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POSTWAR LOAN EXPANSION ELEVENTH FEDERAL RESERVE DISTRICT

During the two and one-half years between December 31, 1945, and June 30, 1948, notable changes have occurred in the volume of different types of bank credit extended by member banks in the Eleventh Federal Reserve District. Increases in member bank credit during the period are reflected in an expansion of loans amounting to \$501,000,000, an increase of \$103,000,000 in holdings of obligations of states and political subdivisions, and additions to holdings of other bonds, notes, and corporate stocks totaling about \$30,000,000. This expansion of member bank credit, amounting to an aggregate of \$634,000,000, was offset to the extent of \$539,000,000 by a decline in member bank holdings of United States Government securities. The net result of these changes affecting the credit extension of the District's member banks was an increase in bank credit outstanding amounting to \$95,000,000, an expansion of approximately 2.4 percent.

While these changes in principal asset accounts were occurring at the member banks, total deposits declined from slightly more than \$5,738,000,000 at the end of December 1945 to about \$5,705,000,000, other liabilities showed a minor increase of about \$6,000,000, and total capital accounts rose by approximately \$80,000,000, as a result of the sale of new stock and the transfer of a substantial proportion of net earnings to surplus and undivided profit accounts.

Although total deposits of the member banks of the District declined by \$33,000,000, as noted above, analysis of the movement of major categories of deposits shows substantial increases to have occurred in deposits of individuals, partnerships, and corporations and deposits of states and political subdivisions. These increases were offset, however, by a very marked decline in United States Government deposits and a notable though less substantial shrinkage in deposits due to other banks. Demand deposits of individuals, partnerships, and corporations, which to a large extent are representative of the immediately available purchasing power of the business and consuming elements of the community, rose by \$607,000,000 and aggregated approximately, \$3,911,000,000 at the end of June 1948. In addition, time deposits of individuals, partnerships, and corporations, also possessing a comparatively high degree of liquidity as potential purchasing power, increased from slightly more than \$414,000,000 on December 31, 1945, to about \$499,000,000 at the end of the period. In the meantime, United States Government deposits with member banks in the District were drawn down from about \$760,000,000 to approximately \$69,000,000.

The summary figures presented in the preceding paragraphs indicate that, although net changes in such broadly inclusive banking items as total loans and investments, total resources, and total

deposits have not been unusually notable during the two and one-half year period under consideration, changes in more specific or narrower categories of assets and liabilities, such as loans and discounts, United States Government securities, and deposits of individuals, partnerships, and corporations, have been significant in their relation to economic activity in the Eleventh District. For instance, whereas total loans and investments increased only 2.4 percent between December 31, 1945, and June 30, 1948, total loans of the member banks in the District rose by approximately 44 percent and holdings of United States Government securities declined by almost 20 percent. Likewise, although total deposits of the District's member banks declined by less than 1 percent during the 30-month period, demand deposits of individuals, partnerships, and corporations rose by more than 18 percent, while time deposits of those groups of depositors increased by approximately 20 percent.

On various occasions since the end of the war and almost continuously during the past year, outstanding bankers, leaders of banking associations, and officials of supervisory agencies have urged and counseled private bankers over the country to restrict bank credit expansion to essential and productive purposes and to avoid engaging in loan commitments of a speculative or inflationary character during this period when inflationary forces have been and, in fact, continue to be dominant in our economic system. Although it is the purpose of this article to trace the development and pattern of loan expansion by the member banks of this District, a brief comment regarding the relative growth of loans of member banks in the Eleventh District and in the Nation as a whole should be of interest.

A comparison of loan expansion at member banks in the Eleventh District with that at all member banks in the Nation between December 31, 1945, and December 31, 1947, the latest date for which a breakdown of loans of the Nation's member banks is available, shows a smaller percentage increase in total loans, commercial and industrial loans, and loans to farmers at the member banks in this District but a substantially greater increase in consumer-type loans and real-estate loans.

Although a comparison of loan expansion by major types of loans at all member banks in the Nation and at member banks in the Eleventh District during the first six months of 1948 cannot be made at this time, study of total loan expansion during the period shows that the rate of expansion

at the member banks in the Eleventh District was almost equal to the rate of total loan expansion at all member banks. Total loans of member banks in this District increased by about \$60,000,000 and amounted to \$1,640,000,000, an increase of 3.79 percent during the six-month period as compared with an increase of \$1,247,000,000 or 3.82 percent at the Nation's member banks. These data indicate that the restrictive measures of the monetary and credit authorities and the voluntary efforts of bankers to hold inflationary loan expansion in check during the first half of the current year were approximately as effective with respect to total loans in this District as they were, on an average, for the country as a whole.

In the Eleventh District the amount of increase in total loans between December 31, 1945, and

TABLE I

TOTAL LOANS AND SELECTED TYPES OF LOANS December 31, 1945—December 31, 1947

(In millions of dollars)

Member Banks—United States				
	12/31/45	12/31/47	Increase	Percentage increase
Total loans.....	\$22,775	\$32,628	\$9,853	43.26
Commercial and industrial loans..	8,948	16,962	8,014	89.56
Consumer loans...	1,901	4,662	2,761	145.24
Real-estate loans..	3,455	7,129	3,674	106.34
Farm loans.....	640	1,002	362	56.56

Member Banks—Eleventh District

	12/31/45	12/31/47	Increase	Percentage increase
Total loans.....	\$1,139	\$1,580	\$ 441	38.72
Commercial and industrial loans..	500	914	414	82.80
Consumer loans...	77	225	148	192.21
Real-estate loans..	69	169	100	144.93
Farm loans.....	86	123	37	43.02

TABLE II

TOTAL LOANS AND SELECTED TYPES OF LOANS

Member Banks—Eleventh Federal Reserve District

December 31, 1945—June 30, 1948

(In millions of dollars)

Period	Total loans	Commercial and industrial loans	Consumer loans	Real-estate loans	Loans to farmers	Security loans
12/31/45	\$1,139	\$500	\$ 77	\$ 69	\$ 86	\$236
6/29/46	1,149	520	106	107	118	176
12/31/46	1,319	711	185	137	110	113
6/30/47	1,319	697	199	159	139	84
12/31/47	1,580	914	225	169	123	88
6/30/48	1,640	874	280	186	168	76

June 30, 1948, was divided almost equally between the reserve city banks and the country banks, as the former group of banks reported an increase for the period of approximately \$257,000,000 and the loan expansion of the latter group totaled \$244,000,000. The rate of increase in total loans, however, was substantially greater at the country banks, amounting to more than 56 percent in contrast with an increase of 36.5 percent for the reserve city banks. As a result of these developments, total loans of the reserve city banks declined from 62 percent to 58.5 percent of the total loans of all member banks in the District, while the share of the District's country banks moved up from 38 percent to 41.5 percent.

Despite the fact that total loans of both reserve city and country banks increased substantially between December 31, 1945, and June 30, 1948, the trend or pattern of increase was quite dissimilar. The total loan increase for the reserve city banks was accumulated almost entirely during two six-month periods—the last half of 1946 and the comparable period in 1947—when inflationary trends were most pronounced. Between June 29, 1946, and December 31 of that year, reserve city banks experienced an increase in total loans amounting to \$115,000,000, or more than 16 percent; during the same months of 1947, loans of these banks rose to a peak of \$982,000,000, or \$207,000,000 more than the amount outstanding at the beginning of that six-month period, and represented an increase in excess of 26 percent. In contrast to these periods of expansion, during the first six months of 1947 and of 1948, total loans of the reserve city banks declined, due partly to seasonal factors but also

TABLE IV

TOTAL LOANS AND SELECTED TYPES OF LOANS
Country Member Banks—Eleventh Federal Reserve District

December 31, 1945—June 30, 1948

(In millions of dollars)

Period	Total loans	Commercial and industrial loans	Consumer loans	Real-estate loans	Loans to farmers	Security loans
12/31/45	\$433	\$152	\$ 41	\$ 37	\$ 77	\$ 33
6/29/46	442	140	55	59	107	20
12/31/46	497	194	76	80	99	16
6/30/47	545	193	101	92	130	12
12/31/47	598	231	116	99	113	13
6/30/48	677	236	142	109	155	10

probably influenced by a temporary lessening of inflationary forces, a somewhat more pessimistic and uncertain business outlook at the time, and during the first half of 1948, the combination of restrictive monetary, credit, and fiscal policies and the voluntary restraint of the banking system. It is worthy of mention, however, that the decrease in total loans of this group of banks during the first half of 1948 was less, in amount and percentage-wise, than the decrease in the comparable period of last year.

Turning to the trend of loans at the District's country banks, the data in Table IV show that loans increased during each six-month period during the two and one-half years under study; moreover, the rate of increase, as shown in Table V, during the last four six-month periods was fairly consistent, ranging from a low of 9.7 percent to a high of 13.4 percent. During the first six months of the current year, total loans of country banks increased more in amount—\$79,000,000—and percentage-wise—13.4 percent—than during any other half-year period since the end of 1945.

During the 30-month period, the proportion of total loans represented by commercial and industrial loans ranged from 44 percent to 58 percent at all member banks in the District and from 50 percent to 69 percent at the reserve city banks. As a result of this relationship, the pattern of increase of commercial and industrial loans at these two groups of banks influenced strongly the

TABLE III

TOTAL LOANS AND SELECTED TYPES OF LOANS
Reserve City Member Banks—Eleventh Federal Reserve District

December 31, 1945—June 30, 1948

(In millions of dollars)

Period	Total loans	Commercial and industrial loans	Consumer loans	Real-estate loans	Loans to farmers	Security loans
12/31/45	\$706	\$348	\$ 36	\$ 32	\$ 9	\$203
6/29/46	707	380	51	47	11	156
12/31/46	822	517	108	57	11	97
6/30/47	775	508	98	67	9	72
12/31/47	982	683	110	70	10	75
6/30/48	963	638	137	77	13	66

TABLE V

PERCENTAGE INCREASE OR DECREASE IN
TOTAL LOANS

Member Banks—Eleventh Federal Reserve District

December 31, 1945—June 30, 1948

Period	Reserve city banks	Country banks	All member banks
12/31/45- 6/29/46.....	+ 0.3	+ 2.0	+ 0.9
6/29/46-12/31/46.....	+16.3	+12.1	+14.8
12/31/46- 6/30/47.....	- 5.7	+ 9.7	0
6/30/47-12/31/47.....	+26.7	+ 9.7	+19.8
12/31/47- 6/30/48.....	- 2.0	+13.4	+ 3.8
12/31/45- 6/30/48.....	+36.5	+56.5	+44.0

pattern of total loans, despite the fact that consumer-type loans and real-estate loans increased steadily and—percentagewise—substantially, while security loans declined abruptly. On the other hand, due to the larger proportion of consumer loans, real-estate loans, and loans to farmers in the loan portfolios of country banks, there has not been a conformance of the trends of commercial and industrial loans and total loans at this group of smaller banks. In fact, loans to business and industry at country banks have shown an expansive pattern similar—though not quite so marked—to that reported by the reserve city banks, while the trend of total loans has been quite different. Disregarding minor fluctuations in volume from time to time, the increase in commercial and industrial loans at both groups of banks in this District was built up during the last six months of 1946 and of 1947, while the first six months of each year since the end of the war showed relatively small increases or, more often, actual decreases.

Consumer-type loans represented a substantially larger percentage of total loans of the member banks of the District on June 30, 1948, than at the end of December 1945, as various installment loans and single payment loans to individuals rose from \$77,000,000 to \$280,000,000, an increase from about 6.8 percent of total loans to more than 17 percent. At the country banks of the District, the relative importance of consumer-type loans to total loans rose from about 9.5 percent to more than 21 percent, while the increase at reserve city banks was from slightly more than 5 percent to over 14 percent.

The largest expansion in consumer-type loans occurred during the last half of 1946, when single payment loans to consumers rose from about \$49,000,000 to more than \$104,000,000, accompanied by minor increases in other types of consumer credit. This increase, of which about three-fourths occurred at reserve city banks, amounted to about \$79,000,000 for the six-month period. Following a slight decline in consumer loans during the first half of 1947 at the reserve city banks, the upward trend was resumed, with the rate of increase accelerating during the first half of 1948. The trend of consumer loans at the District's country banks was steadily upward throughout the full 30-month period, showing much less variation than that which characterized the movement at the larger city banks. If the strong upward trend of consumer-type loans at all member banks during the first six months of this year is considered in the framework of inflationary economic conditions

which exist, including the strong consumer demand for an increasing supply of goods and the steady encroachment of rising prices on consumer incomes, a further rise in this type of bank credit may be anticipated.

The growth of real-estate loans at the member banks in the Eleventh Federal Reserve District reflects an unbroken chain of increases during each six-month period since the end of 1945. Between December 1945 and June 1948 the aggregate increase in real-estate loans at all member banks amounted to \$117,000,000, of which \$45,000,000 was reported by reserve city banks and \$72,000,000 by country banks. That total increase of \$117,000,000 at all member banks in the District compares with an increase of about \$374,000,000 in commercial and industrial loans and an increase of \$203,000,000 in consumer-type loans. However, the rate of increase in real-estate loans at the District's member banks exceeded substantially the rate of growth of commercial and industrial loans, although

TABLE VI
PERCENTAGE INCREASE OR DECREASE IN COM-
MERCIAL AND INDUSTRIAL LOANS
Member Banks—Eleventh Federal Reserve District
December 31, 1945—June 30, 1948

Period	Reserve city banks	Country banks	All member banks
12/31/45- 6/29/46.....	+ 9.2	— 7.8	+ 4.0
6/29/46-12/31/46.....	+36.0	+38.6	+36.7
12/31/46- 6/30/47.....	— 2.7	— 0.5	— 1.9
6/30/47-12/31/47.....	+35.8	+19.7	+31.1
12/31/47- 6/30/48.....	— 6.6	+ 2.2	— 4.4
12/31/45- 6/30/48.....	+83.3	+55.3	+74.8

TABLE VII
PERCENTAGE INCREASE OR DECREASE IN
CONSUMER-TYPE LOANS

Member Banks—Eleventh Federal Reserve District
December 31, 1945—June 30, 1948

Period	Reserve city banks	Country banks	All member banks
12/31/45- 6/29/46.....	+ 41.7	+ 34.1	+ 37.7
6/29/46-12/31/46.....	+111.8	+ 38.2	+ 74.5
12/31/46- 6/30/47.....	— 9.3	+ 32.9	+ 7.6
6/30/47-12/31/47.....	+ 12.2	+ 14.8	+ 13.1
12/31/47- 6/30/48.....	+ 24.5	+ 22.4	+ 24.4
12/31/45- 6/30/48.....	+280.6	+246.3	+263.6

it has been less sharp than the growth of consumer-type loans. As a consequence of these developments, real-estate loans rose in importance as a percentage of total loans at all member banks from 6.1 percent to 11.3 percent, at reserve city banks from 4.5 percent to 8.0 percent, and at country banks from 8.6 percent to 16.1 percent.

TABLE VIII
PERCENTAGE INCREASE OR DECREASE IN
REAL-ESTATE LOANS

Member Banks—Eleventh Federal Reserve District
December 31, 1945—June 30, 1948

Period	Reserve city banks	Country banks	All member banks
12/31/45- 6/29/46.....	+ 46.9	+ 59.5	+ 55.1
6/29/46-12/31/46.....	+ 21.3	+ 35.6	+ 28.0
12/31/46- 6/30/47.....	+ 17.5	+ 15.0	+ 16.1
6/30/47-12/31/47.....	+ 4.5	+ 7.6	+ 6.3
12/31/47- 6/30/48.....	+ 10.0	+ 10.1	+ 10.1
12/31/45- 6/30/48.....	+140.6	+194.6	+169.6

restrictive with regard to this type of credit as time passed, the developments of the first six months of this year indicate to some extent the continuing strength of demand for real-estate financing by commercial banks.

Loans to farmers at country banks of the District have shown a consistent characteristic seasonal pattern during the past two and one-half years, increasing during the first six months of the year as farmers have borrowed to meet their requirements during the planting and growing seasons and then declining during the last half of the year as the proceeds of their harvests enabled them to liquidate, at least in part, their bank indebtedness. Since the end of the war, however, the decline in farm loans during periods of seasonal contraction has been much less than the increases that occurred during periods of seasonal expansion, with the consequence that during the 30-month period loans to farmers at country banks of the District have approximately doubled. The substantial increases which have occurred in wages of farm labor in this area, the higher cost of farm supplies and equipment, and the general rise in other costs are reflected in the growth of farm loans and particularly in the more-than-average growth that was reported during the first six months of the current year.

Loans to brokers and dealers in securities and loans for purchasing or carrying securities have declined steadily and sharply throughout the period. At the end of December 1945, largely as a result of financing developments incident to the Victory Loan Drive, these loans totaled about \$236,000,000 and represented more than 20 percent of total loans of the member banks of the District. The steady decline, however, reduced the volume of these security loans to \$76,000,000 on June 30, 1948, of which \$66,000,000 was held by reserve city banks. The extent of the decline in security loans at the reserve city banks is reflected by the fact that, whereas these loans represented almost 29 percent of total loans of these banks at the end of 1945, their relative importance had shrunk to less than 7 percent on June 30, 1948.

This analysis of the various major types of loans of the member banks of the District tends to emphasize the strength and character of the demand for loans which has confronted the member banks during the postwar period. In addition, the analysis points up certain trends which, in view of probable economic conditions and developments during the remainder of this year, seem to indicate a strong possibility of a further increase in the volume of outstanding bank credit:

Although real-estate loans continued to increase between December 1945 and December 1947, the rate and dollar amount of increase declined steadily from one six-month period to the next. During the first six months of the current year, however, the rate of growth and the dollar increase in this class of loans reversed that pattern, rising by \$17,000,000 at all member banks as compared with \$10,000,000 during the preceding six months, or an increase of 10.1 percent as compared with 6.3 percent. While it appears from the figures that member banks in this District tended to become somewhat more

TABLE IX
PERCENTAGE INCREASE OR DECREASE IN
LOANS TO FARMERS

Member Banks—Eleventh Federal Reserve District
December 31, 1945—June 30, 1948

Period	Reserve city banks	Country banks	All member banks
12/31/45- 6/29/46.....	+22.2	+ 39.0	+37.2
6/29/46-12/31/46.....	0	+ 7.5	+ 6.8
12/31/46- 6/30/47.....	-18.2	+ 31.3	+26.4
6/30/47-12/31/47.....	+11.1	+ 13.1	+11.5
12/31/47- 6/30/48.....	+30.0	+ 37.2	+36.6
12/31/45- 6/30/48.....	+44.4	+101.3	+95.3

First, despite a strong inflation consciousness, voluntary efforts of commercial bankers to restrict credit expansion, and a degree of restrictiveness in credit and fiscal policy, the decrease in total loans of the reserve city banks in the District during the first half of 1948 was less in amount and percentagewise than the decrease in the comparable period of 1947. Moreover, total loans of country banks in the District increased more during the first half of 1948 than during any other half-year period since 1945.

Second, the periods of substantial increase in commercial and industrial loans have been during the last six months of each year. This has been characteristic of developments at both groups of banks in this District, as virtually all of the increase in this class of loans was accumulated between June 30 and December 31 in 1946 and 1947.

Third, the trend of consumer-type loans during the first half of 1948 shows the continuing strength of the loan demand by this group of borrowers. In view of prevailing economic conditions and the probability of a seasonal upturn in consumer buying during the fall months, it is unlikely that there will be a decline in these loans during the remainder of the year. Even though the re-establishment of Regulation W may restrict the expansion of installment credit, a further increase in total consumer credit at member banks in the District appears probable.

Fourth, the slackening rate of increase in real-estate loans may reflect a somewhat more restrictive or perhaps selective attitude on the part of member banks of the District with respect to this type of credit. The rate of increase, however, accelerated during the first half of this year, showing that the demand for this type of credit continues strong.

Fifth, although it is reasonable to anticipate a seasonal decline in loans to farmers during the remainder of this year, the combination of higher farm costs and the possibility of somewhat lower prices for the major farm products of the area may tend to support the volume of farm loans at the country banks of this District at a level higher than otherwise might be expected.

In the setting of existing conditions, these loan trends emphasize the necessity of continued voluntary restraint on the part of bankers, for that program of the American Bankers Association undoubtedly has had a salutary effect in making bankers more cautious and critical with regard to loans of an inflationary character. As recently as July 29, the President of the American Bankers Association urged the officers and directors of the member banks of the Association to continue and intensify their voluntary credit control and anti-inflationary efforts. Earlier, on July 7, in a letter addressed to the Secretary of the Treasury and subsequently distributed to the member banks of the Association, Mr. Dodge stated:

"Again I am urging the banks to scrutinize credit carefully to the effect that its use will be restricted to that which stimulates immediate production and avoids increasing the pressures on consumption, except in areas of free supply. Under present conditions, the extension of credit in the commercial, agricultural, or consumer fields undoubtedly requires continued emphasis on selectivity, and restriction to sound and necessary purposes.

"In particular I am asking the banks not to contribute to rising prices, fictitious values, or false standards of living from the use of credit; to maintain a general and consistent pressure for loan liquidation and the fulfillment of payment commitments; to watch the inventory and accounts receivable accumulations of borrowers; to scrutinize the terms under which borrowers themselves extend credit; to relate mortgage loans to sound and realistic values; and to make consumer credit loans on conservative terms. In all cases the total obligations of borrowers should be held well within their capacities to pay."

But, valuable though voluntary credit restraint may be, there are cogent reasons in support of the opinion that it alone cannot cope successfully with the credit expansion problem which confronts the Nation's bankers. In discussing this problem on August 2 before the House Banking and

Currency Committee, the Chairman of the Board of Governors of the Federal Reserve System advanced two very strong and practical reasons why, despite his strong support of the self-restraint program, he did not believe that it could "do the job alone." Mr. McCabe stated:

"Perhaps the most important reason is that a loan which may appear productive when viewed by itself may not add to the total output of the economy as a whole. For example, a customer may increase his production by borrowing funds to purchase needed parts that are in short supply. Such a loan would appear to be productive from the individual point of view of both the borrower and the lender. But, will the loan increase the supply of the parts or total output? If all resources are being used to capacity, the loan may merely enable the borrower to secure parts that otherwise would have been bought by another firm. From the point of view of the economy as a whole, the loan has increased the demand for goods, but it may not have increased total supply at all, with a bidding up of prices as the only result. Basically, that is why I believe that self-restraint, though important, is inadequate to check a strong inflationary development.

"Another reason is the force of competition not only among banks but among all lenders. We have in the United States 14,000 commercial banks and many thousands of other lending agencies. If, because of concern for the general interest, a bank should refuse to lend even to a good customer, this does not mean that the customer will not secure the funds. It may merely result in a permanent loss of the customer to some other lender. And unfortunately, the new lender may secure the funds from the sale of Government securities, with the result that the loan may be just as inflationary as if the bank had made it in the first instance."

A realistic appraisal of the problem of credit expansion confronting the bankers of this District seems to lead to several conclusions. The strong demand for loans for business, industrial, and agricultural purposes, for consumer uses, and for real-estate financing probably will continue as long as the prevailing inflationary situation exists. Moreover, bankers, generally speaking, are in a position to secure the reserves necessary to expand loans by disposing of Government securities, unless they are restrained by their own voluntary actions or by restrictive action over bank reserves by the central banking authorities. Many loans, although they may appear to be productive and noninflationary, will undoubtedly have the effect of adding to the inflationary pressures by increasing the volume of purchasing power at a time when full employment and virtually full use of productive facilities in a great many lines of business and industry tend to prevent a compensating increase in the production of goods. Finally, any further stimulus to the inflationary movement through bank credit channels will tend to have an unstabilizing effect not only upon the economy of the region but ultimately upon the area's banks. In view of factors such as these, it is evident that a sound approach to a solution of the problem of bank credit expansion requires the coordinated, cooperative efforts of the private banking system and the monetary and credit authorities.

Bank credit expansion, however, is only one part of the problem of inflation which confronts the American people. It is certainly of major importance to prevent any further increase of an inflationary character in the volume of bank credit. It is equally important to restrain the growth of inflationary forces in other areas of the economic system. Unless this is done, the supply of purchasing power available to purchase an inadequate supply of goods will be increased and will serve merely to enable individuals and businesses to bid up prices. There is no easy cure for inflation; if further inflation is to be prevented, policies of an inflationary character must be avoided by the Government, by labor, business and industry, banking, consumers, farmers, and other groups. No single group of the population can be held wholly responsible for the inflated situation which prevails; instead, in one way or another, virtually every group has contributed its share toward the increase of inflationary forces. This should emphasize the necessity of a determination on the part of all groups and interests to prevent further inflation and to cooperate fully in their efforts to restore our economic system to a sound, stable basis.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

Forecasts made by the Crop Reporting Board of the Bureau of Agricultural Economics indicate larger crops of cotton, sorghum grains, peanuts, flaxseed, corn, and pecans in Texas this year. A Texas cotton crop of 3,500,000 bales is anticipated, while production of grain sorghums is forecast at 84,834,000 bushels as compared with a 10-year average of 55,552,000 bushels. In Oklahoma, a cotton crop of 350,000 bales is anticipated, a volume of production slightly above that of last year but substantially below the 10-year average. Cotton forecasts for New Mexico, Arizona, and Louisiana reflect appreciable increases over last year's crops. Range feed supplies in the District made rapid recovery during July, as rains relieved droughty conditions in most areas. Livestock receipts at Fort Worth and San Antonio markets during July were 44 percent below those of the preceding month and 30 percent below the receipts of July 1947.

Daily average production of crude oil in the Eleventh Federal Reserve District during July was 2,669,508 barrels as compared with production outside the Eleventh District of 2,790,108 barrels daily. Drilling operations continued at high levels, and it is estimated that well completions in 1948 in the Eleventh District will total about 14,000. The value of construction contracts awarded in this District during July was 12 percent above the June level but 19 percent below the record figure reached in May. Cottonseed received at Texas mills during the year ended July 31 totaled 1,216,414 tons, or nearly twice the amount received last season. Cotton consumption at Texas mills for the year ended July 31 was 23 percent below that for the 1946-47 season and was the lowest since 1939-40.

The decline in the dollar volume of sales at reporting department stores in the District during July was less than is usually experienced at this season, and the adjusted index of department store sales rose to 436 percent of the 1935-39 average. Merchandise inventories at reporting department stores declined seasonally for the third consecutive month, and although outstanding orders increased slightly during July, they were below the level of the comparable month in 1947. A slight improvement was reported in the rate of collections on open accounts, while collection of installment accounts was sustained at the June level.

All major categories of loans at selected member banks in leading cities of the District showed increases during the four-week period July 14 to August 11, while total investments increased by \$17,847,000. Neither bank debits nor the annual rate of turnover of deposits showed any change during July as compared with the preceding month, although both were substantially above the levels for July 1947. Gross demand deposits of the member banks in the District increased for the third consecutive month, with most of the increase occurring at the reserve city banks. An increase in time deposits was also reported, virtually all of which was reflected in accounts of this same group of banks.

BUSINESS

Reporting department stores in this District experienced a decline in dollar volume of sales of only 4 percent in July, a less than usual seasonal decline. Despite this decline, sales were 15 percent higher than in the comparable month last year, a margin greater than reported for any other District. As a result of the

July volume, the adjusted index of department store sales, which compensates for seasonal variation, rose to 436 percent of the 1935-39 average from the 406 percent to which it had fallen in June, due to a more than seasonal decline in sales during that month. Since July of last year the adjusted index has risen strikingly from 378 percent of the 1935-39 average. Weekly reporting department stores have indicated that sales for the first week in August were 15 percent above those of the corresponding 1947 week; this increase, however, compares with a 17 percent increase in the United States average for that week. The widespread clearances of summer goods and the early promotions of fall merchandise have been factors supporting the high level of department store sales.

The dollar value of merchandise inventories at reporting department stores declined seasonally for the third consecutive month, falling 1 percent in July from the June level, but maintained the year-to-year increase of 29 percent established during the previous month. As fall buying continued, orders outstanding in July increased 5 percent from June but were 7 percent below the level of July 1947. The decline in outstanding orders from the previous year probably reflects, at least in part, a marked improvement in the availability of merchandise and a tendency to place current orders more nearly in line with actual requirements.

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in—			
		Net sales		Stocks †	
		July 1948 from July 1947	June 1948 from July 1947	July 1948 from July 1947	June 1948 from July 1947
Retail trade:					
Department stores:					
Total 11th Dist.	48	15	-4	12	29
Corpus Christi.	4	7	7	1	-9
Dallas.	7	8	-2	6	20
Fort Worth.	4	14	-2	11	31
Houston.	7	34	-3	26	55
San Antonio.	5	9	-9	11	23
Shreveport, La.	3	28	-11	21	..
Other cities.	18	10	-5	7	28
Furniture stores:					
Total 11th Dist.	39	8	-10	..	3
Dallas.	3	23	-6	..	-10
Houston.	4	5	-6	..	..
Port Arthur.	4	11	4	..	19
San Antonio.	4	-4	-19	..	..
Wholesale trade:*					
Machinery, equip't, and supplies.	3	68	-15	..	..
Automotive supplies	4	5	-1	..	..
Drugs.	6	7	6	4	1
Dry goods.	5	9	9	..	20
Groceries.	32	4	-1	7	22
Hardware.	9	7	-16	5	12
Tobacco & products.	7	3	1	1	9

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

†Stocks at end of month.

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales—(1935-39=100)					
	Unadjusted*			Adjusted		
	July 1948	June 1948	May 1948	July 1948	June 1948	May 1948
11th District.	331	345	393	288	436	406
Dallas.	287	293	354	267	399	358
Houston.	407	420	453	304r	503	483
	Stocks—(1935-39=100)					
	Unadjusted*			Adjusted		
	July 1948	June 1948	May 1948	July 1948	June 1948	May 1948
11th District.	386	384r	396	299	358	396r
	Unadjusted for seasonal variation.			r-Revised.		

The rate of collections on open accounts increased slightly during July, while that on installment accounts was sustained at the June level. The ratio of collections to regular accounts increased to 53 percent from 52 percent in June, partially recovering the decline from 54 percent in May of this year.

The ratio of collections to installment accounts leveled off in July at the June ratio of 18 percent, after having declined from 20 percent in April and 19 percent in May.

Furniture store sales as reported in this District declined seasonally 10 percent in July from the well-sustained level of the previous month but were 8 percent larger than in July 1947. Cash sales continued a monthly decline that began in January 1948 and was reversed only in March and April, and in July were 7 percent below those in June. Credit sales, however, broke a rising pattern and were 11 percent lower in July, the largest monthly decline since the post-holiday decline of 44 percent in January of this year. Although both cash and credit sales in July were lower than in the previous month, the larger decrease in credit sales was reflected in a slight decline in the ratio of credit sales to total sales from the June level of 88 percent. However, the year-to-year decline from July 1947 in cash sales of 23 percent and the increase in credit sales of 13 percent during the same period resulted in an increase in the ratio of credit sales to total sales to over 87 percent in July from less than 83 percent in the same month last year. Collections during July showed a slight increase over those of the previous month, after having declined 2 percent during June, and were 15 percent greater than in July 1947. Inasmuch as collections during July were almost as great as the volume of credit sales, accounts receivable at the end of July were only 1 percent larger than at the end of the previous month; however, they were 56 percent greater than in July 1947.

District furniture stores reporting inventories indicated a further decline for the third consecutive month, the dollar value of inventories in July being 2 percent below that of the previous month but 3 percent above July 1947.

National developments of interest to businessmen and others in this District are reflected in certain indexes and other data recently reported. It was estimated during July that a record number of over 61,500,000 persons were holding civilian jobs. Reflecting the increase in employment, high-level wage rates, sustained production, and other factors, personal income in the United States for the first six months of 1948 was at an annual rate of \$208,100,000,000, or \$18,000,000,000 more than in the first half of 1947; reports for June placed personal income for the Nation at an annual rate of \$211,900,000,000. As personal incomes increased, the wholesale commodity price index of the Bureau of Labor Statistics reached a new record high. In the middle of July, the index was 168.9 percent of the 1926 average, an increase of 1 percent over the previous record set in May 1920, and by August 7 had reached 169.2. Moving upward under the impetus of greater demand and higher costs, the consumer price index reached a new record in June and was 171.7 percent of the 1935-39 average as food, fuel, house-furnishings, and rent continued to rise. Apparel prices, however, showed a fractional decline for the first time in many months. As the demand for consumer goods continued strong in spite of price increases, installment credit and total consumer credit set new records in dollar volume during June as totals of \$7,200,000,000 and \$14,100,000,000, respectively, were reported.

AGRICULTURE

Larger crops of cotton, sorghum grains, peanuts, flaxseed, corn, and pecans are indicated for Texas this year, according to the August 1 forecasts made by the Crop Reporting Board of the Bureau of Agricultural Economics. The Texas cotton crop is more than one-fifth above the 10-year average, with the greatest increases in production expected in the northwest and eastern parts of the State. Better yields account for a corn

crop larger than last year, despite the reduced acreage. An increased acreage of grain sorghum is expected to produce one of the largest crops on record. A record rice crop is in prospect, although yields are down slightly. Production of winter grains, on the other hand, was much below last year, with both wheat and oat production less than one-half as large as a year ago. Production of deciduous fruits will fall short of last year, due to the mid-March freeze. Harvest of maturing corn, sorghums, cotton, and peanuts progressed rapidly during August. Range feeds made considerable recovery during July but were badly in need of rain around mid-August. Livestock, after gaining flesh during July, generally were holding up only fairly well around the middle of August, while in parts of east, central, and south Texas, where the range grasses were curing because of lack of moisture, some shrinkage of livestock was reported. Livestock marketing was at a low level during July. A small lamb crop is forecast for Texas in 1948, and a considerably reduced wool clip is expected.

As harvest of the Texas wheat crop was completed, yields were reported to average only 9.5 bushels per acre, or one-half bushel below earlier expectations. This year's yield compares with a yield of 17.0 bushels per acre last year and a 10-year (1937-46) average yield of 11.6 bushels. Production of an estimated 54,169,000 bushels this year was slightly above average but was only 44 percent of the record 124,000,000 bushels harvested last year.

CROP PRODUCTION—(In thousands of bushels)

	Texas			States in Eleventh District*		
	Average 1937-46	1947	Estimated Aug. 1, 1948	Average 1937-46	1947	Estimated Aug. 1, 1948
Winter wheat.....	45,688	124,270	54,169	113,001†	238,712‡	159,602‡
Corn.....	70,422	48,592	50,364	123,899	87,664	99,138
Oats.....	34,370	31,248	14,734	65,166	60,006	40,116
Barley.....	4,049	2,520	2,370	12,120†	9,230‡	11,170‡
Tame hay†.....	1,193	1,246	1,217	3,621	4,044	4,132
Potatoes, Irish.....	4,311	4,536	4,400	9,978	9,280	8,745
Potatoes, sweet.....	5,121	4,675	4,230	14,366§	12,565§	11,305§
Rice.....	15,588	23,700	24,096	36,991‡	45,155‡	47,221‡

*Figures are combined totals for the five states lying wholly or partly in the Eleventh Federal Reserve District: Texas, Arizona, Louisiana, New Mexico, and Oklahoma. †In thousands of tons. ‡Arizona, New Mexico, Oklahoma, and Texas. §Louisiana, Oklahoma, and Texas.

SOURCE: United States Department of Agriculture.

The August 1 report of the United States Department of Agriculture estimates the United States' 1948 cotton crop at 15,169,000 bales, compared with a crop of 11,851,000 bales in 1947 and a 10-year (1937-46) average of 12,014,000 bales. Anticipated production in Texas is placed at 3,500,000 bales, or slightly larger than the 1947 crop of 3,431,000 bales and about 21 percent larger than the 10-year average of 2,894,000 bales. The estimate of 8,979,000 acres of cotton for harvest in Texas is greater than in any year since 1937 but still substantially below the level of acreage generally prevalent during the years prior to that time. The indicated yield of 187 pounds of lint per acre in Texas this year compares with 197 pounds harvested last year and with a 10-year average of 170 pounds. A Louisiana crop of 700,000 bales, forecast on August 1, is about 39 percent above last year's crop and about one-fifth above average, due largely to an increase in yield from 292 pounds per acre to 364 pounds per acre. In Oklahoma, the crop was estimated at 350,000 bales, compared with 330,000 bales produced last year and a 10-year average of 566,000 bales. The near-average yield of 162 pounds per acre this year in Oklahoma is about 21 pounds above the yield harvested last year. New Mexico and Arizona cotton crops are forecast at 245,000 bales and 285,000 bales, respectively, both of which represent appreciable increases over last year and are considerably above average. Yields per acre in these two States for the 1948 crop are estimated at 557 pounds and 499 pounds, respectively.

TEXAS COTTON PRODUCTION BY CROP REPORTING DISTRICTS

(In thousands of bales—500 lb. gross wt.)

Crop reporting districts	1945	1946	1947	1948 indicated	1948 as percent of 1947
1-N.....	15	35	105	135	129
1-S.....	105	198	946	980	104
2.....	380	270	494	560	113
3.....	17	14	15	20	133
4.....	587	482	810	775	96
5.....	119	96	185	210	114
6.....	80	99	113	125	111
7.....	27	15	32	30	94
8.....	227	185	315	260	83
9.....	106	46	129	135	105
10.....	131	229	287	270	94
State.....	1,794	1,699	3,431	3,500	102

Increases in cotton production in Texas this year are indicated for the northwest areas, where acreages continued to expand and where prospective yields per acre almost equal those of last year. Production in east Texas is also expected to be above last year, due to increased acreage. These increases are partly offset, however, by reductions indicated for the Blacklands, where insects have been more prevalent than last year and root rot has been extensive. Smaller production also is indicated for south and central Texas, where insects have been more numerous and moisture conditions less favorable than last season. Cotton made generally good progress in Texas during July and early August, except in some counties in the eastern part of the State where dry weather checked fruiting and caused some shedding and premature opening. In all maturing areas, however, the hot, dry weather has hastened maturity and favored harvesting operations. Some increase in insect infestation was noted in the dry areas about mid-August, but control measures were being used extensively. Insect damage continued light in the Low Rolling Plains and High Plains, where the crop made rapid progress in plant growth and heavy bloom continued.

Corn production in Texas is forecast at 50,364,000 bushels, or almost 2,000,000 bushels over last year's production but well below the 10-year average of 70,422,000 bushels. Although the smaller corn acreage in the State this year is a continuation of the downward trend, production is expected to exceed last year's crop because of the increased yield per acre. On August 1, the yield was estimated at 18.0 bushels, compared with 16.5 bushels per acre harvested last year and a 10-year average of 16.0 bushels. The larger acreage planted to hybrid seed has contributed to the better corn yields in the State this year.

The acreage of sorghum for grain in Texas, estimated at 4,713,000 acres, is 24 percent above the 3,801,000 acres last year, due principally to reductions in the acreage of wheat left for harvest. The August 1 forecast of production was placed at 84,834,000 bushels as compared with 68,313,000 bushels last year and a 10-year average of 55,552,000 bushels. Late planted sorghum in the central and northcentral areas has suffered from dry weather, but fair to good yields are in prospect. A good crop has been harvested in the commercial area of the Coastal Bend, and prospects are unusually favorable in the High Plains and Low Rolling Plains.

The Texas peanut crop for 1948 was estimated on August 1 at 373,350,000 pounds, compared with 351,120,000 pounds in 1947. Acreage of peanuts for picking and threshing was estimated at 786,000 acres, or 6 percent below the acreage harvested last year. Favorable weather conditions contributed to active harvest of early peanuts in the southern counties of the State, but the late crop there, as well as in other areas, was badly in need of rain at mid-August. The year's pecan crop in Texas, which on August 1 was expected to aggregate 39,750,000 pounds, is nearly double the crop of 21,000,000 pounds produced last year.

The forecast of the 1948 Texas rice crop anticipates a record production of 24,096,000 bushels and compares with the previous record of 23,700,000 bushels harvested last year. The 502,000-acre crop for harvest this year is 6 percent above the acreage harvested last year, while the prospective yield is estimated at 48 bushels per acre, compared with 50 bushels last year and a 10-year average of 47.1 bushels. At mid-August, harvest of early varieties of rice was becoming general over most of the rice belt, but late rice was badly in need of rain because of the scarcity of water for irrigation.

Harvest of a good crop of watermelons was under way in the extreme northwestern part of Texas at mid-August. The Panhandle potato crop in the Plainview area was about 80 percent harvested, and progress in other areas was well advanced. The Texas Irish potato crop was estimated on August 1 at 4,400,000 bushels, which is better than average but slightly below last year's crop of 4,536,000 bushels. Sweet potato prospects improved during July and production was estimated on August 1 at 4,230,000 bushels, compared with 4,675,000 bushels last year and a 10-year average of 5,121,000 bushels. Transplanting of fall-crop tender vegetables was nearly completed in the Laredo-Winter Garden-Eagle Pass districts at mid-August, but farm work and growth of the plantings were retarded by the intense heat and lack of rainfall. Field work in both tender and hardy-type vegetables in the Rio Grande Valley was well along. Largely because of the periods of freezing weather in January and March, followed by dry weather and a shortage of irrigation water, the prospective production of citrus in Texas falls short of last year's production. The set was light and the June shedding was heavier than usual. However, the fruit has sized well and conditions point to an early marketing season.

Range feed supplies in the District made rapid recovery during July as rains around the first of the month relieved droughty conditions in most areas. During the first part of August, however, moisture again was short in Texas and range and pasture feed was badly in need of rain, except in some North High and Low Rolling Plains counties where grasses were supplying excellent grazing. Although Texas livestock gained flesh on the improved supply of grass during July, they were holding up only fairly well during the first part of August, and some shrinkage was reported from eastern and central counties of the State. Livestock in other states of the District generally were maintaining satisfactory condition on an adequate supply of grass and range feed. Prior to August 1, only a limited number of Texas calves had been contracted for fall delivery.

The 1948 Texas lamb crop, estimated at 3,160,000 head, is the smallest both in total numbers and as a percentage of breeding ewes since 1935. This year's crop is 14 percent smaller than that of last year and is 29 percent below the 10-year average. The percentage lamb crop (number of lambs saved per 100 ewes 1 year old and over on January 1) was 61, compared with 68 percent last year and a 10-year average of 70 percent. Unfavorable winter weather and feed shortages largely accounted for the low percentage this year. The 1948 Texas shorn wool clip, estimated at 55,947,000 pounds, is the smallest since 1931 and compares with last year's clip of 61,946,000 pounds and a 10-year average of 77,296,000 pounds. The smaller clip this year is the result of sharply reduced sheep numbers and lighter fleece weights. The number of sheep shorn and to be shorn, estimated at 7,449,000 head, is 7 percent below last year and 25 percent below average.

Total livestock receipts at Fort Worth and San Antonio markets during July were about 44 percent below those of the preceding month, due partly to seasonal declines in receipts of sheep and hogs, and were 30 percent below the receipts of

July 1947. Hog receipts were 10 percent above those of the same month last year but down about 30 percent from June. Receipts of other classes of livestock were down from 25 to 55 percent from receipts of these earlier periods.

LIVESTOCK RECEIPTS—(Number)

Class	Fort Worth			San Antonio		
	July 1948	July 1947	June 1948	July 1948	July 1947	June 1948
Cattle.....	69,831	111,675	89,602	26,520	47,564	38,179
Calves.....	22,799	35,223	28,797	17,914	26,981	27,488
Hogs.....	37,863	34,306	57,766	6,862	6,222	6,365
Sheep.....	124,602	198,532	321,576	54,599	52,706	79,294

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundredweight)

Class	Fort Worth			San Antonio		
	July 1948	July 1947	June 1948	July 1948	July 1947	June 1948
Beef steers.....	\$35.00	\$25.50	\$33.00	\$32.00	\$24.50	\$31.75
Stocker steers.....	28.50	22.50	28.50	.....	.....	.....
Heifers and yearlings.....	35.00	25.50	35.00	30.25	20.40	30.00
Butcher cows.....	24.50	19.00	24.50	25.00	18.00	25.00
Calves.....	32.50	24.50	31.50	32.50	23.00	30.00
Hogs.....	28.75	27.75	28.00	29.00	27.00	27.50
Lambs.....	31.50	24.00	30.00	26.50	21.75	26.50

Prices received by farmers in Texas showed divergent trends during the month ended July 15, according to the Mid-Month Local Market Price Report of the United States Department of Agriculture. Sharp increases in prices received for most meat animals and higher prices for poultry and eggs, cottonseed, citrus fruits, potatoes, and sweet potatoes offset declines in prices of all grains, hay, and cotton. Price increases for all meat animals except sheep and price declines for grains were continuations of movements of the previous month. Reports from central commodity markets indicate that from July 15 to August 15 prices received by farmers for wheat made little change, while prices received for other grains and for cotton declined, and livestock prices followed mixed trends within narrow bounds.

FINANCE

Total loans of selected member banks in leading cities of the Eleventh District increased by \$7,880,000 during the four-week period from July 14 to August 11, as all categories of loans showed increases. Total investments of these banks increased \$17,847,000, reflecting an increase of \$12,359,000 in holdings of Government securities and an increase of \$5,488,000 in all other stocks, bonds, and securities. During the same period total deposits of the weekly reporting member banks declined by \$21,275,000, as a result of a decline in demand deposits adjusted of \$24,475,000 which was partly offset by an increase in time deposits of \$5,864,000 and a minor increase in United States Government deposits.

The major increase in loans in the District during the four-week period occurred as these selected banks increased their loans to commercial, industrial, and agricultural borrowers. This category of loans rose to \$705,923,000, an increase of \$3,911,000. As compared with the total amount of these loans outstanding on the comparable date a year ago, commercial, industrial, and agricultural loans showed an increase during the year of \$148,697,000. Although there have been minor fluctuations from week to week in this category of loans throughout 1948, the total outstanding on August 11 was \$5,564,000 less than the amount outstanding on December 31, 1947, showing that the increase of the past year was accumulated during the last six months of 1947.

Real-estate loans at selected member banks in the District increased by \$1,734,000 between July 14 and August 11, while "all other" loans, including loans of a consumer type, increased

by \$1,464,000. Loans to real-estate borrowers and to consumers have increased steadily throughout the current year. Real-estate loans outstanding on August 11 were approximately 11-1/2 percent larger in volume than the amount outstanding at the end of December 1947, while the increase in "all other" loans during the same period amounted to about 7 percent.

Between July 14 and August 11, the principal changes in holdings of United States Government securities were an increase in holdings of United States Treasury notes amounting to \$26,382,000 and decreases in holdings of United States Treasury bills and certificates of indebtedness of \$9,321,000 and \$5,241,000, respectively. There was little change in holdings of United States Government bonds at the selected member banks in the District. Despite the recent decrease in holdings of United States Treasury bills, these banks reported holdings of Treasury bills totaling \$46,930,000, or almost \$21,000,000 more than the amount held in their portfolios on August 13, 1947. On the other hand, holdings of United States Government bonds are reported to have declined by over \$53,000,000 during the same period.

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

(In thousands of dollars)

Item	August 11, 1948	August 13, 1947	July 14, 1948
Total loans and investments.....	\$2,275,466	\$2,142,228*	\$2,249,773
Total loans—Net.....	1,024,799	.....	1,010,919
Total loans—Gross.....	1,081,072	837,430*	1,023,196
Commercial, industrial, and agricultural loans.....	705,923	587,226	702,012
Loans to brokers and dealers in securities.....	7,043	6,806	6,506
Other loans for purchasing or carrying securities.....	60,491	69,158	60,439
Real-estate loans.....	85,880	75,645	84,146
Loans to banks.....	672	148	494
All other loans.....	171,063	128,448	189,599
Total investments.....	1,244,424	1,304,798	1,220,677
U. S. Treasury bills.....	49,930	25,984	56,251
U. S. Treasury certificates of indebtedness.....	189,435	229,083	191,676
U. S. Treasury notes.....	122,148	127,391	95,706
U. S. Government bonds (incl. gtd. obligations).....	767,487	820,602	760,948
Other securities.....	121,424	101,738	115,936
Reserves with Federal Reserve Bank.....	502,455	479,260	487,298
Balances with domestic banks.....	282,272	304,546	343,187
Demand deposits—adjusted.....	1,910,486	1,797,207	1,934,961
Time deposits.....	417,570	378,559	411,706
United States Government deposits.....	35,098	21,011	34,790
Interbank deposits.....	599,344	601,808	569,316
Borrowings from Federal Reserve Bank.....	None	7,000	None-r

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

†After deductions for reserves and unallocated charge-offs.

r—Revised.

*Prior to June 30, 1948, the individual classes of loans were reported net; however, the amount of reserves deducted subsequent to June 30, 1948, was so small as to have no significant effect upon the comparability of the data.

MEMBER BANK RESERVES AND RELATED FACTORS

Eleventh Federal Reserve District
(In millions of dollars)

Item	Changes in weeks ended				Cumulative changes	
	Aug. 11, 1948	Aug. 4, 1948	July 28, 1948	July 21, 1948	4 weeks ended Aug. 11, 1948	Jan. 1 to Aug. 11, 1948
Federal Reserve credit—						
local.....	1.4	..	— 8.3	5.6	— 1.3	— 8.1
Interdistrict commercial & financial transactions.....	— 5.5	7.9	— 9.9	— 17.0	— 24.5	— 102.8
Treasury operations.....	10.4	13.8	8.2	12.6	45.0	63.6
Currency transactions.....	— 5.0	— 6.4	0.6	— 0.9	— 11.7	12.6
Other deposits at the Federal Reserve Bank.....	..	0.1	— 0.2	..	— 0.1	0.6
Other Federal Reserve accounts.....	..	— 0.1	1.8	0.3	2.0	5.6
Member bank reserve balances.....	1.3	15.3	— 7.8	0.6	9.4	— 28.5

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

Bank debits during July, as reported by banks in 24 cities in the District, showed an increase of 22 percent over the same month of last year but no change as compared with June of the current year. Increases in bank debits during July reported by banks in Dallas, Amarillo, Corpus Christi, and Port Arthur,

Texas, Monroe, Louisiana, and a few other cities in the District offset decreases reported by banks in 12 cities. Largest percentage increases in bank debits were reported from Monroe, Amarillo, and Corpus Christi, while largest decreases were reported from San Angelo and Laredo, Texas, and Roswell, New Mexico. Bank debits reported by banks in Dallas and Houston continued to exceed \$1,000,000,000, with Houston reporting a total of approximately \$1,095,000,000 and Dallas \$1,061,000,000. Turnover of deposits during July showed no significant change from the rate of turnover of the preceding month, although it was somewhat higher than during the comparable month of last year. Banks in Dallas reported the highest annual rate of turnover, 17.5, with the rate of turnover at Fort Worth at 15.1 and at Houston 14.8. The rate of turnover on an annual basis for banks in the 24 cities was 13.3 in July as contrasted with 13.4 in June.

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

(Amounts in thousands of dollars)							
City	Debits			End-of-month deposits* July 31, 1948	Annual rate of turnover		
	July 1948	July 1947	June 1948		July 1948	July 1947	June 1948
Arizona: Tucson.....	\$ 59,745	24	— 6	\$ 81,745	8.8	7.4	9.1
Louisiana:							
Monroe.....	33,970	25	12	38,615	10.3	8.5	9.2
Shreveport.....	134,737	30	3	154,138	10.3	8.8	10.0
New Mexico: Roswell.....	13,137	4	—12	17,329	9.1	8.9	10.3
Texas:							
Abilene.....	32,584	19	— 2	42,654	9.2	8.5	9.6
Amarillo.....	94,308	3	10	84,460	13.3	14.9	12.4
Austin.....	105,388	25	— 8	104,449	12.1	10.6	13.2
Beaumont.....	96,232	37	1	100,700	11.9	10.3	12.2
Corpus Christi.....	83,768	17	9	77,281	13.3	13.1	12.7
Corsicana.....	9,425	11	— 6	18,925	6.0	5.4	6.4
Dallas.....	1,061,127	25	6	715,431	17.5	15.4	16.8
El Paso.....	119,004	34	— 1	110,684	12.8	10.3	12.2
Fort Worth.....	346,191	2	— 7	274,371	15.1	15.0	16.2
Galveston.....	70,865	19	— 5	93,627	9.2	8.0	9.7
Houston.....	1,094,613	31	— 1	891,011	14.8	13.1	15.1
Laredo.....	17,024	11	—12	23,179	8.8	9.0	10.0
Lubbock.....	59,218	13	1	65,024	10.6	11.4	10.3
Port Arthur.....	38,251	28	7	39,917	11.5	9.2	10.9
San Angelo.....	29,348	15	—15	38,966	8.9	8.4	10.7
San Antonio.....	244,036	11	— 6	315,160	9.2	8.4	9.8
Texarkana†.....	15,905	25	7	21,896	8.5	7.0	8.0
Tyler.....	43,638	29	9	53,615	9.7	8.5	9.1
Waco.....	48,499	10	— 5	62,292	9.2	8.8	9.7
Wichita Falls.....	54,893	15	— 9	80,085	8.3	8.3	9.2
Total—24 cities.....	\$3,905,906	22	†	\$3,505,454	13.3	12.0	13.4

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

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

‡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 \$25,680.

During the month ended August 15, Federal Reserve notes of this bank in actual circulation increased by almost \$10,000,000 to total \$609,617,000. Other changes in the condition of the Federal Reserve Bank of Dallas included an increase of more than \$45,000,000 in gold certificate reserves, an increase of slightly more than \$10,000,000 in holdings of Government securities, and an increase of about \$13,500,000 in total earning assets. Discounts for member banks, which totaled \$400,000 on July 15, 1948, amounted to \$3,750,000 on August 15.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

Item	(In thousands of dollars)		
	August 15, 1948	August 15, 1947	July 15, 1948
Total gold certificate reserves.....	\$585,019	\$481,491	\$539,548
Discounts for member banks.....	3,750	2,200	400
Foreign loans on gold.....	7,912	974	7,854
U. S. Government securities.....	976,665	953,480	965,570
Total earning assets.....	968,327	956,654	974,824
Member bank reserve deposits.....	847,497	801,152	823,332
Federal Reserve notes in actual circulation.....	609,617	588,949	599,792

Gross demand deposits of member banks in the Eleventh District increased during July for the third consecutive month to reach a total of \$5,096,434,000, while time deposits rose for the second consecutive month to total \$587,716,000. During

July, the increase in gross demand deposits occurred principally at the reserve city banks, which reported an increase in this item amounting to more than \$41,000,000, while the increase at the country banks was approximately \$10,000,000. Virtually all of the increase in time deposits at the member banks of the District during July occurred at the reserve city banks, as these banks reported a growth in this type of deposit of more than \$10,000,000, while the expansion of time deposits at country banks amounted to less than \$1,000,000.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District
(Averages of daily figures. In thousands of dollars)

Date	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
July 1946.....	\$4,942,638	\$494,265	\$2,437,422	\$313,893	\$2,505,216	\$180,372
July 1947.....	4,788,677	542,083	2,288,215	339,590	2,470,462	202,493
March 1948.....	5,019,464	569,800	2,357,864	357,605	2,661,600	212,195
April 1948.....	4,987,656	574,507	2,354,485	362,306	2,633,171	212,201
May 1948.....	4,997,789	569,656	2,384,589	358,943	2,613,203	210,713
June 1948.....	5,044,942	576,282	2,415,559	364,548	2,629,383	211,734
July 1948.....	5,096,434	587,716	2,456,933	375,215	2,639,501	212,501

Savings deposits as reported by 102 banks in the District declined fractionally during July from the level of the preceding month and from the level of the comparable month a year ago. The largest percentage increase in savings deposits, based on these reports, occurred at Wichita Falls and amounted to 2.1 percent. Other cities reporting increases were Waco, Port Arthur, and Galveston.

SAVINGS DEPOSITS

Eleventh Federal Reserve District

City	Number of reporting banks	July 31, 1948		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	July 31, 1947	June 30, 1948
Louisiana: Shreveport.....	3	32,817	\$ 25,311,174	—3.8	—0.9
Texas:					
Beaumont.....	3	12,160	6,271,758	—9.2	—0.1
Dallas.....	8	143,027	78,278,410	0.2	—1.0
El Paso.....	2	32,322	22,384,029	—4.8	—1.9
Fort Worth.....	4	43,094	34,306,596	—1.9	—1.3
Galveston.....	4	23,295	22,028,018	1.1	0.5
Houston.....	8	105,894	72,931,422	3.5	—0.1
Lubbock.....	2	1,417	1,786,885	3.7	—2.6
Port Arthur.....	2	6,110	4,875,647	—7.2	0.6
San Antonio.....	5	38,781	45,815,737	—2.6	—2.4
Waco.....	3	10,120	9,805,689	2.0	1.1
Wichita Falls.....	3	6,994	4,609,060	—1.0	2.1
All other.....	55	62,792	54,203,486	0.3	—0.002
Total.....	102	518,803	\$382,607,901	—0.5	—0.7

The final report of total sales of Series E, F, and G bonds in Texas during the Security Loan Campaign shows sales of \$65,866,000. Series E bond sales amounted to \$41,404,000 and represented 62 percent of total sales in Texas during the period. Sales of Series F and G bonds during the campaign amounted to \$24,462,000, of which sales amounting to \$16,195,000 were made during the period July 1 to 15. Sales figures for the Nation during the Security Loan Campaign, announced by Secretary Snyder, were as follows: Total sales of Series E, F, and G bonds—\$2,798,183,000; sales of Series E bonds—\$1,136,023,000; sales of Series F and G bonds during the special offering period, July 1 to 15, to certain institutional investors—\$1,126,027,000; other sales of F and G bonds—\$536,133,000.

On August 9, Secretary of the Treasury Snyder announced that Treasury certificates of indebtedness and notes maturing on October 1, 1948, would be refunded into a 1-1/4 percent one-year certificate of indebtedness and that Treasury notes maturing on September 15, 1948, would be refunded into 1-3/8 per-

cent Treasury notes maturing April 1, 1950. It was also announced by the Secretary at that time that the 2-1/2 percent partially tax-exempt Treasury bonds maturing in the amount of \$451,000,000 on September 15, 1948, would be paid off in cash. Promptly following these announcements, the Federal Reserve Bank of Dallas and eight other Federal Reserve banks announced an increase in the rediscount rate effective August 13 from 1-1/4 percent to 1-1/2 percent; subsequently, the other Federal Reserve banks announced the same rate increase. This latest advance in the rate on discounts for member banks was the second upward revision during this year. Early in January the rate was advanced from 1 to 1-1/4 percent.

NEW MEMBER BANK

The Peoples State Bank, Artesia, New Mexico, a newly organized institution located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, was admitted to membership in the Federal Reserve System on its opening date, August 2, 1948. This bank has paid-in capital funds of \$200,000, including capital of \$100,000, surplus of \$50,000, and undivided profits of \$50,000. Its officers are: H. L. Sanderson, President, and W. W. Batie, Vice President.

NEW PAR BANKS

The Grove State Bank, Dallas, Texas, a newly organized 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 its opening date, August 4, 1948. This bank, a member of the Federal Deposit Insurance Corporation, has total capital of \$100,000, surplus of \$25,000, and undivided profits of \$15,000. Its officers are: Frank Duff, President; A. D. Jenkins, Executive Vice President; and Dan Evans, Cashier.

The Terrell State Bank, Terrell, Texas, a newly organized 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 its opening date, August 21, 1948. This bank, a member of the Federal Deposit Insurance Corporation, has total capital of \$100,000, surplus of \$75,000, and undivided profits of \$25,000. Ed M. Griffith is President and J. Ross Hamm is Vice President and Cashier.

INDUSTRY

The daily average production of crude petroleum in the Eleventh Federal Reserve District declined 1.0 percent in July from the record level of the previous month, although the District average of 2,669,508 barrels daily was 9.1 percent above July of last year. Production outside of the Eleventh District rose to 2,790,108 barrels daily, exceeding the previous month fractionally and July 1947 by 6.6 percent. With United States production totaling a record 1,167,405,000 barrels during the first seven months of 1948, total production of about two billion barrels seems likely this year. The Eleventh District is expected to produce about one billion barrels.

The consumption of petroleum products has continued to expand, and it has been estimated by the industry that the daily average for the year 1948 may reach 5,900,000 barrels, or 6.5 percent more than last year. Crude oil runs to refinery stills

during July averaged 1,773,000 barrels daily in the Eleventh District, or 15.9 percent higher than in July 1947, and 5,687,000 barrels daily for the United States, or 10.3 percent higher than a year ago. Gasoline production for the United States in July was maintained at about the same high level as in June, but stocks at the end of July were 5 percent below those of the previous month, though 15 percent above a year ago. Stocks of other refined products were also well above the levels of the previous year. Stocks of crude oil have shown little change since the first of the year but are 4.8 percent lower than on the corresponding date last year.

CRUDE OIL PRODUCTION—(Barrels)

Area	July 1948		Increase or decrease in daily average production from	
	Total production	Daily avg. production	June 1948	July 1947
Texas:				
District 1.....	896,350	28,915	307	6,662
2.....	5,495,700	177,281	3,628	22,246
3.....	15,228,500	491,242	— 6,321	7,778
4.....	7,718,300	248,977	— 7,440	18,116
5.....	1,498,300	48,332	1,362	9,109
6.....	9,408,450	303,498	— 7,564	—21,196
Other 6.....	3,758,950	121,256	— 1,625	7,893
7b.....	1,528,500	49,307	999	11,957
7c.....	1,330,900	42,932	— 3,095	3,930
8.....	21,419,400	690,948	— 6,677	104,513
9.....	4,226,700	136,345	— 3,537	10,240
10.....	2,748,850	88,673	2,401	4,402
Total Texas.....	75,258,900	2,427,706	—27,562	185,740
New Mexico.....	3,689,100	128,681	918	20,242
North Louisiana.....	3,506,750	113,121	244	16,630
Total Eleventh District.....	82,754,750	2,669,508	—26,400	222,021
Outside Eleventh District.....	86,493,350	2,790,108	190	172,565
United States.....	169,248,100	5,459,616	—26,210	394,586

SOURCE: Estimated from American Petroleum Institute weekly reports.

Drilling operations, as measured by the number of wells completed, continue at high levels. Despite the shortage of steel and steel products, total completions in 1948 are estimated by the industry at from 38,000 to 40,000 in the United States and about 14,000 in the Eleventh District. Reflecting the higher crude prices and prospects for a large sustained demand for petroleum, there was a 25 percent increase in wildcatting during the first half of 1948 as compared with the same period in 1947.

Natural gas production in Texas in May 1948 was reported at 268,666,571,000 cubic feet, or 18.6 percent more than in May 1947. Of the total production, 181,936,000,000 cubic feet was from sweet gas wells, 21,441,140,000 from sour (sulphur) gas wells, and 65,289,331,000 from oil wells. An estimated 45,000,000,000 cubic feet of oil-field gas which was destroyed was not included in the total. Of the total production, 118,265,000,000 cubic feet or 44 percent entered pipe lines, while cycling plants took 19 percent and carbon black plants 12 percent. Greater amounts of gas are being returned to reservoirs after natural fuels are extracted, with 5,116,986,000 cubic feet of casinghead gas having been thus cycled in May.

The value of construction contracts awarded in the Eleventh District during July increased to \$73,343,000, or 12 percent above the June level but 19 percent below the record figure reached in May. The July total was 38 percent above that for the same month last year. Contract awards for the first seven months of 1948 were 24 percent above the corresponding period of 1947, with the increase being 8 percent for residential and 34 percent for nonresidential construction. Data for Texas for the first half of 1948 show that contract awards for manufacturing buildings declined, being 50 percent below the figure for the same period last year. In the other major categories of nonresidential construction, contract awards continued well above the levels for the first half of last year. Awards during the first six months of this year exceeded the total for the full year of 1947 in the case of commercial building, educational and scientific buildings, hospital and institutional buildings, public

buildings, religious buildings, miscellaneous nonresidential building, and public works.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	July 1948	July 1947	June 1948	January 1 to July 31 1948	January 1 to July 31 1947
Eleventh District—total..	\$ 73,343	\$ 53,315	\$ 63,256	\$ 475,086	\$ 382,900
Residential.....	20,285	18,493	18,786	158,902	146,844
All other.....	53,048	34,817	44,490	316,184	236,056
United States*—total.....	962,685	660,254	935,188	5,729,480	4,152,899
Residential.....	349,699	240,885	355,296	2,174,288	1,709,787
All other.....	612,986	419,369	579,892	3,555,212	2,443,112

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

City	July 1948		Percentage change valuation from		Jan. 1 to July 31, 1948		Percentage change valuation from 1947
	No.	Valuation	July 1947	June 1948	No.	Valuation	
Louisiana:							
Shreveport.....	307	\$ 925,773	20	—54	2,376	\$ 22,347,593	261
Texas:							
Ahileine.....	92	274,404	—6	—53	661	3,313,740	25
Amarillo.....	212	1,042,192	54	32	1,349	6,488,711	46
Austin.....	295	1,879,545	—28	—8	2,295	15,037,630	30
Beaumont.....	391	1,261,784	—16	21	2,475	6,072,249	57
Corpus Christi..	356	1,350,593	—3	3	2,168	11,240,872	30
Dallas.....	1,368	6,240,586	19	—15	9,659	59,429,051	102
El Paso.....	143	365,000	—9	—65	843	6,137,023	65
Fort Worth.....	660	2,985,798	68	—16	3,904	17,969,349	35
Galveston.....	194	892,981	389	123	1,166	2,619,463	90
Houston.....	736	8,654,600	41	67	5,446	61,389,797	57
Lubbock.....	235	2,060,639	76	53	1,675	8,586,212	21
Port Arthur.....	178	727,967	273	223	920	1,877,612	38
San Antonio.....	989	3,019,642	20	38	8,688	21,339,143	46
Waco.....	132	842,833	—21	—40	1,061	8,045,579	64
Wichita Falls...	85	256,905	—7	—38	500	2,635,366	86
Total.....	6,373	\$32,781,242	25	6	45,186	\$254,529,390	66

Cottonseed received at Texas mills during the year ended July 31 totaled 1,216,414 tons, or nearly twice the amount received last season. The increase for other parts of the United States was 17 percent and for the whole United States 33 percent. Cottonseed crushed at Texas mills likewise nearly doubled, and stocks of most cottonseed products showed similar expansion; however, stocks of cottonseed at mills increased only 18 percent. Outside of Texas, the volume of cottonseed crushed showed a smaller increase, and stocks of cottonseed and cottonseed products, except cake and meal, declined slightly.

The continued scarcity of other edible oils was an important factor leading to the production in Texas of nearly twice as much crude cottonseed oil as during the 1946-47 season. Similarly, the relative scarcity of feed and the strong demand for livestock contributed to an increase of about 100 percent in Texas production of cake and meal and of hulls. Production of linters in Texas was 86 percent above last season. For each of these products, the increase outside of Texas was somewhat smaller.

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to July 31 This season	Last season	August 1 to July 31 This season	Last season
Cottonseed received at mills (tons).....	1,216,414	629,719	4,074,820	3,071,412
Cottonseed crushed (tons).....	1,206,710	632,545	4,081,166	3,089,590
Cottonseed on hand July 31 (tons).....	64,132	54,428	93,182	99,528
Production of products:				
Crude oil (thousand pounds).....	375,407	191,795	1,274,530	973,083
Cake and meal (tons).....	569,015	297,746	1,897,866	1,362,652
Hulls (tons).....	274,167	140,452	921,879	737,059
Linters (running bales).....	398,700	214,852	1,281,481	991,868
Stocks on hand July 31:				
Crude oil (thousand pounds).....	4,102	2,953	5,722	7,222
Cake and meal (tons).....	34,127	8,438	82,363	46,941
Hulls (tons).....	16,201	8,627	41,302	35,808
Linters (running bales).....	46,639	15,046	99,452	79,744

SOURCE: United States Bureau of Census.

Cotton consumption at Texas mills for the year ended July 31 was 23 percent less than that of the 1946-47 season and was the lowest since 1939-40. Similarly, for the United States, the season total was 7 percent below that of 1946-47. Although the demand for cotton textiles is still strong, there is increasing evidence that backlogs are largely eliminated and that production in the future must be principally to meet current requirements. Manufacturers and distributors are reported accumulating inventories and being more cautious in their commitments.

Increased cotton textile production abroad, as well as export controls and exchange uncertainties, have reduced the foreign market. Exports of cotton manufacturers during the first six months of 1948 have been at 64 percent of the 1947 rate on a dollar value basis and about one-half of the 1947 rate on a physical volume basis. However, on either basis, the 1948 rate is considerably above the 1939 rate.

While a number of Eastern mills have eliminated extra shifts or have gone on a four-day week due to falling-off of orders, most mills expect to operate at near full capacity for at least the rest of 1948. Mill capacity has not increased as much as population since before the war, so a return to the fiercely competitive situation of the 1930's is unlikely within the immediate future.

Stocks of cotton in consuming establishments at the end of July were slightly larger than a year earlier but were smaller than in any other prior year since 1940. Similarly, stocks in public storage and compresses were greater than the year before but smaller than in any other prior year since 1929. However, the prospects of a bumper cotton crop during the 1948-49 season indicate that total domestic stocks should rise above the total of 2,807,640 bales on hand at the end of the 1947-48 season.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	July 1948	July 1947	June 1948	August 1 to July 31 This season	Last season
Consumption at:					
Texas mills.....	11,936	12,122	13,509	155,247	199,525
United States mills.....	627,393	677,780	801,142	9,346,845	10,024,811
U. S. stocks—end of month:					
In consuming establm'ts....	1,471,644	1,406,094	1,741,450	.....	.....
Public stg. & compresses..	1,335,996	904,028	1,673,619	.....	.....