due to lack of rain, range feeds have been in short supply, causing further deterioration in condition of livestock in the western areas of the District.

PLANTED ACRES—TEXAS AND FIVE STATES

(Thousands of acres)

Crop	Texas			Five States ¹		
	Average 1937-46	1947	Indicated 1948	Average 1937-46	1947	Indicated 1948
Corn.....	4,502	2,973	2,795	7,905	5,471	5,198
Winter wheat.....	4,882	7,587	6,980	10,589 ²	15,437 ²	15,152 ²
Oats.....	1,823	1,758	1,653	3,507	3,490	3,422
Barley.....	330	171	205	901 ²	514 ²	591 ²
Flax.....	43 ³	47 ⁴	172	82 ⁴	118 ⁴	210 ⁴
Rice.....	343	474	453	894 ⁵	1,090 ⁵	1,093 ⁵
All sorghums.....	7,101	5,748	6,784	9,758	7,555	8,622
Irish potatoes.....	54	43	46	136	100	99
Sweet potatoes.....	62	56	48	175 ⁶	155 ⁶	133 ⁶
Soybeans alone ⁷	24	6	5	152 ⁶	136 ⁶	139 ⁶
Cowpeas alone ⁷	480	186	167	707 ⁶	286 ⁶	269 ⁶
Peanuts alone ⁷	635	941	800	834 ⁶	1,316 ⁶	1,138 ⁶
All hay ⁸	1,430	1,681	1,547	3,447	4,055	3,795

¹Arizona, Louisiana, New Mexico, Oklahoma, and Texas. ²Arizona; New Mexico, Oklahoma, and Texas. ³Short-time average. ⁴Texas, Arizona, and Oklahoma. ⁵Louisiana and Texas. ⁶Texas, Louisiana, and Oklahoma. ⁷Grown alone for all purposes; partly duplicated in hay acreage. ⁸Louisiana, New Mexico, Oklahoma, and Texas. ⁹Acreage harvested.

SOURCE: United States Department of Agriculture.

The 1948 wheat crop in Texas was forecast by the United States Department of Agriculture on April 1 at 48,860,000 bushels. This estimate is 61 percent below the record crop of 124,270,000 bushels produced last year and compares with a crop of 62,916,000 bushels in 1946 and the 10-year (1937-46) average of 45,686,000 bushels. Although the seeded acreage, estimated last December at 6,980,000 acres, is the second largest of record, the April 1 prospects indicated a low yield of only 7 bushels per acre in 1948, compared with 16.4 bushels per acre last year. Wheat has made good growth in the northern counties of the Texas Panhandle, but the rapid growth, high temperatures, and winds exhausted surface moisture supplies, and rains are badly needed to maintain progress. Wheat is standing up fairly well in other areas except in southern counties of the High and Low Rolling Plains and Edwards Plateau, where the effects of the drought are becoming more serious.

A considerable acreage of the Texas oat crop which was killed by the March freeze has been plowed up, and although mid-April rains were beneficial to the remaining oat crop in the eastern part of the District, additional moisture was needed to mature the crop in parts of central and southern Texas. Corn has made generally good growth, although some acreage in scattered areas of Texas was in need of rain. Cotton in Texas,

which was up to a good stand as far north as southcentral counties at mid-April, was also in need of additional moisture for continued growth. A record acreage of cotton has been planted in the Lower Rio Grande Valley, where production prospects were improved by rains near the middle of April. Planting of sorghums in west Texas was delayed while many farmers waited for rain before seeding. Flax has made good growth in the Coastal Bend areas but is suffering from a lack of moisture in other sections. Peanut planting was delayed by dry conditions prior to the mid-April showers, which were beneficial to peanut planters in many eastern localities. The seeding of rice in Texas was in full swing early in April, with much of it being dry planted.

Weather conditions generally were favorable in the commercial fruit and vegetable areas during the last part of March and early April, except for strong winds. Field work was active as growers replanted acreages of such crops as snap beans, cantaloupes, cucumbers, tomatoes, and watermelons killed by the early March freeze. High, dry winds delayed completion of tomato transplanting in east Texas and caused further damage to growing plants. The south Texas onion crop has made rapid growth, favored by warm weather, and harvest was expected to become active around mid-April. A fair-sized acreage of onions has been planted in north Texas, despite adverse weather and soil moisture conditions. Planting of watermelons and cantaloupes in the midseason and late areas has been favored by good moisture conditions, but it has been too dry for extensive replanting in the early areas. Harvest of spring potatoes began in early April, and shipments began in volume about the middle of the month. Although freeze damage to fruit crops in northern counties of Texas appears to have been less than expected, severe losses occurred in other areas, and current prospects are for a greatly reduced production this year.

The development of new range feed was retarded in many areas by the cold wave in early March, when tender growths of clovers, rescue grass, and early weeds were frozen. In southwestern, Edwards Plateau, Trans-Pecos, and South Plains counties of Texas and in southern New Mexico and Arizona the growth of new range feed has been delayed by the continued dry weather. Prospects for early improvement were dimmed by high winds in March and April, which rapidly dissipated surface moisture. The condition of cattle ranges in Texas on April 1, although better than a month earlier, was still 6 percent below average for this season. Sheep ranges were in a slightly less favorable condition than a month before and were 22 percent below average.

Cattle generally were in below average condition on April 1, reflecting shortages of range feeds and unfavorable weather conditions in many sections during the preceding month. The early March storms caused heavy shrinkage to all cattle and heavy death losses among newborn calves. Cattle in the eastern part of the District are recovering rapidly on the generally plentiful supply of feed, but in the dry western areas they remain thin and weak. Because of the extremely dry conditions, it is expected that the spring movement of cattle to the Kansas and Oklahoma grazing areas may exceed earlier intentions. The condition of cattle in Texas on April 1 was unchanged from a month earlier and 6 percent below average.

Sheep came through the winter in below average condition, and the continued scarcity of green feed caused a further decline in condition during March and April. Losses of newborn lambs during the cold wave were heavy, and the development of early lambs has been slow because of the low milk flow from ewes. The condition of sheep in Texas on April 1 was down slightly from a month earlier and 13 percent below average for this season. Sheep shearing was making good progress in the prin-

cipal sheep raising areas of the District at mid-April. The condition of goats in Texas on April 1 was reported to be 10 percent below average.

Combined receipts of livestock at the Fort Worth and San Antonio markets during March were up 42 percent from February but 13 percent below March 1947. The greatest percentage increases over February came in receipts of sheep and lambs, which almost doubled, although significant increases occurred also in receipts of other classes of livestock. Receipts of cattle and calves in March were considerably smaller than during the same month last year; receipts of hogs and sheep were slightly larger.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	March 1948	March 1947	February 1948	March 1948	March 1947	February 1948
Cattle.....	34,354	60,931	27,465	21,191	28,973	20,394
Calves.....	9,509	21,200	11,147	14,281	18,477	10,692
Hogs.....	56,239	56,135	46,436	8,512	6,390	6,435
Sheep.....	75,524	88,932	32,754	37,266	12,851	25,269

COMPARATIVE TOP LIVESTOCK PRICES
(Dollars per hundredweight)

	Fort Worth			San Antonio		
	March 1948	March 1947	February 1948	March 1948	March 1947	February 1948
Beef steers.....	\$29.00	\$26.50	\$28.00	\$28.75	\$22.25	\$28.50
Stocker steers.....	26.50	20.00	26.00	.....	.....	.....
Heifers and yearlings.....	29.25	26.00	33.00	28.75	23.00	28.50
Butcher cows.....	23.00	16.00	22.00	23.00	16.00	22.00
Calves.....	29.00	22.00	27.00	28.00	22.00	27.00
Hogs.....	26.50	27.50	26.50	23.25	26.50	27.00
Lambs.....	23.50	24.00	25.00	22.00	22.50	22.50

Prices received by farmers in Texas for most products during the month ending March 15 made substantial gains, recovering from the low levels reached in February. Commodities showing the greatest price increases were feed grains, cotton, cattle, poultry, hay, and oranges. Prices received for potatoes, sheep, and wool remained unchanged, while prices of rice, cottonseed, lambs, dairy products, and grapefruit declined. The index of prices received by farmers in the United States rose on March 15 to 283 percent of the 1910-14 average, after having dropped from the all-time recorded high of 307 in January to 279 in February. The index of prices paid by farmers, which declined from the record high of 251 in January to 248 in February, showed a further decline and stood at 247 on March 15.

CASH FARM INCOME

(Thousands of dollars)

	February 1948		February 1948		Total receipts	
	Receipts from Crops	Livestock*	Receipts from Crops	Livestock*	Jan. 1 to Feb. 29 1948	1947
State.....	\$ 7,738	\$ 4,961	\$ 12,699	\$ 12,539	\$ 33,786	\$ 27,371
Arizona.....	14,457	4,704	19,221	11,306	46,221	34,511
Louisiana.....	5,009	3,655	8,664	6,888	20,000	15,811
New Mexico.....	19,083	18,200	37,343	35,148	89,881	76,161
Oklahoma.....	74,345	41,428	115,773	81,082	286,707	182,774
Texas.....						
Total.....	\$120,632	\$ 73,068	\$193,700	\$146,963	\$476,595	\$336,628

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

SOURCE: United States Department of Agriculture.

Reports from commodity markets indicate that from March 15 to mid-April, prices received for most farm commodities remained relatively stable. Cotton increased about 3½ cents per pound and wheat made a slight advance, but prices of other grains made no significant changes. Prices received for spring lambs and hogs moved up moderately, while prices of other meat animals remained relatively unchanged.

Prospective Plantings for 1948

The Nation's farmers will plant a slightly larger total acreage of principal crops in 1948 than in any of the past three seasons,

according to the United States Department of Agriculture. It is expected that the total acreage of all crops, including cotton and certain others not yet surveyed, may exceed 361,000,000 acres, compared with 357,839,000 acres in 1947 and a wartime peak of 365,168,000 acres reached in 1944. The indicated acreages of peanuts, wheat, oats, barley, rice, and flax exceed the 1948 goals for these crops, while acreages of other crops fall slightly below the goals. In the five states lying wholly or partly within the Eleventh Federal Reserve District, farmers indicated their intentions to plant a slightly larger total acreage to crops other than cotton in 1948 than in 1947. The acreages of barley, soybeans, sorghums, flax, rice, rye, beans, and spring wheat will be larger than last year, while plantings of other crops are expected to be smaller than for the previous season.

Plans of Texas farmers for 1948 indicate an increase in grain sorghum acreage, which will be offset by declines in acreages of corn, oats, and wheat. The total acreage planted to other crops, excluding cotton, will be about the same as last year. The combined acreage devoted to production of all major crops except cotton is expected to total slightly less than 22,000,000 acres, or about the same as in 1947. In Louisiana, the acreage of soybeans is expected to be larger than last year's; the same acreage of cowpeas and sorghums and smaller acreages of feed grains, hay, peanuts, potatoes, and sweet potatoes are in prospect. The indicated total acreage of these crops in Louisiana, amounting to about 2,300,000 acres, is about 110,000 acres below the acreage planted in 1947. Oklahoma farmers expect to increase plantings of oats, cowpeas, and winter wheat; to plant about the same acreage of sorghums and sweet potatoes; and to reduce the acreage of feed grains, hay, peanuts, soybeans, flax, and potatoes. Total indicated plantings of about 13,950,000 acres of these crops are about 3 percent larger than last year.

Estimates of intended cotton acreage are not available, but reports from various sources indicate a probable increase of plantings in Texas this year over 1947. Permits for cotton acreage in the Lower Rio Grande Valley have been issued for about 173,000 more acres than in 1947. Reports indicate an expansion in acreage in other areas of south, east, and central Texas and possibly in northwest Texas if moisture conditions permit.

FINANCE

Following a substantial increase in deposits during the year 1947, gross demand deposits of member banks in the Eleventh Federal Reserve District declined during the first quarter of 1948 by approximately \$265,000,000. This shrinkage in deposits, which was characteristic of the trend for reserve city banks and country banks of the District, represented a decline of approximately 5 percent. Loss of deposits, however, was most marked among the reserve city banks of the District, both in aggregate amount and percentage-wise, as figures reveal a shrinkage from a daily average during December 1947 of \$2,517,000,000 to a daily average during March 1948 of \$2,358,000,000.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

(Average of daily figures in thousands of dollars)

		Combined total		Reserve city banks		Country banks	
		Gross demand	Time	Gross demand	Time	Gross demand	Time
March 1946.....		\$5,101,702	\$465,594	\$2,562,431	\$296,725	\$2,539,271	\$168,839
March 1947.....		4,654,452	517,295	2,225,418	326,693	2,429,034	190,602
November 1947.....		5,286,003	543,685	2,524,890	337,324	2,761,173	206,361
December 1947.....		5,284,150	549,698	2,516,849	342,638	2,767,301	207,060
January 1948.....		5,319,138	557,571	2,527,706	349,429	2,791,432	208,142
February 1948.....		5,088,150	564,973	2,392,425	355,853	2,695,725	209,120
March 1948.....		5,019,464	569,800	2,357,864	357,605	2,661,600	212,195

In contrast with this decline of approximately \$159,000,000, country banks reported a decline of about \$106,000,000. Dur-

ing the same period, however, time deposits increased by approximately \$15,000,000 at the reserve city banks of the District and \$5,000,000 at country banks.

Figures of the weekly reporting member banks of the District, including selected member banks in leading cities, reflect a similar trend for the first quarter of this year. Since the end of March, however, when the weekly reporting member banks showed total demand deposits of \$2,514,000,000, the trend has been upward, with figures for April 14 showing an increase during the first two weeks of April amounting to about \$116,000,000. During the two-week period from April 1 through April 14, demand deposits of individuals, partnerships, and corporations accounted for approximately \$72,000,000 of the increase, while interbank deposits also increased substantially.

Changes in principal assets of the weekly reporting member banks in the District during the five-week period since March 17 show a slight decline of approximately \$8,000,000 in total loans and discounts and an approximately equivalent decline in total investments. The decline in loans and discounts during the period was accounted for entirely by a steady shrinkage in commercial, industrial, and agricultural loans, which were reported on April 14 to total \$697,540,000 as compared with \$713,877,000 on March 17. Moderate increases in real-estate loans, loans for handling securities, and the category "all other" loans offset in part the more substantial decline in commercial, industrial, and agricultural loans. Principal changes in the investment portfolios of these banks included an increase of about \$3,500,000 in holdings of short-term Government securities and a decrease of about \$12,500,000 in holdings of United States Government bonds. These most recent trends with respect to loans and investments of the weekly reporting member banks show little variation from the trends which have been in evidence since early in the year.

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

	(Thousands of dollars)		
	April 14, 1948	April 16, 1947	March 10, 1948
Total loans and investments.....	\$2,173,195	\$2,060,492	\$2,191,962
Total loans.....	1,010,507	815,531	1,018,563
Commercial, industrial, and agricultural loans....	697,540	543,234	716,406
Loans to brokers and dealers in securities.....	6,207	6,137	5,924
Other loans for purchasing or carrying securities....	55,921	71,709	56,030
Real-estate loans.....	80,748	68,074	78,399
Loans to banks.....	376	962	463
All other loans.....	169,715	125,415	161,341
Total investments.....	1,162,688	1,244,961	1,173,399
U. S. Treasury bills.....	11,311	31,549	8,524
U. S. Treasury certificates of indebtedness.....	163,011	239,257	162,042
U. S. Treasury notes.....	93,007	117,492	88,160
U. S. Government bonds (incl. gtd. obligations)....	778,822	763,428	800,946
Other securities.....	116,537	93,235	113,727
Reserves with Federal Reserve Bank.....	467,488	452,738	480,577
Balances with domestic banks.....	300,408	290,345	268,106
Demand deposits—adjusted*.....	1,841,953	1,712,271	1,845,769
Time deposits.....	399,846	372,382	388,703
United States Government deposits.....	38,624	51,524	35,031
Interbank deposits.....	531,185	545,349	544,051
Borrowings from Federal Reserve Bank.....	None	None	None

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

Bank debits in 24 cities throughout the District showed an increase during March of about 16 percent over the total of the preceding month, while the turnover of deposits during March was at an annual rate of 13.3 in contrast with the rate of 11.4 during the preceding month and during March 1947. Banks in all of the reporting cities showed increases in both debits and rate of turnover of deposits. The increase in debit figures and in the rate of turnover reflects at least in part the seasonal expansion in business activity resulting from Easter trade and the opening of the spring season. Reporting cities in the District showing the largest percentage increase in bank debits during March over the preceding month include Austin, Laredo, and

Port Arthur, although numerous other cities reported increases ranging from 15 to more than 20 percent.

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

(Dollar figures in thousands)							
City	Debits			End-of-month deposits* Mar. 31, 1948	Annual rate of turnover		
	March 1948	March 1947	Pctg. change over Feb. 1948		March 1948	March 1947	Feb. 1948
Tucson, Ariz.....	\$ 65,758	21	19	\$ 86,546	9.1	8.2	7.7
Monroe, La.....	33,540	20	18	41,134	9.8	9.0	8.4
Shreveport, La.....	129,857	15	12	156,508	10.0	9.5	9.0
Roswell, N. M.....	14,197	18	21	17,601	9.5	8.2	7.6
Abilene.....	33,134	23	14	40,890	9.7	8.8	8.4
Amarillo.....	82,591	14	15	82,864	12.0	11.8	10.2
Austin.....	128,962	30	30	101,397	15.4	12.6	12.0
Beaumont.....	100,850	41	16	94,946	12.5	10.3	10.6
Corpus Christi.....	78,764	23	20	72,004	13.1	11.4	10.8
Corsicana.....	10,151	15	21	19,920	6.1	5.5	5.0
Dallas.....	981,488	30	15	687,765	17.2	14.0	14.9
El Paso.....	128,283	18	9	116,766	13.2	12.1	11.9
Fort Worth.....	294,983	11	13	266,312	13.3	11.9	11.6
Galveston.....	73,361	21	6	91,211	9.5	8.5	8.9
Houston.....	1,053,598	39	18	826,349	15.4	12.5	13.0
Laredo.....	17,136	—1	28	21,766	9.5	10.2	7.3
Lubbock.....	67,131	41	10	69,733	11.8	10.2	10.6
Port Arthur.....	39,615	38	24	39,560	11.9	8.8	9.5
San Angelo.....	30,522	32	10	37,487	9.8	7.9	8.9
San Antonio.....	243,889	10	16	311,296	9.4	8.5	8.0
Texarkana.....	13,836	—3	7	22,740	7.3	7.8	6.8
Tyler.....	40,704	24	18	50,008	9.7	9.1	8.2
Waco.....	51,345	12	7	61,952	9.8	9.0	9.0
Wichita Falls.....	51,245	20	15	76,321	8.0	7.8	7.0
Total—24 cities.....	\$3,764,940	27	16	\$3,392,776	13.3	11.4	11.4

*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 \$24,496.

The condition statement of the Federal Reserve Bank of Dallas for the month ending April 15 shows a further decline in Federal Reserve notes in actual circulation amounting to approximately \$5,000,000. The return of currency from banks since the first of the year has resulted in a decrease in the amount of Federal reserve notes of this bank in actual circulation from \$624,739,000 to \$589,143,000 on April 15. During the month ending April 15, member bank reserve deposits with this Federal Reserve Bank declined by about \$42,000,000. On the other hand, total earning assets of the bank amounted to \$936,066,000, an increase of approximately \$12,500,000, represented almost entirely by an increase in holdings of Government securities.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS (Thousands of dollars)

	April 15, 1948	April 15, 1947	March 15, 1948
Total gold certificate reserves.....	\$525,097	\$474,566	\$528,870
Discounts for member banks.....	549	100	297
Foreign loans on gold.....	5,202	389	4,794
U. S. Government securities.....	930,315	906,499	918,535
Total earning assets.....	936,066	906,988	923,626
Member bank reserve deposits.....	797,919	759,435	840,606
Federal Reserve notes in actual circulation.....	589,143	573,465	594,307

MEMBER BANK RESERVES AND RELATED FACTORS

		Eleventh Federal Reserve District (Millions of dollars)					Cumulative changes	
		Changes in weeks ended					5 weeks ended	Jan. 1 to
		Apr. 14, 1948	Apr. 7, 1948	Mar. 31, 1948	Mar. 24, 1948	Mar. 17, 1948	Apr. 14, 1948	Apr. 14, 1948
Federal Reserve credit—								
local.....		—2.0	1.9	—3.4	—2.6	9.5	3.4	—8.7
Interdistrict commercial & financial transactions....		0.5	—17.9	18.4	1.9	—7.2	—4.3	19.5
Treasury operations.....		6.8	23.4	—22.5	—36.4	—0.4	—29.1	—117.3
Currency transactions.....		1.0	—1.3	0.9	3.8	4.7	9.1	43.9
Other deposits at the Federal Reserve Bank....		0.1	..	—0.2	0.1	0.9	0.9	0.6
Other Federal Reserve accounts.....		..	..	0.1	—0.2	—0.1	—0.2	1.6
Member bank reserve balances.....		6.4	6.1	—6.7	—33.4	7.4	—20.2	—60.4

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

SAVINGS DEPOSITS

Reporting Banks—Eleventh Federal Reserve District

City	Number reporting banks	March 31, 1948		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	March 31, 1947	February 29, 1948
Beaumont.....	3	11,991	\$ 6,323,689	-14.1	-1.5
Dallas.....	8	139,917	78,968,626	2.5	0.9
El Paso.....	2	35,231	23,623,884	-1.2	-0.4
Fort Worth.....	4	43,030	35,079,690	1.3	-1.0
Galveston.....	4	23,012	21,486,248	2.5	-0.4
Houston.....	8	105,693	72,049,290	1.8	-0.3
Lubbock.....	2	1,395	1,757,799	-9.8	-16.3
Port Arthur.....	2	6,441	4,945,283	-7.1	-0.6
San Antonio.....	5	39,921	47,609,908	2.8	-0.1
Shreveport, La.....	3	32,972	25,794,382	-2.3	-0.6
Waco.....	3	10,153	9,657,533	-0.2	-0.9
Wichita Falls.....	3	6,973	4,553,868	-1.7	-0.7
All other.....	55	63,792	54,790,954	2.2	-0.3
Total.....	102	520,581	\$386,647,154	1.1	-0.3

NEW PAR BANKS

The Farmers & Merchants State Bank, Burleson, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Federal Reserve Par List on April 6, 1948. This bank has capital of \$25,000, surplus of \$20,000, and undivided profits of \$12,805. Its officers are: A. W. Haskew, President; W. A. Taylor, Vice President; and G. E. Branson, Sr., Cashier.

The First State Bank, Crane, Texas, a newly organized insured 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, April 23, 1948. This bank has capital of \$56,000, surplus of \$20,000, and undivided profits of \$15,000. Its officers are: G. H. Cowden, President; A. L. Evans, Vice President; and A. L. Hood, Vice President and Cashier.

INDUSTRY

The value of construction contracts awarded in the Eleventh Federal Reserve District declined to \$50,400,000 in March from the peacetime high of \$80,700,000 in the preceding month. During the first three months of this year, the value of awards in the District about equaled the total for the same period in 1947. The physical volume of building called for by new contracts was smaller, however, with residential floor area commitments about 12 percent smaller and nonresidential commitments only about one-half as great.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

	(Thousands of dollars)				
	March 1948	March 1947	February 1948	January 1 to March 1948	January 1 to March 1947
Eleventh District—total...	\$ 50,400	\$ 58,899	\$ 80,663	\$ 188,763	\$ 187,379
Residential.....	20,403	24,915	23,323	68,809	71,207
All other.....	30,006	33,984	54,340	118,045	116,172
United States*—total.....	689,763	596,755	681,967	1,986,936	1,610,590
Residential.....	276,541	282,881	232,250	746,889	748,691
All other.....	413,222	313,874	449,717	1,239,047	861,899

*37 states east of the Rocky Mountains.

②—Preliminary.

SOURCE: F. W. Dodge Corporation.

Fewer large commercial and nonresidential projects were awarded in the District during the first quarter of this year than during the same period in 1947. The total value of nonresidential

awards was maintained at about the same level by considerably larger awards for public works, including dams, tunnels, channel dredging, and road building projects. Public projects of this character, however, usually employ fewer building craftsmen and utilize less building materials than commercial and industrial buildings of comparable value. Moreover, public projects generally are initiated less promptly and completed less rapidly.

Representative contractors state that the backlog of construction commitments will maintain construction activity in this District at or near peak levels for several months. State employment services in the Southwest report that in almost all major labor market areas construction employment has increased rapidly following the sharp curtailment during severe weather in January and February, and that contractors anticipate adding to their labor forces through May or June.

BUILDING PERMITS

City	March 1948		Percentage change valuation from		Jan. 1 to Mar. 31, 1948		Percentage change valuation from 1947
	No.	Valuation	Mar. 1947	Feb. 1948	No.	Valuation	
Abilene.....	100	\$ 692,600	163	172	266	\$ 1,283,265	105
Amarillo.....	209	1,358,885	233	130	495	2,748,825	98
Austin.....	375	2,390,480	49	53	962	6,028,024	60
Beaumont.....	449	812,291	93	70	900	1,886,779	81
Corpus Christi.....	259	736,132	-60	-81	792	6,289,212	52
Dallas.....	1,456	12,535,757	161	105	3,599	26,713,994	142
El Paso.....	70	656,775	33	-25	331	2,546,553	32
Fort Worth.....	546	2,694,175	47	109	1,246	5,272,110	-5
Galveston.....	161	194,721	-7	12	413	679,439	9
Houston.....	814	6,043,452	57	-44	2,397	31,890,527	122
Lubbock.....	262	1,148,248	-49	-9	714	3,127,137	†
Port Arthur.....	154	201,884	-13	10	275	471,722	-18
San Antonio.....	1,650	3,962,942	11	71	3,812	9,795,585	79
Shreveport, La.....	375	12,657,682	*	336	887	16,431,851	474
Waco.....	151	767,117	22	-3	441	4,184,597	139
Wichita Falls.....	62	470,160	206	23	199	1,230,696	159
Total.....	7,093	\$47,323,301*	116	40	17,729	\$120,540,316	105

†Change less than one-half of one percent.

*Over 1,000 percent.

The daily average rate of production of crude oil in the Eleventh District declined fractionally in March but probably attained a new peak of slightly more than 2,650,000 barrels in April in view of the increase of allowables in Texas for that month to the highest level of record. Revisions of estimates of maximum efficient recovery rates in Texas fields will be completed during April and May, which may reduce the total rate for the State. If the rates should be reduced, production in Texas and the District may not exceed April levels until extensive exploratory and developmental drilling has raised the efficient productive capacity of Texas fields, since production allowables are held to MER rates.

CRUDE OIL PRODUCTION—(Barrels)

	March 1948		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Feb. 1948	March 1947
District 1.....	789,550	25,470	-230	4,933
2.....	5,284,250	170,459	-1,641	12,939
3.....	15,235,050	491,453	-6,997	5,572
4.....	7,849,600	253,213	-1,437	11,818
5.....	1,348,650	43,505	-845	5,274
6.....	10,001,800	322,639	7,639	8,339
Other 6.....	3,758,950	121,256	-1,244	10,395
7b.....	1,338,500	43,177	-1,923	6,719
7c.....	1,360,350	43,882	-468	9,003
8.....	20,689,300	667,397	3,547	193,447
9.....	4,208,550	135,760	-9,640	5,649
10.....	2,587,000	83,452	-2,898	-1,159
Total Texas.....	74,451,550	2,401,663	-16,137	272,929
New Mexico.....	3,995,050	128,873	3,873	24,562
North Louisiana.....	3,350,800	108,090	-800	13,119
Total District.....	81,797,400	2,638,626	-12,864	310,610
Outside District.....	83,043,300	2,678,816	-22,459	157,928
United States.....	164,840,700	5,317,442	-35,323	468,538

SOURCE: Estimated from American Petroleum Institute weekly reports.

With the exception of tubular goods, still in short supply, drilling equipment and materials now can be obtained with little difficulty. Estimates of the publication, *World Oil*, are that

approximately 1,800 more wells will be drilled in the United States in 1948 than the 33,000 drilled last year and that a new footage record of about 119,000,000 feet will be attained, approximately 6,000,000 feet above the former record set in 1947. In the Eleventh District, forecasts for the year are 12,500 new wells and about 53,000,000 feet of drilling as compared with 10,860 wells and 46,000,000 feet of drilling in 1947. During the first three months of this year about 1,000 more wells were completed in the United States than during the comparable period in 1947. Completions were also considerably greater in the Eleventh District, totaling 2,882 as compared with 2,127.

NUMBER OF WELLS COMPLETED

Area	January-March ^① 1948	January-March 1947	January-March 1946
United States.....	7,824	6,822	6,463
Eleventh District.....	2,882	2,127	2,251
New Mexico.....	151	121	100
North Louisiana.....	279	128	183
Texas.....	2,452	1,878	1,907

①—Preliminary.

SOURCE: *The Oil and Gas Journal*.

The accompanying table presents estimated construction expenditures on crude petroleum and natural gas drilling computed by the United States Department of Commerce, with derived estimates of construction expenditures per well and per thousand feet drilled. The estimates cover all costs of drilling, including costs of casing, but do not cover costs of exploration or costs of pumping equipment, production derricks, and other production equipment.

ESTIMATED CONSTRUCTION EXPENDITURES FOR CRUDE PETROLEUM AND NATURAL GAS DRILLING AND COST PER WELL AND PER DRILLED FOOT¹

Area	Year	Total Expenditure	Number of wells Completed	Footage Drilled	Expenditure Per Well	Expenditure Per 1000 Feet
United States.....	1940	\$400,791,000	30,040	91,467,000	\$13,342	\$4,382
	1945	598,157,000	26,879	93,240,000	22,254	6,415
	1946	650,022,000	29,228	97,048,000	22,240	6,698
	1947	768,800,000	33,098	114,013,000	23,228	6,743
Four Southwestern States ²	1940	234,552,000	13,196	48,221,000	17,774	4,864
	1945	295,502,000	11,248	51,825,000	26,272	5,702
	1946	329,583,000	12,649	54,211,000	26,056	6,080
	1947	391,147,000	15,335	64,401,000	25,507	6,074
Texas.....	1940	148,856,000	9,094	34,534,000	16,369	4,310
	1945	188,092,000	7,195	32,495,000	26,142	5,788
	1946	207,532,000	7,804	34,352,000	26,593	6,041
	1947	238,074,000	9,301	41,029,000	25,597	5,803

¹Estimated expenditures cover all costs of drilling as well as cost of casing, but exclude cost of production equipment, such as pumping equipment and production derricks.

²Louisiana, New Mexico, Oklahoma, and Texas.

SOURCES: United States Department of Commerce and *The Oil and Gas Journal*.

It will be observed that total construction expenditures on crude petroleum and natural gas drilling have increased considerably from 1940 to 1947 in the United States, the southwestern area, and Texas. The greater number of wells completed and the greater depth to which wells have been drilled are responsible, in part, for the increases, but the principal cause is the higher cost of drilling. In the Nation as a whole, estimated expenditures per thousand feet of well drilled rose from \$4,382 in 1940 to \$6,743 in 1947, an increase of 54 percent. The increases in the southwestern area and in Texas were substantially smaller, 25 percent and 35 percent, respectively.

The average price of crude oil at the well has risen more rapidly, however, than the construction cost of drilling, increasing from \$1.02 per barrel in 1940 to \$2.61 per barrel in the spring of 1948, an increase of 156 percent. Drilling has been stimulated by this development and probably will continue at

high levels unless the favorable margin of crude oil prices over construction drilling costs is absorbed by increases in costs of exploration and production or offset by unfavorable discovery experience with new wells.

Cotton consumption in United States mills totaled 6,301,316 bales during the first eight months of the 1947-48 season, falling nearly 10 percent below the peacetime record of 6,928,094 bales established during the same period in 1946-47. An upturn in consumption occurred in March 1948, the first month in 1947-48 in which domestic consumption was larger than in the comparable month of the preceding season. Should consumption continue at the present level during the remainder of the season, United States consumption from August 1, 1947 to July 31, 1948 would total approximately 9,700,000 bales as compared with the record high for a peacetime period of 10,035,000 bales during the 1946-47 season and the war peak of 11,170,100 in 1941-42. Prior to the war, cotton consumption in the United States ranged between 5,000,000 and 7,200,000 bales per season.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	March 1948	March 1947	February 1948	August 1 to This season	March 31 Last season
Consumption at:					
Texas mills.....	14,720	16,970	13,745	104,028	147,749
United States mills.....	878,714	875,306	785,231	6,301,316	6,928,094
U. S. stocks—end of month:					
In consuming establm'ts....	2,286,114	2,234,321	.....	.....	.....
Public stg. & compresses ..	3,676,735	3,339,213	.....	.....	.....

Consumption of cotton in Texas mills probably will be smaller this season than in any season since 1939-40, when it totaled 139,310 bales. During the August 1947-March 1948 period, Texas consumption amounted to 104,028 bales as compared with 147,749 bales during the same period in 1946-47. Although an upturn of mill consumption occurred during March in Texas as well as in the United States, the increase was less pronounced in the State. Should present levels of consumption continue in Texas, cotton consumption in the State would amount to about 163,000 bales, about 50,000 bales below 1946-47 consumption and 104,000 bales below the record high in 1942-43.

COTTONSEED AND COTTONSEED PRODUCTS

	March 1948			
	August 1 to March 31 This season	Last season	August 1 to March 31 This season	Last season
—Texas—				
Cottonseed received at mills (tons).....	1,112,647	562,018	3,920,323	2,961,165
Cottonseed crushed (tons).....	993,907	577,164	3,516,895	2,879,761
Cottonseed on hand March 31 (tons)....	173,168	42,108	502,956	399,110
—United States—				
Production of products:				
Crude oil (thousand pounds).....	307,284	174,072	1,089,080	837,862
Cake and meal (tons).....	469,499	271,188	1,630,288	1,182,567
Hulls (tons).....	225,857	128,200	793,114	625,462
Linters (running bales).....	330,351	197,772	1,100,834	861,265
Stocks on hand March 31:				
Crude oil (thousand pounds).....	10,121	4,858	87,906	72,546
Cake and meal (tons).....	15,236	28,578	86,060	128,193
Hulls (tons).....	12,585	16,328	43,100	52,718
Linters (running bales).....	53,633	17,258	161,285	106,768

SOURCE: United States Bureau of Census.

At the end of March, stocks of cotton in consuming establishments in the United States totaled 2,286,114 bales and were slightly larger than a year earlier. March 31 stocks in public storage and compresses also were larger this year than in 1947, but were much smaller than in any prior year since 1929. Continuation of present levels of mill consumption of cotton would reduce total domestic stocks to about 2,500,000 bales by July 31, 1948, as compared with the carry-over for the last wartime season of about 10,340,000 bales on July 31, 1945.

May 1, 1948

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

Curtailed coal output reduced industrial production in March and the early part of April. Value of department store sales continued at a level about 6 per cent higher than in the corresponding period a year ago. The general level of wholesale commodity prices increased somewhat.

INDUSTRIAL PRODUCTION

Industrial production declined slightly in March owing to a sharp reduction in bituminous coal output after the middle of the month; and the Board's seasonally adjusted index was 192 per cent of the 1935-39 average as compared with 194 in February. Continuation of work stoppages at coal mines in April has reduced total industrial production further this month.

Production of durable manufactures increased in March, mainly because of larger output of steel and automobiles. Steel production for the month was at a new record peacetime rate. Steel mill operations were somewhat curtailed at the end of March because of reduced supplies of coal and declined considerably in the first three weeks of April. Activity in the automobile industry expanded in March to earlier postwar peak rates, after being curtailed by fuel shortages in February. Production of machinery and most other durable goods was maintained at about the level of the preceding months.

Output of nondurable goods industries as a group decreased slightly in March. Activity declined in the cotton textile, rubber products, coke, flour, and meat packing industries, but increased in the rayon textile, paperboard, and alcoholic beverage industries. A substantial reduction in meat production under Federal inspection reflected work stoppages in plants of major packers beginning March 16. Paperboard production, following some curtailment in February, increased 7 per cent to a new record rate.

Output of minerals declined 10 per cent in March, reflecting a drop in coal production due to work stoppages at most mines beginning March 15. Coal mine operations continued at a very low level during the first two weeks of April, but subsequently increased sharply following settlement of an industrial dispute.

CONSTRUCTION

Value of construction contracts awarded, according to the F. W. Dodge Corporation, showed little change in March, as a decline in public awards offset a seasonal increase in private awards mainly for residential building. The number of dwelling units started in March, according to estimates of the Department of Labor, was 67,000 compared with 47,000 in February and 58,400 in March 1947.

DISTRIBUTION

Department store sales in March and the early part of April showed little change from the average level of 284 per cent of

the 1935-39 average for January and February, after allowance is made for the usual seasonal fluctuation. Value of department store stocks reached a new peak at the end of February, when the Board's seasonally adjusted index was 303 per cent of the 1935-39 average.

Work stoppages sharply reduced railroad shipments of coal and coke from the early part of March to the middle of April. Loadings of forest products and general merchandise continued to show little change.

COMMODITY PRICES

The general level of wholesale commodity prices increased somewhat from the beginning of March to the third week of April. Cotton prices advanced sharply reflecting prospects of increased exports. Meat prices were also higher, owing to reduced supplies as a result of the strike in the packing industry. Hog prices, on the other hand, declined considerably further. Prices of other farm products and foods and industrial commodities generally showed little change.

A further small reduction in retail food prices from mid-February to mid-March lowered the consumers' price index from 167.5 per cent of the 1935-39 average to 166.9. Retail prices of apparel and home furnishings and rental rates rose somewhat further.

BANK CREDIT

During the first three weeks of April, in contrast to the situation in March, the Government's cash payments exceeded receipts and the Treasury's balance at Federal Reserve Banks declined sharply. As a consequence, commercial bank reserves and deposits, which had been under severe drain in March, increased somewhat in April.

Total Government security holdings of the Reserve Banks declined further by about one-half billion dollars during the first three weeks of April, following a small decline in March. Treasury retirement in March and early April of 1.3 billion dollars of securities held by Reserve Banks was offset in part by System purchases in the market.

Real estate and consumer loans at banks in leading cities continued to expand during March and the first half of April, while commercial and industrial loans declined somewhat. Holdings of Government securities were reduced over the period.

SECURITY MARKETS

Prices of common stocks rose sharply in the last half of March and the third week of April. Trading in the New York Stock Exchange was more active. Prices of corporate bonds were firmer in the first three weeks of April, and prices of municipal bonds continued to advance.