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IMPLICATIONS OF THE ECONOMIC OUTLOOK TO BUSINESS PRACTICES

For more than three years the country has enjoyed an unusually high level of economic activity. During most of the postwar period virtually all of the basic economic indexes have risen steadily as first one and then another inflationary development gained strength or appeared on the business scene. On a few occasions readjustments have occurred in certain areas of the economy; some of these have been quite marked in degree, as for instance the break in prices of basic farm commodities early in 1948. Each such development of an economic "soft spot" has been followed by a period of some uncertainty and hesitation in the upward trend, as businessmen, economists, and others have engaged in mental speculation as to whether the readjustment of the particular moment might not be the "beginning of the end" of the postwar boom. In each instance, however, underlying strength in other sectors of the economic system or the introduction of new and powerful inflationary forces have overcome the momentary downward pressures, and the indexes of economic activity have quickly regained or exceeded the high levels that prevailed prior to the particular readjustment. Moreover, the effective demand for goods as represented by the money supply and credit resources has been so strong as to push prices steadily higher.

There is no simple explanation of the business cycle. In fact, there is probably no generally accepted theory as to the causes of business fluctuations. Too many factors, complex and often unpredictable or not subject to accurate measurement, influence the trend of business to permit the development of a simple, clear explanation of the cycle or a definitive forecast as to the precise timing and magnitude of the future course of economic activity. In some respects, perhaps, economics is somewhat more of an art than a science. Judgments must be made with respect to the economic influence and impact of forces which simply do not lend themselves to statistical measurement—to cite only one such force, public reaction to a given set of economic circumstances. Consequently, different appraisals of the strength or trend of economic activity are not uncommon, as different analysts give varying weights to these more or less uncertain and immeasurable factors.

Perhaps the views of economic and business analysts with regard to the trend of business can be grouped into three major categories. Virtually all analysts have recognized that as a result of wartime and postwar developments there are numerous maladjustments in the economy that must be corrected in one way or another. However, views differ as to the ultimate consequences of such imbalances and readjustments. Some analysts seem to be of the opinion that a rather substantial degree of deflation is virtually inevitable, as a corrective aftermath to the inflation which the country has experienced, before the economy can regain a reasonably balanced condition. Moreover, some of this group, observing the

increasing number of "soft spots" which have appeared during the past year, seem to be of the opinion that the peak of the boom has been reached (or very nearly so) and that notable deflationary trends may become apparent within the foreseeable future—perhaps within the next 6 to 12 months. Disregarding the element of timing, historical analysis and comparison tend in a sense to lend support to the views of this group, for the record of history does show that great inflations of the past have been followed by sharp deflationary movements.

A second group, while not necessarily disputing the possibility of an ultimate deflationary movement of considerable proportion as a corrective of the past several years of inflation, seems to hold to the opinion that the forces of inflation still are strongly dominant and, unless offset or restricted by control measures of considerable strength, will result in more inflation, possibly of a seriously dangerous character. Furthermore, since inflation tends to produce distortions among various elements in the economic structure, their view leads to the conclusion that maladjustments in the economy may become even more pronounced or that new imbalances may appear. Analysts of this group readily acknowledge the existence of "soft spots" in the economy and, in fact, admit that they may increase in number, but they believe that, relatively speaking, such "soft spots" are more or less minor in importance when compared with the net inflationary impact of other forces. Among such forces are the contemplated expenditure for national defense in a troubled and uncertain world, the recovery and rehabilitation expenditures to restore some degree of balance and strength to the economic and political systems of other nations, government policies of a domestic nature which are admittedly inflationary, and the large money supply which will continue to represent an abnormally strong effective demand when directed toward the obtainment of what, at best, can be only a gradually increasing supply of desired goods and services.

Finally, there are those analysts who hold a more "middle of the road" outlook as to the trend of business and economic activity in the foreseeable future. This more moderate view inclines toward the conclusion that the Nation is at or near the peak of the boom in most economic areas. They recognize the probability of the continuance of comparatively strong inflationary forces, but they believe that during the past three years the economy of this Nation has tended to "grow up" to a considerable degree to the increased money supply; that readjustments which have occurred may have been more far-reaching in their effects than perhaps has been believed; that "soft spots" in the economy may be more basic than some have considered them to be; in brief, that while the economy will continue for some time to be subject to deflationary readjustments and inflationary pressures, these counteracting forces may tend to offset each other, with the consequence that economic activity and the principal economic indexes will tend to move in a more or less sideways direction within a comparatively narrow range of fluctuation.

Assuming no worsening of the European situation, analysts in this latter group do not anticipate substantially more inflation, for they believe that such factors as recurrent and varied readjustments in the economic system, the lack of speculative attitudes, the awareness of the dangers of inflation, and the tendency on the part of businessmen and others engaged in economic pursuits to exercise more caution than is typically characteristic during an inflationary boom will tend to be sufficiently restrictive and deflationary to offset anticipated inflationary developments. On the other hand, they do not consider as inevitable, nor do they anticipate, a sharp, severe depression or recession of the type which has followed previous wars or inflations. They believe that in many respects the present economic framework is notably different from that of the past and that various price and income supporting factors, such as government farm price supports, a high wage structure, a national policy of maintaining a high level of employment, and the need to maintain national income to support a high level of taxation, will combine with a very considerable underlying strength in the economic system to moderate significantly deflationary trends that may develop. These analysts, like those who foresee a different over-all trend, do anticipate various and perhaps numerous readjustments from time to time in different sectors of the economy, and they recognize that these readjustments may in some cases be moderately severe; but they believe that offsetting strength in other areas will tend to balance out, within reasonably close limits, the effects of such depressive adjustments as may occur.

A review of current business and trade journals, government publications, and the publications of the many economic, research, and forecasting organizations reveals clearly the presence of these conflicting economic views as to the future. Moreover, there are often shades of difference in degree and in timing among analysts who anticipate deflation, inflation, or a more moderate sideways trend. Obviously, the uncertainty regarding the economic outlook complicates and multiplies the problems of businessmen and others engaged in economic activity. It becomes especially confusing perhaps to those who tend to rely in their judgments upon the views of analysts or the statements and expressions of opinion which appear so frequently in publications, for those views and statements often differ notably. The fact, however, that appraisals of the business outlook differ should not lead the businessman to conclude that he cannot profit greatly by attempting to keep himself informed of current trends or that he cannot take very practical steps to protect his position against any adverse pressures that may arise.

A large and increasing volume of business statistics and statistics relating to general economic conditions is now available and provides the basic data by which each businessman should attempt to appraise the position of his industry and his own company. Moreover, such economic data and information, as well as views and opinions of analysts, have been much more widely disseminated and more avidly sought by businessmen in recent years than ever before. There are evidences that the predictions which have been so widely expressed through virtually all media useful in reaching the business public, conflicting as they have frequently been, have tended to instill a degree of prudent caution that has been lacking in previous boom periods. Perhaps as a result of the very uncertainty caused by conflicting views, businessmen may have taken preventive measures in their operations which, in their totality, have tended to mitigate or restrict the full influence either of depressive or of inflationary forces which have prevailed from time to time during the postwar period. Furthermore, warnings of the dangers of excessive inflation or the proximity of serious deflation may have induced many businessmen to withhold actions which, if taken, might have contributed to greater economic excesses and maladjustments. It is often said that if the potential strength of all of the inflationary forces to which our economy has been subjected is considered, it is surprising that the country has not experienced an even greater degree of inflation than that which has occurred. While they certainly have not been the sole restrictive factors, attitudes and practices of businessmen and others engaged in economic activity have been contributing factors in slowing at times the inflationary course. On the other hand, an unwillingness to be stampeded by adverse developments—some of which have been of significant importance—and a recognition of the underlying strength of the economy have contributed to checking the spread of such depressive developments to other areas of the economy.

It is admitted by virtually all analysts that readjustments in various lines of business, industry, agriculture, and other types of economic enterprises will occur, regardless of the direction of the over-all or net trend of economic activity. If our economy should experience more inflation, it would not be a balanced sort of inflation in the sense that all lines of activity would be affected in the same degree or even in the same direction. Some lines of economic activity would enjoy inflationary gains to a much greater degree than those which might appear in other lines, while still other parts of the economy might be confronted with positively depressionary forces. The same statement would be equally valid and significant in the event that the economy should experience a considerable degree of deflation or if the over-all course of most economic indexes should follow a more or less sideways trend. In other words, regardless of the net trend of economic activity, readjustments will occur and will affect different businesses or industries or productive enterprises in different degrees.

Consequently, in the face of that virtually assured outlook, it seems obvious that everyone engaged in economic activity should look to the condition of his own business affairs to be certain that he will be able to withstand successfully the impact of whatever forces may impinge upon his operations. This does not mean, either by statement or implication, that one should "stop doing business" or should restrict his operations unwisely; it does mean, however, that everyone should examine his operations objectively and impassionately with a view toward determining the true condition of those various basic elements that combine to provide—if they are sound—the foundation of a sound business

or—if they are unsound or unbalanced—contribute to an unstable economic unit incapable of coping with significant adverse economic conditions. In this respect there are several sound lines of action which can be suggested in a constructive sense to businessmen and others. These suggestions are by no means new; surely they are known by most persons engaged in economic activity. Their restatement and reconsideration in this article are considered warranted on the basis that repetition may impart emphasis to their importance and may induce the appropriate action in a larger number of cases.

Under any circumstances, of course, every effort should be made to operate business and economic units in such a manner as to achieve the highest practicable degree of efficiency. During the intermediate and, in fact, moderately advanced phases of the business cycle, however, errors in business or economic judgments or tendencies to condone or overlook loose or inefficient operating practices are not likely to be particularly dangerous or costly, although obviously such shortcomings do tend to aggravate the trend toward a lack of sound balance in economic units and to reduce the profitability of their operation. During the past few years while the country has been experiencing a steadily rising inflationary spiral it has been stated frequently (perhaps with some levity but nevertheless much truth) that it hasn't been necessary to be a good businessman, merchant, banker, industrialist, farmer, or other type of economic enterpriser to operate an economic unit with considerable success. As long as virtually all trends were pointed upward while effective purchasing power and demand were abnormally large in relation to the available supply of goods and services, mistakes could be absorbed and tolerated.

Undoubtedly, merchants have sold goods during the past three years which could not have been sold without loss under a different set of economic conditions. Manufacturers have produced goods which have been eagerly purchased by wholesalers, retailers, and the consuming public, although it has been generally recognized that some of such merchandise would not have found ready buyers if a more adequate or appropriate supply of goods had been obtainable. Bankers have made some loans which have paid out satisfactorily because the borrowers have found their operations profitable as a result, at least in part, of the inflationary framework in which they have operated their businesses. In fact, it may not be an exaggerated or particularly critical statement to say that there may have been some enterprisers who have been successful and profitable in spite of their inherent weaknesses or mistaken judgments.

Notwithstanding their different opinions regarding the over-all outlook for economic activity, it is now generally recognized by virtually all business analysts that supply is coming into better balance with demand in an increasing number of lines of merchandise and lines of business. It is also generally admitted that consumers are steadily becoming more value-conscious in their purchasing. Except in comparatively few instances, consumers are no longer "eager-buyers"; in fact, they are tending strongly to revert to the position of "shoppers." The rising cost of living has begun to bear with increasing severity upon larger groups of the population. These facts, so widely recognized, are evidences of and contributing factors to the increasing competition that is developing in the economic system.

The months ahead may prove to be a testing period when economic units will establish by the nature of their operations whether they are sound or unsound, whether they can operate satisfactorily and with efficiency under uncertain and more keenly competitive conditions, and whether the total effect of their operations which will combine into the total economic pattern will result in a stable or unstable economy. Plainly expressed, the economy perhaps is now in a period when it will be determined whether enterprisers are good retailers, good manufacturers, or good farmers or bankers or workers—whatever the case may be. In terms of profits, sales, loans and investments, production, and most other standards, business units have been reasonably successful in their operations during the past few years, although it must be admitted that to some considerable extent their excesses have aggravated the inflationary development that has occurred. Now, can those business units demonstrate that they can be as efficient and as successful in their operations under more difficult and less generally favorable conditions?

Although no business can divorce itself from the influences of the general economic trend, there are certainly few business units that are so efficiently operated that a careful re-examination of practices and policies will not yield favorable results and better enable the business unit to meet adverse economic developments. No one can know more completely the true condition of an economic enterprise than the operator of that unit, but even he must appraise periodically the character and quality of his operations and must introduce such improvements or eliminate such wasteful practices as will tend to give long-run stability to his organization. Among the various elements of a business which should be carefully studied and appraised are purchasing and selling practices and policies, price trends and price policies, production or labor-management efficiency, the credit position of the business itself, the credit position of the customers of the business, the outlook and present position of the industry of which the business is a part, and over-all operating flexibility which should enable it to meet short-run fluctuations and attain long-run stability.

The importance of adhering to sound and proven policies and practices becomes much more vital to a business as competition increases and "free spending" tends to subside. The quantity, quality, and age of inventories, the amount of outstanding orders and the duplication of orders, the purchase price of merchandise in relation to the probable purchasing power limits of the consumer, and the rate of turnover of merchandise may represent problems for study by the business enterpriser.

It is somewhat of a truism that inventories are never excessive until sales turn downward. At that time, however, it is usually too late to meet the problem without some loss. Therefore, the prudent course would seem to be to study past and current inventory-sales ratios and, in addition, to determine what would be the effect upon the inventory and profit position of the business if sales should turn down (or up) by, say, 5 percent, 10 percent, or possibly some larger amount. Are current inventories in proper proportion to current sales in terms of past experience? Would a 5 or 10 percent decline in sales volume entail an unreasonable risk to the operating position of the business? How much of a decline in sales volume could the business experience before reaching the point where inventory risks would become dangerous? On the other hand, is the inventory position such that an otherwise probable increase in sales might be prevented because of inadequate stock? These are questions that must be answered by the individual business enterpriser, and they involve risks that are inherent in the operation of most businesses. These risks cannot be avoided entirely, but it should be the objective of each business to hold them to that limit which would represent a normal operating risk.

During periods of economic uncertainty it is important not only to the individual business firm but to the stability of the entire economy that duplication of orders and abnormally long commitments be avoided. Duplication of orders or long commitments tend to deprive a business and, in fact, the whole economy of the flexibility that should be possessed if new situations are to be met promptly and successfully. A flexible business can change its practices quickly to adjust to changing economic conditions which may impinge upon it, and in the long run such a business will enjoy much greater stability in its operation.

Since it can no longer be assumed that customers will buy readily whatever merchandise is made available to them, it becomes increasingly important to study carefully the customers' response to merchandise offerings. If certain types of merchandise are moving slowly, what are the causes? Is the merchandise priced out of line? Is it aged in the sense that better and more desired merchandise is available? Are the sales of the particular business unit keeping pace with the trend or rate of sales for the industry of which that unit is a part? It is an established fact that the trends of sales of different firms in the same industry do not always move forward at the same rate. In fact, sometimes even the direction of the trends is different. Attempts should be made by the individual business operator to determine why and to what extent the rate of sales of his business differs from that of other like concerns in his industry. By relating or comparing the sales trend of his business with the trend of sales in his industry to determine differences in rate of growth and then by re-examining sales policies in the light of existing conditions, an enterpriser may be able to initiate changes and improvements which will result in sales practices more compatible with the sales problems confronting his business.

Sales practices that are quite appropriate and successful during the upward swing of an inflationary period are not in all respects the same sales practices that are most appropriate for other sets of economic conditions. Perhaps a business may find that it has not kept pace with the changing sales practices of its competitors as they have been modified to meet the new conditions confronting the industry.

At previous points in this article references have been made to the importance of eliminating wasteful practices from the operations of business units. It is difficult to point out or to suggest specific practices which involve elements of waste, for frequently waste in a particular operation that is performed inefficiently or in the failure to perform a certain operation is quite small when considered singly, even though the total of many such inefficient practices may mark the difference between profitable and unprofitable operations as competition for the customer's dollar tends to increase. Moreover, an intimate knowledge of the specific operations and operating problems of the business unit and an understanding of the way an operation is being done and the way it should be done to be performed most efficiently are needed to determine whether wasteful and profit-consuming practices exist. Obviously, the management of such a business is best qualified to evaluate the efficiency of the labor-management combination.

It is important that one does not allow himself to be misled by the thought that operating wastes are negligible, for small though they may appear to be in dollar amounts, nevertheless they absorb the net profit on many times their amount in sales. Each economic enterpriser should seek to determine how much net profit is being consumed annually in inefficient methods and operations. To the retail merchant, the wholesaler, or the manufacturer, the question becomes, "How many dollars of sales must be made to offset unnecessary and removable costs?" To the banker, "How many dollars of loans must be made to provide an interest income sufficient to offset wasteful practices?" To the farmer, "How many dollars of net farm income are lost because of unnecessarily low yields?" It is evident that questions such as these become vitally important to an enterprise when sales income tends to increase at a slower rate or as increases no longer appear or are transformed into actual declines.

Another strong reason for seeking to improve productive and business efficiency at this time lies in the substantial increases which have occurred in wages and the high wage rate structure that has been established. To the extent that this development has tended to raise the "break-even point" of business and industry, it is especially important to search for ways and means of performing the productive and distributive functions more efficiently so that costs per unit of output may be lowered. Again, in this respect as with other operating problems, the businessman might well ask what effect a changing sales volume of one or another amount would have upon his operating position, and then he should seek to discover means of meeting such a situation if it should arise. Improvement in efficiency of operation certainly offers a first and sound approach to this problem.

Despite the increases that have occurred in the general commodity price indexes during the past year or more, price declines of many major or important commodities have been so numerous as to dispel any doubt of the probability of considerable price fluctuation in diverse directions within the total price structure. Although the trend of the general price level even in the foreseeable future may be a subject of disagreement among analysts, there is general agreement that the prices of some commodities which appear to have spent fully their inflationary force will tend to ease downward or, if artificially supported, will tend to fluctuate around those support levels; prices of other commodities which are closely approaching an adequate supply will rise more slowly and finally the advance will cease, while still other commodities may be subject to substantially further price increases. The reason for calling attention to this uncertain and mixed price outlook is not to confuse the issue but to emphasize what should be a very obvious point, i.e., business units engaged in the distribution or sale of goods do not sell their products "at the general price level" but at the prices which prevail in the market at the time of sale for each particular item of merchandise. It is much more important that the businessman study carefully the data and other information of a price-making character which may indicate the probable price trend of the products he sells than it is for him to devote his time and energy to a study of the general price situation, important though that may be.

Prices of goods and services are, in a sense, simply tags which reflect changing values as expressed in terms of dollars. Moreover, as every businessman or producer knows, the vast majority of these price tags tend to change or fluctuate constantly. Sometimes for considerable periods the fluctuations are relatively minor in amount and, hence, inconsequential with respect to their effect on the business picture. At other times, however, fluctuations are much wider and require a reconsideration and modification of the pricing policies of a business. Therefore, one cannot assume that price lines, once established, are firm and unchangeable for a prolonged period of time. Especially during periods when the economic outlook for different types of enterprises is somewhat uncertain, flexible pricing policies determined on the basis of sound and reliable price information are essential if the individual business is to hold its position and maintain pace with whatever changing economic conditions may arise.

Many articles have been written and there has been much discussion regarding the importance of sound control of bank credit. Government authorities vested with responsibility of control of the volume of credit, the Federal Deposit Insurance Corporation, responsible for the guarantee of bank deposits and consequently strongly interested in bank credit trends, and private banking groups led by the American Bankers Association have combined their efforts toward the end of maintaining a sound credit condition in the Nation's banking system. Businessmen and other nonbanking trade creditors should give equally careful consideration to the soundness of the trade credits which they extend. Trade credit associations are aware of the possible credit problems which may develop in the months ahead and have emphasized the importance of precautionary measures on the part of their memberships. Since nonbanking trade creditors consist of many diverse and, in a practical sense, somewhat unrelated groups, the same unified emphasis probably has not been given to the importance of proper control of trade credit as has been the case with respect to bank credit. The fact that the trade credit problem, however, may not have been so widely publicized should not be allowed to lull businessmen and other nonbanking trade creditors into a false sense of security.

Most reports and statistical data point to a rather steady increase in the amount of receivables outstanding and a gradual but steady slowing down in the rate of collections. Credit men engaged in businesses operating at the retail and wholesale levels of distribution and representatives of trade credit associations are agreed in their judgments that their credit problems are becoming more numerous and their collections more difficult, while the demand for trade credit continues very strong.

Comparatively speaking, the trade credit situation at present is better than that which prevailed during the several years preceding the war, but, nevertheless, the tendency toward a weakening of credits has become more noticeable as the months of this year have passed. During the past year rising prices, especially of such major goods and services as foods, clothing, rents, and home furnishings, have resulted in increasing substantially the consumer's expenditures for essentials of the cost of living and have exerted an increasingly sharp impact against consumer incomes. As consumers have increased the amount of their outstanding indebtedness, business firms likewise have tended to increase the amount of their outstandings as short-term financing of the increased demand for working capital has extended upward through the several levels of distribution. Consequently, there has been a stronger tendency to resort to the use of credit, even though the paying ability of many debtors may not now be as strong as it was earlier in the postwar period. Figures showing the increase in consumer credit during the past 18 months clearly reflect the strong credit demand, while the declining collection rate indicates the less favorable paying position of the debtors.

Trade creditors are entitled to receive and should insist upon obtaining as complete and satisfactory credit information from their prospective debtors as banks are accustomed to receiving from their borrowers. Financial and operating statements, credit reports from reporting agencies, and other available information should be obtained on business trade debtors. These statements and reports should be analyzed carefully, especially with the objective of noting any changes which may have developed during the preceding several months either in the debtor's financial condition or in his paying practices. In addition, careful attention and study should be given by the creditor to developments in the debtor's industry to determine as accurately as possible whether conditions more or less beyond the immediate

control of the debtor might affect the proposed credit adversely. A careful, complete credit analysis has the double value of enabling the creditor firm to protect its own position against the dangers inherent in an accumulation of uncertain or slow credits and, also, to be in a better position to assist its debtors through advice and sound counsel to strengthen their debt-paying power.

But most business firms and economic enterprisers are at the same time both a creditor and a debtor, and it is just as important that a firm not allow itself to become overinvolved as a debtor as it is to avoid becoming overextended as a creditor. Moreover, as bank credit policies tend to become tighter and as interest rates tend to rise, the credit problems of the trade creditor who is overextended or the trade debtor who is overinvolved are likely to be magnified. Slow credits tie up larger amounts of working capital, and as borrowed working capital becomes more difficult to obtain or more costly, creditors must face the alternative of increasing their equities or of improving the quality of their credit portfolios. Likewise, trade debtors who may have become overinvolved and find themselves unable to refinance or solve their credit problems through access to liberal bank credit may not be able to make the necessary adjustments without serious losses.

Credit policy should give proper weight to the fact that the time to appraise credits carefully and to take essential steps to improve their quality is before the credits have proved to be bad. Generally speaking, trade credits have not yet suffered serious deterioration, although weaknesses have become more frequently apparent. Readjustments which may be expected to occur in the months ahead in various areas of the economic system may tend, in many instances, to affect credit positions unfavorably. Before those readjustments occur is the proper time to undertake sound, constructive credit steps.

Although it is certainly not within the power of businessmen and others engaged in economic activity to exercise control over many of the forces which exert a direct and very marked influence upon the trend of business activity, enterprisers are in a position to formulate, guide, and control within the limits of reasonable risk policies and practices within their own organizations. Moreover, if those individual business policies and practices are soundly conceived with respect to general economic conditions and the framework within which individual economic units must operate, much progress will have been made toward establishing a sound, stable economy. Certainly under a system of private enterprise the individual economic enterpriser must be prepared to accept the responsibility for the conduct of his own business unit in such a manner that it will contribute to the strength of the system which is composed of a multitude of large and small economic enterprises. As previously stated, the lines of action that have been suggested in the preceding pages are not new, nor do they represent all of the steps which should be taken in view of prevailing economic uncertainties. They do relate, however, to common problems which are likely to confront, in one degree or another, most enterprisers in the months ahead. Consequently, they are suggestions which deserve emphasis and which should be given careful consideration by everyone who is engaged in any sort of economic activity.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

Prospective production of cotton, corn, grain sorghums, sweet potatoes, and peanuts declined in the Eleventh Federal Reserve District during September, and the October 1 forecast indicated smaller production than in 1947 for all major crops except grain sorghums and for most minor crops. The estimated per acre yield for most crops is about equal to or less than the yields last year and the 10-year average yields. The condition of livestock and ranges also deteriorated during the past month, due to the continued drought. In the important wheat-growing areas of northwest Texas and eastern New Mexico, rains are urgently needed for the seeding and germination of grain. However, farmers are making rapid progress with the harvesting of crops, and operations are nearing completion in many areas of the District.

Consumer purchases at department stores and furniture stores increased sharply from August to September and were at a substantially higher level than in September 1947. In each case, the increase over the preceding month was larger than the usual seasonal expansion. The ratio of credit sales to total sales increased further in September, indicating an extension of the trend toward the use of credit in making purchases at these types of stores.

Daily average production of crude petroleum in the Eleventh District rose to a new peak in September at a level about 6 percent higher than in the corresponding month last year. The increase from August to September in this District contrasts with a decline in other areas of the country, reflecting the effects of labor disputes on the West Coast. The 43-percent decline in the value of construction contracts awarded in this District in September as compared with August is much more pronounced than the decline for the United States.

During the four-week period ending October 13, the loans of weekly reporting member banks in the District showed an increase of \$24,000,000, reflecting a seasonal expansion in the use of credit for commercial, industrial, and agricultural purposes. To provide funds for expanding loans and for meeting deposit withdrawals and the higher reserve requirements which became effective in the latter part of September, the reporting banks during the four weeks made net withdrawals of \$19,000,000 from their balances with correspondents and reduced their investment holdings by \$51,000,000.

BUSINESS

The dollar sales of reporting department stores in the Eleventh Federal Reserve District increased 22 percent from August to September, which is more than the usual seasonal amount, and exceeded by 15 percent the value of sales in September 1947. The increase in sales over those a year ago was larger than in any other Federal Reserve District and compares with a gain of 6 percent for all reporting stores in the United States. In view of the unusually sharp increase in sales of weekly reporting department stores between mid-August and September 20 and the subsequent sharp decline, it appears that buying of durable goods prior to the effective date of Regulation W may have augmented sales considerably in the District. Another factor contributing to the larger September sales volume was the heavily advertised promotional sales featuring store-wide price reductions. Reflecting the greater than seasonal expansion, the adjusted index of department store sales in the District rose to 423 percent of the 1935-39 average from 419 percent in August and compares with 368 percent in September 1947. The index, however, is still well below the all-time peak of 448 percent reached in April of this year.

The dollar value of inventories of reporting department stores in the District increased further by 2 percent from August to September and at the end of September was 26 percent greater than a year earlier. The adjusted index of department store stocks, which makes allowance for the usual seasonal variations, rose from 364 percent of the 1935-39 average in August to 379 percent in September. The rise in the adjusted index in August and September is moderate in contrast with the sharp decline that had occurred between February and July of this year. Outstanding orders, which had increased substantially in June and July, decreased in August and September and at the end of September were 29 percent lower than a year earlier. Outstanding orders are now at the lowest level for this season since 1942.

The ratio of September collections on regular accounts to accounts receivable at the beginning of the month was 52 percent. While this ratio was slightly larger than that for August, it was the lowest for any September since 1941. The ratio of September collections on installment accounts outstanding at the first of the month remained at 18 percent for the fourth consecutive month.

WHOLESALE AND RETAIL TRADE STATISTICS

| | Number of reporting firms | Percentage change in | | | Stocks † | |
|-------------------------|---------------------------|----------------------|-------------|----------------------------------|----------------------|-------------|
| | | Sept. 1948 from 1947 | August 1948 | 9 mo. 1948 comp. with 9 mo. 1947 | Sept. 1948 from 1947 | August 1948 |
| Retail trade: | | | | | | |
| Department stores: | | | | | | |
| Total 11th Dist. | 48 | 15 | 22 | 12 | 26 | 2 |
| Corpus Christi..... | 4 | 8 | 14 | 1 | 8 | 6 |
| Dallas..... | 7 | 6 | 25 | 6 | 22 | 2 |
| Fort Worth..... | 4 | 4 | 11 | 10 | 23 | 1 |
| Houston..... | 7 | 43 | 30 | 29 | 37 | 2 |
| San Antonio..... | 5 | 11 | 11 | 10 | 17 | -2 |
| Shreveport, La..... | 3 | 12 | 30 | 20 | .. | .. |
| Other cities..... | 18 | 10 | 24 | 8 | 36 | 4 |
| Furniture stores: | | | | | | |
| Total 11th Dist. | 43 | 17 | 12 | .. | 13 | 1 |
| Dallas..... | 4 | 46 | 10 | .. | 4 | -2 |
| Houston..... | 5 | 9 | 14 | .. | .. | .. |
| Port Arthur..... | 4 | -4 | 4 | .. | 21 | -2 |
| San Antonio..... | 4 | 20 | 20 | .. | .. | .. |
| Wholesale trade: | | | | | | |
| Automotive supplies | 3 | 5 | 15 | .. | .. | .. |
| Drugs..... | 6 | 4 | 1 | 6 | 9 | -1 |
| Dry goods..... | 4 | 12 | -1 | .. | 15 | -15 |
| Groceries..... | 38 | 16 | 22 | 8 | 2 | 2 |
| Hardware..... | 7 | 8 | 2 | 5 | 16 | -1 |
| Tobacco & products. | 10 | 4 | 5 | 1 | 13 | 2 |

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Daily average sales—(1935-39=100)

| | Unadjusted* | | | Adjusted | | | Sept. 1947 |
|----------------|-------------|-------------|-----------|------------|-------------|-----------|------------|
| | Sept. 1948 | August 1948 | July 1948 | Sept. 1948 | August 1948 | July 1948 | |
| 11th District. | 444 | 365 | 331 | 387r | 423 | 419 | 436 |
| Dallas..... | 416 | 333 | 287 | 392r | 375 | 391 | 353r |
| Houston..... | 552 | 426 | 407 | 386 | 516 | 484 | 503 |

Stocks—(1935-39=100)

| | Unadjusted* | | | Adjusted | | | Sept. 1947 |
|----------------|-------------|-------------|-----------|------------|-------------|-----------|------------|
| | Sept. 1948 | August 1948 | July 1948 | Sept. 1948 | August 1948 | July 1948 | |
| 11th District. | 424 | 411r | 387 | 319 | 379 | 364r | 358 |

*Unadjusted for seasonal variation.

r-Revised.

The sales of retail furniture stores during September showed a gain of 12 percent over the high August volume and exceeded those in September last year by 17 percent. The sharp percentage increase in credit sales and a corresponding percentage decrease in cash sales, together with the rise in end-of-month receivables, suggest that substantial buying in anticipation of the reinstitution of controls of installment credit may have occurred in September. The ratio of credit sales to total sales in September rose to 90 percent as compared with 88 percent in August and 83 percent in September 1947. Accounts receivable outstanding at the end of September were 8 percent larger than at the end of

August and were 63 percent greater than on the corresponding date in 1947, the largest year-to-year gain reported for any month this year. Collections also increased from August to September and were about 5 percent in excess of those a year ago. Inventories at furniture stores showed little change during September, but the gain over the corresponding month last year widened from 6 percent in August to 13 percent in September.

AGRICULTURE

Continued drought over most of the Eleventh Federal Reserve District during September and early October caused further deterioration in growing crops and in livestock ranges and delayed the seeding of small grains and cover crops. The dry, open weather, however, enabled farmers to make rapid progress with harvesting operations. In the dry areas livestock showed some shrinkage, despite continued supplemental feeding, but made fair to good gains in other areas. Moderate to heavy mid-September rains brought relief to the southern and some coastal counties of Texas, and scattered showers in New Mexico, central and east Texas, and northern Louisiana early in October provided temporary relief in those areas.

Department of Agriculture estimates on October 1 for crops in Texas indicated lower production than a month earlier for cotton, corn, grain sorghums, sweet potatoes, and peanuts. The indicated production for 1948 for the State of Texas for all major crops except grain sorghums and for most minor crops is smaller than in 1947. In the case of most crops, the indicated yield per acre is about equal to or less than the 1947 and the 1937-46 average yields. In contrast, current estimates for the United States indicate aggregate production of all crops in record volume during 1948 at a level 8 percent above the previous record set in 1946. Current forecasts are for record crops of corn, soybeans, peanuts, pecans, and cranberries and near-record crops of wheat, oats, flaxseed, rice, grain sorghums, dry beans, and citrus fruits.

CROP PRODUCTION—(In thousands of bushels)

| | Texas | | | States in Eleventh District* | | |
|----------------------|-----------------|---------|------------------------|------------------------------|----------------------|------------------------|
| | Average 1937-46 | 1947 | Estimated Oct. 1, 1948 | Average 1937-46 | 1947 | Estimated Oct. 1, 1948 |
| Winter wheat..... | 45,686 | 124,270 | 54,169 | 113,001 ^a | 238,712 ^a | 159,602 ^a |
| Corn..... | 70,422 | 48,592 | 46,167 | 123,919 | 87,664 | 99,775 |
| Oats..... | 34,370 | 31,248 | 14,734 | 65,166 | 69,006 | 40,004 |
| Barley..... | 4,049 | 2,520 | 2,370 | 12,120 ^b | 9,230 ^b | 11,213 ^b |
| Cotton†..... | 2,894 | 3,437 | 3,260 | 4,348 | 4,685 | 4,880 |
| All hay†..... | 1,383 | 1,436 | 1,319 | 4,271 | 4,744 | 4,817 |
| Potatoes, Irish..... | 4,311 | 4,536 | 4,400 | 9,978 | 9,260 | 8,726 |
| Potatoes, sweet..... | 5,121 | 4,675 | 3,760 | 14,366 ^c | 12,565 ^c | 11,434 ^c |
| Rice..... | 15,588 | 23,700 | 23,092 | 36,991 ^d | 45,155 ^d | 46,207 ^d |

*Figures are combined totals for five States lying wholly or partly in the Eleventh Federal Reserve District: Texas, Arizona, Louisiana, New Mexico, and Oklahoma. †In thousands of bales. ‡In thousands of tons. ^aArizona, New Mexico, Oklahoma, and Texas. ^bLouisiana, Oklahoma, and Texas. ^cLouisiana and Texas. ^dLouisiana and Texas.

SOURCE: United States Department of Agriculture.

The October 1 estimate of the cotton crop in the United States was 140,000 bales less than on September 1, but the forecast of 15,079,000 bales for the year is 3,222,000 bales greater than production in 1947 and would be the largest crop since 1937. The indicated per acre yield of 310.3 pounds is the largest on record. In Texas, the October 1 estimate of 3,250,000 bales was 50,000 bales below that a month earlier and 187,000 bales less than in 1947. Reflecting chiefly the effects of the deterioration of the crop in the High Plains, the indicated yield for the State was lowered to 173 pounds per acre, which is 25 pounds lower than last year's yield. As a result of the early maturity and rapid harvesting of the crop, ginnings in Texas prior to October 1 totaled 1,561,000 bales, which is nearly 50 percent of estimated production for the year and the highest percentage ginned by that date since 1943. Good progress was made with the harvest in all parts of the District. Southern, coastal, and central counties of Texas have virtually completed picking, and stalk destruction for insect control has been completed in the

extreme south and is well under way in central areas. Three-fourths of the crop has been picked in northcentral and northeast counties, and harvest is in full swing on the High Plains. In Oklahoma and northern Louisiana, good progress is being made, with more than half the crop picked.

TEXAS COTTON PRODUCTION BY CROP REPORTING DISTRICTS

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

| Crop reporting districts | 1945 | 1946 | 1947 | 1948 indicated October 1 | 1948 as percent of 1947 |
|--------------------------|-------|-------|-------|--------------------------|-------------------------|
| 1-N..... | 15 | 35 | 105 | 150 | 143 |
| 1-S..... | 105 | 198 | 946 | 675 | 71 |
| 2..... | 380 | 270 | 494 | 495 | 100 |
| 3..... | 17 | 14 | 15 | 18 | 120 |
| 4..... | 587 | 482 | 810 | 760 | 94 |
| 5..... | 119 | 96 | 185 | 210 | 114 |
| 6..... | 80 | 99 | 113 | 140 | 124 |
| 7..... | 27 | 15 | 32 | 27 | 84 |
| 8..... | 227 | 185 | 315 | 270 | 86 |
| 9..... | 106 | 46 | 129 | 155 | 120 |
| 10..... | 131 | 229 | 293 | 350 | 119 |
| State..... | 1,794 | 1,669 | 3,437 | 3,250 | 95 |

The Texas corn crop showed a further deterioration during September, and the estimate of 46,167,000 bushels on October 1 is smaller than in 1947. Because of a steady decline in acreage, this year's crop will be the smallest since 1934. Although about half the State corn acreage was planted to hybrids this year, the yield, estimated at 16.5 bushels per acre, is lower generally than anticipated and is only slightly above the 10-year average. Prospective production of grain sorghums in Texas has been reduced materially by the prolonged drought during recent months, and the October 1 estimate of 77,764,000 bushels is 4,714,000 bushels lower than on September 1. Because of the large acreage, however, the production forecast indicates the second largest crop of record in Texas. Good yields are being harvested in the northern Panhandle, but in areas south of the Canadian River yields are fair to poor, with many nonirrigated fields being pastured or cut for bundle feed.

Harvesting of rice in Texas is nearing completion, with the October 1 estimate indicating a production of 23,092,000 bushels, the second largest crop of record. While yields were reduced somewhat by short water supplies and salt water infiltration during the summer, weather has been favorable for harvesting. The October 1 estimate of the Texas peanut crop is slightly below the September 1 forecast, with harvesting under way in all areas. A near-record crop of pecans is in prospect for Texas, with an October 1 production forecast of 47,250,000 pounds, representing increases of 3,000,000 pounds over the September 1 estimate and 26,250,000 over last year's harvest. Insect damage has been light, and the crop is maturing satisfactorily in all sections. The Oklahoma pecan crop is estimated at 18,000,000 pounds, less than half of the record crop in 1947, while Louisiana anticipates a record crop of 15,000,000 pounds. Estimated production of sweet potatoes in Texas on October 1 was 3,760,000 bushels, a decline of 235,000 bushels from the September 1 estimate, with per acre yield below the average.

The initial forecast of the 1948-49 Texas grapefruit production at 18,500,000 boxes is 20 percent below last year's production and the smallest crop since 1943. The orange crop, estimated at 4,500,000 boxes, is 14 percent below that last season. A severe freeze in January and near-freezing temperatures in March reduced the set of grapefruit in all areas and greatly reduced prospects for the orange crop in the Winter Garden and Laredo areas. Unusually dry weather and a shortage of irrigation water caused excessive shedding in May and June. However, the crop has developed favorably during recent weeks and fruit is sizing rapidly. A few shipments of fruit have already been made from the Lower Rio Grande Valley.

Although mid-September rains delayed field work and necessitated some replanting, the Texas fall and early winter vege-

table crop made good progress in late September and early October. Moisture conditions are satisfactory in both the Lower Rio Grande Valley and the Laredo-Winter Garden-Eagle Pass districts. Eggplants and peppers are moving to market, and prospects for the tomato crop are favorable.

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

| State | July 1948 | | | July 1947 Total | Cumulative receipts January 1 to July 31 | |
|-----------------|-----------|-----------|-----------|-----------------|--|-------------|
| | Crops | Livestock | Total | | 1948 | 1947 |
| Arizona..... | \$ 12,540 | \$ 3,388 | \$ 15,928 | \$ 14,119 | \$ 118,190 | \$ 105,482 |
| Louisiana..... | 2,544 | 9,643 | 12,187 | 11,989 | 140,797 | 108,476 |
| New Mexico..... | 4,336 | 4,918 | 9,254 | 12,393 | 65,917 | 61,358 |
| Oklahoma..... | 43,139 | 36,135 | 79,274 | 77,274 | 373,602 | 351,722 |
| Texas..... | 75,018 | 81,211 | 156,229 | 166,741 | 983,536 | 843,397 |
| Total..... | \$137,577 | \$135,295 | \$272,872 | \$282,516 | \$1,682,042 | \$1,470,435 |

SOURCE: United States Department of Agriculture.

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

| State | August 1948 | | | August 1947 Total | Cumulative receipts January 1 to August 31 | |
|-----------------|-------------|-----------|-----------|-------------------|--|-------------|
| | Crops | Livestock | Total | | 1948 | 1947 |
| Arizona..... | \$ 3,024 | \$ 3,668 | \$ 6,692 | \$ 5,308 | \$ 124,882 | \$ 110,790 |
| Louisiana..... | 17,327 | 12,286 | 29,613 | 23,101 | 170,410 | 131,577 |
| New Mexico..... | 2,832 | 5,967 | 8,849 | 9,318 | 74,766 | 70,676 |
| Oklahoma..... | 25,606 | 39,833 | 65,439 | 47,807 | 439,041 | 399,529 |
| Texas..... | 106,555 | 63,795 | 170,350 | 153,787 | 1,153,886 | 997,184 |
| Total..... | \$155,394 | \$125,429 | \$280,943 | \$239,321 | \$1,962,985 | \$1,709,756 |

SOURCE: United States Department of Agriculture.

Range and pasture feed continued to deteriorate during September and early October in all sections of the District except southern and coastal counties of Texas, where general rains in September improved feed supplies. Cattle and calves are gaining rapidly in those counties and are making fair gains on cured feed in the North Plains. Livestock in other areas are showing some shrinkage, despite increased supplemental feeding. Range feed improved temporarily in some Edwards Plateau and Plains counties as local showers gave temporary relief from the drought. The average condition of Texas ranges on October 1 was reported at 72 percent of normal, which is 1 point below that a month earlier and 9 points below average. Range conditions, which usually improve about 2 points during September, deteriorated sharply in east Texas and the Trans-Pecos areas this year.

Marketings of livestock resumed the normal seasonal pattern, as combined September receipts at the Fort Worth and San Antonio markets were 11 percent greater than in August. Total

LIVESTOCK RECEIPTS—(Number)

| Class | Fort Worth | | | San Antonio | | |
|-------------|------------|------------|-------------|-------------|------------|-------------|
| | Sept. 1948 | Sept. 1947 | August 1948 | Sept. 1948 | Sept. 1947 | August 1948 |
| Cattle..... | 75,140 | 91,713 | 39,238 | 29,133 | 46,914 | 39,238 |
| Calves..... | 37,811 | 51,080 | 33,615 | 23,607 | 33,558 | 33,615 |
| Hogs..... | 33,675 | 36,183 | 7,625 | 9,055 | 6,677 | 7,625 |
| Sheep..... | 102,898 | 115,947 | 98,571 | 87,148 | 85,148 | 98,571 |

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundredweight)

| Class | Fort Worth | | | San Antonio | | |
|----------------------------|------------|------------|-------------|-------------|------------|-------------|
| | Sept. 1948 | Sept. 1947 | August 1948 | Sept. 1948 | Sept. 1947 | August 1948 |
| Beef steers..... | \$31.00 | \$28.00 | \$33.50 | \$27.50 | \$24.00 | \$28.00 |
| Stocker steers..... | 28.00 | 22.50 | 31.00 | 28.00 | 22.00 | 28.65 |
| Heifers and yearlings..... | 31.00 | 27.50 | 33.50 | 27.50 | 23.00 | 27.00 |
| Butcher cows..... | 22.50 | 18.00 | 23.50 | 22.00 | 17.50 | 24.00 |
| Calves..... | 28.00 | 24.00 | 28.00 | 29.00 | 23.25 | 28.50 |
| Hogs..... | 29.50 | 29.00 | 30.00 | 28.00 | 27.75 | 28.25 |
| Lambs..... | 25.50 | 23.50 | 29.00 | 24.00 | 22.00 | 27.00 |

receipts at both markets were 15 percent below those in September last year, however, with all classes of livestock (except hogs and sheep at San Antonio) sharing in the decline. Fewer livestock at major markets reflects, in part at least, the general

decline in numbers of all livestock that has been evident during recent years. Several years of dry weather in some range areas have forced rather severe liquidation of cattle and sheep. Another factor that may be contributing to the decline in marketings is the desire on the part of producers to hold larger numbers of young stock for replacements.

Prices received by farmers for most grains and cotton were generally unchanged between August 15 and September 15, remaining at or near support levels. Some strengthening in the cotton market has been evident recently, reflecting the lower estimate of the 1948 crop and prospects for some increase in exports. Declines in livestock prices occurred early in October, with as much as 20 percent being experienced in prices of some classes, but prices strengthened somewhat later in the month. Among the factors contributing to the declines were the slowing down in packer demand for livestock, particularly hogs, and increased shipments to major markets.

FINANCE

Reflecting the seasonal demand for funds by business and industry in this District, total loans at the selected member banks in leading cities increased by almost \$24,000,000 between September 15 and October 13. That increase was due to a rise of more than \$25,000,000 in commercial, industrial, and agricultural loans and minor increases in loans to brokers and dealers in securities and real-estate loans, offset by slight declines in other loan categories.

If the trend of previous years is approximated in the remaining months of this year, commercial and industrial loans probably will show further increases as seasonal demands for working capital expand in preparation for the usual fall and holiday upturn in business.

Total investments of the selected member banks in the District declined by almost \$51,000,000 during the four-week period ended October 13, with approximately \$49,000,000 of

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS

IN LEADING CITIES—Eleventh Federal Reserve District

(In thousands of dollars)

| Item | October 13, 1948 | October 15, 1947 | September 15, 1948 |
|--|------------------|------------------|--------------------|
| Total loans and investments..... | \$2,260,804 | \$2,206,774* | \$2,287,623 |
| Total loans—Net..... | 1,063,896 | 1,063,896 | 1,040,115 |
| Total loans—Gross..... | 1,070,070 | 912,682* | 1,046,089 |
| Commercial, industrial, and agricultural loans..... | 737,611 | 617,973 | 712,574 |
| Loans to brokers and dealers in securities..... | 6,890 | 8,027 | 6,355 |
| Other loans for purchasing or carrying securities..... | 58,093 | 71,242 | 60,066 |
| Real-estate loans..... | 88,654 | 75,967 | 88,013 |
| Loans to banks..... | 456 | 127 | 557 |
| All other loans..... | 178,366 | 139,346 | 178,524 |
| Total investments..... | 1,190,734 | 1,294,092 | 1,241,534 |
| U. S. Treasury bills..... | 28,722 | 22,281 | 44,523 |
| U. S. Treasury certificates of indebtedness..... | 210,106 | 190,883 | 197,077 |
| U. S. Treasury notes..... | 79,551 | 128,520 | 116,690 |
| U. S. Government bonds (incl. gtd. obligations)..... | 752,440 | 844,295 | 761,717 |
| Other securities..... | 119,915 | 108,113 | 121,527 |
| Reserves with Federal Reserve Bank..... | 545,233 | 493,755 | 516,058 |
| Balances with domestic banks..... | 296,792 | 326,176 | 315,392 |
| Demand deposits—adjusted*..... | 1,916,202 | 1,810,465 | 1,937,858 |
| Time deposits..... | 415,025 | 378,013 | 416,094 |
| United States Government deposits..... | 39,564 | 34,041 | 37,000 |
| Interbank deposits..... | 599,254 | 683,084 | 597,080 |
| 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.

†After deductions for reserves and unallocated charge-offs.

*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.

the decline represented by a decrease in holdings of United States Government securities. These banks reported a reduction in their holdings of United States Treasury notes by \$37,000,000,

largely reflecting the retirement by the Treasury of Treasury notes during the period, and declines of almost \$16,000,000 in Treasury bills and more than \$9,000,000 in United States Government bonds. Adjustments in investment accounts represented one of the methods used by member banks to meet the higher reserve requirements which were ordered by the Board of Governors of the Federal Reserve System effective September 16 for the country member banks and September 24 for reserve city member banks.

Gross demand deposits of the member banks in the District increased during September by approximately \$91,000,000, with about two-thirds of the increase occurring at the reserve city banks and the remainder at the District's country banks. Total demand deposits of the District's member banks reached more than \$5,203,000,000. In contrast with the increase in gross demand deposits, total time deposits of the District's member banks declined by approximately \$2,000,000, with about \$1,200,000 of the decrease being reported by country banks. The relative proportion of gross demand deposits held by the reserve city and country banks of the District showed little change from previous months, as the reserve city banks reported total demand deposits of \$2,508,000,000, compared with total deposits of \$2,696,000,000 for the country banks.

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 |
| September 1948..... | \$4,860,403 | \$498,697 | \$2,360,709 | \$316,209 | \$2,499,694 | \$182,488 |
| September 1947..... | 4,925,000 | 540,511 | 2,360,755 | 337,863 | 2,564,254 | 202,648 |
| May 1948..... | 4,997,789 | 569,656 | 2,384,586 | 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..... | 5,006,434 | 587,716 | 2,456,933 | 375,215 | 2,639,501 | 212,501 |
| August 1948..... | 5,112,411 | 591,551 | 2,449,802 | 379,803 | 2,662,609 | 211,748 |
| September 1948..... | 5,203,768 | 589,519 | 2,508,252 | 378,943 | 2,695,516 | 210,576 |

During the four weeks ended October 13, interdistrict commercial and financial transactions resulted in an inflow of funds into the District amounting to approximately \$96,000,000. Other factors affecting member bank reserves included a decline in Federal Reserve credit in this District and an outward

NEW MEMBER BANK

The Alameda State Bank, Houston, Texas, located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was admitted to membership in the Federal Reserve System on October 22, 1948. This bank has capital funds of \$249,400, including capital of \$200,000, surplus of \$25,000, and undivided profits of \$24,400. Its officers are: J. W. Keeland, President; David T. Searls, Vice President; W. P. Traylor, Vice President and Cashier.

flow of funds resulting from Treasury operations and currency transactions. The net effect of these movements of funds resulted in an increase of almost \$58,000,000 in member bank reserve balances. Most of this increase occurred during the week

ended September 29, although subsequent weeks showed minor increases.

MEMBER BANK RESERVES AND RELATED FACTORS

Eleventh Federal Reserve District

(In millions of dollars)

| Item | Changes in weeks ended | | | | Cumulative changes | |
|--|------------------------|--------------|----------------|----------------|-----------------------------|-------------------------|
| | Oct. 13, 1948 | Oct. 6, 1948 | Sept. 29, 1948 | Sept. 22, 1948 | 4 weeks ended Oct. 13, 1948 | Jan. 1 to Oct. 13, 1948 |
| Federal Reserve credit— | | | | | | |
| local..... | — 8.3 | — 2.8 | — 6.3 | — 3.5 | —20.9 | — 16.9 |
| Interdistrict commercial & financial transactions... | 21.9 | — 5.8 | 55.9 | 23.5 | 95.5 | — 23.6 |
| Treasury operations..... | — 1.2 | 17.0 | — 2.2 | —18.4 | — 4.8 | 114.2 |
| Currency transactions..... | — 4.5 | — 7.2 | — 2.5 | 1.8 | —12.4 | — 10.4 |
| Other deposits at the Federal Reserve Bank.. | 0.2 | 2.9 | — 3.2 | 0.2 | 0.1 | 0.7 |
| Other Federal Reserve accounts..... | | — 0.3 | 0.5 | 0.1 | 0.3 | 6.5 |
| Member bank reserve balances..... | 8.1 | 3.8 | 42.2 | 3.7 | 57.8 | 70.5 |

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

Bank debits during September were about 5 percent above those of August and 20 percent higher than those in September 1947. Substantial increases in bank debits were reported from Monroe and Shreveport, Louisiana, and Austin, Corsicana, Lubbock, and Waco; largest declines were reported by banks in Texarkana and Corpus Christi. The turnover of deposits on an annual rate basis increased slightly during September to reach a rate of 13.9 as compared with 13.4 in the preceding month. During the past few months, the annual rate of turnover of deposits has shown a very slight but steady increase, with the increase during September being somewhat more notable than those of immediately preceding months.

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

(Amounts in thousands of dollars)

| City | Debits | | | End-of-month deposits* Sept. 30, 1948 | Annual rate of turnover | | |
|-----------------------|-------------|------------------------------|-------------|---------------------------------------|-------------------------|------------|-------------|
| | Sept. 1948 | Pctg. change over Sept. 1947 | August 1948 | | Sept. 1948 | Sept. 1947 | August 1948 |
| Arizona: Tucson..... | \$ 57,909 | 13 | 1 | \$ 84,330 | 8.2 | 7.7 | 8.3 |
| Louisiana: | | | | | | | |
| Monroe..... | 40,142 | 23 | 22 | 41,651 | 11.6 | 10.1 | 10.0 |
| Shreveport..... | 148,439 | 20 | 20 | 163,164 | 10.9 | 10.2 | 9.4 |
| New Mexico: Roswell.. | 13,153 | — 1 | 6 | 17,678 | 8.8 | 9.2 | 8.4 |
| Texas: | | | | | | | |
| Abilene..... | 35,869 | 17 | 9 | 41,834 | 10.3 | 9.6 | 9.4 |
| Amarillo..... | 91,807 | 17 | 3 | 82,652 | 13.1 | 11.6 | 12.5 |
| Austin..... | 119,748 | 22 | 17 | 103,500 | 13.8 | 11.8 | 11.6 |
| Beaumont..... | 101,320 | 35 | 3 | 95,763 | 12.5 | 10.4 | 11.8 |
| Corpus Christi..... | 80,331 | 3 | — 9 | 79,500 | 12.0 | 13.0 | 13.4 |
| Corsicana..... | 12,835 | 17 | 26 | 19,839 | 7.9 | 6.8 | 6.5 |
| Dallas..... | 1,020,967 | 19 | 6 | 731,089 | 16.8 | 15.4 | 16.1 |
| El Paso..... | 115,002 | 25 | 8 | 110,713 | 12.4 | 10.6 | 11.5 |
| Fort Worth..... | 326,532 | 11 | 7 | 284,409 | 13.9 | 13.0 | 13.3 |
| Galveston..... | 67,463 | 9 | — 3 | 95,820 | 8.4 | 8.3 | 8.8 |
| Houston..... | 1,085,597 | 30 | 3 | 901,978 | 14.4 | 12.7 | 14.0 |
| Laredo..... | 15,334 | 4 | 2 | 22,139 | 8.0 | 8.8 | 7.8 |
| Lubbock..... | 59,734 | 7 | 11 | 61,892 | 11.3 | 11.9 | 10.0 |
| Port Arthur..... | 34,214 | 11 | — † | 38,552 | 10.6 | 9.6 | 10.4 |
| San Angelo..... | 31,515 | 13 | 4 | 38,038 | 9.8 | 8.9 | 9.2 |
| San Antonio..... | 239,742 | 4 | 3 | 317,405 | 9.0 | 8.8 | 8.9 |
| Texarkana†..... | 15,910 | 11 | —19 | 22,821 | 8.3 | 7.8 | 10.4 |
| Tyler..... | 42,315 | 17 | 9 | 53,825 | 9.4 | 9.0 | 8.6 |
| Waco..... | 54,420 | 15 | 15 | 63,583 | 10.2 | 9.0 | 9.0 |
| Wichita Falls..... | 56,946 | 24 | 7 | 82,374 | 8.3 | 7.6 | 7.9 |
| Total—24 cities..... | \$3,867,244 | 20 | 5 | \$3,554,349 | 13.9 | 11.9 | 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.

†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 \$27,535.

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

Principal changes in the condition of the Federal Reserve Bank of Dallas during the month ended October 15 showed substantial increases in gold certificate reserves, holdings of

United States Government securities, and member bank reserve deposits. As a result of an inward movement of funds, largely reflecting the trend of commercial and financial transactions, total gold certificate reserves of this Federal Reserve Bank increased from \$549,212,000 on September 15 to \$623,033,000 on October 15. Holdings of United States Government securities of this bank increased by almost \$98,000,000, while member bank reserve deposits, reflecting the higher reserve requirements, rose by approximately \$86,000,000. Federal Reserve notes in actual circulation, in response to an increasing seasonal demand for currency, rose by almost \$8,000,000 to reach a total of \$625,206,000 at the end of October.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

| Item | October 15, 1948 | October 15, 1947 | Sept. 15, 1948 |
|--|------------------|------------------|----------------|
| Total gold certificate reserves..... | \$ 623,033 | \$522,315 | \$549,212 |
| Discounts for member banks..... | 2,418 | 100 | 792 |
| Foreign loans on gold..... | 8,373 | 1,139 | 8,602 |
| U. S. Government securities..... | 1,058,756 | 972,536 | 960,988 |
| Total earning assets..... | 1,069,547 | 973,775 | 970,382 |
| Member bank reserve deposits..... | 962,218 | 822,587 | 875,794 |
| Federal Reserve notes in actual circulation..... | 625,206 | 621,229 | 617,275 |

SAVINGS DEPOSITS

Eleventh Federal Reserve District

| City | Number of reporting banks | September 30, 1948 | | Percentage change in savings deposits from | |
|----------------------------|---------------------------|------------------------------|----------------------------|--|-----------------|
| | | Number of savings depositors | Amount of savings deposits | Sept. 30, 1947 | August 31, 1948 |
| Louisiana: Shreveport..... | 3 | 32,759 | \$ 24,853,049 | - 5.8 | - 0.1 |
| Texas: | | | | | |
| Beaumont..... | 3 | 12,152 | 6,171,739 | - 9.2 | - 1.2 |
| Dallas..... | 8 | 142,413 | 77,748,755 | - 0.4 | - 0.2 |
| El Paso..... | 2 | 35,967 | 22,494,803 | - 5.0 | - 0.5 |
| Fort Worth..... | 4 | 43,061 | 33,975,021 | - 2.5 | 0.2 |
| Galveston..... | 4 | 23,291 | 21,858,464 | - 1.5 | - 0.2 |
| Houston..... | 8 | 101,451 | 72,821,273 | 3.5 | - 0.2 |
| Lubbock..... | 2 | 1,425 | 3,048,542 | 97.5 | 105.1 |
| Port Arthur..... | 2 | 6,340 | 4,805,527 | - 5.5 | - 1.3 |
| San Antonio..... | 5 | 37,971 | 45,214,517 | - 3.7 | - 0.6 |
| Waco..... | 3 | 10,133 | 9,825,826 | 1.6 | 0.5 |
| Wichita Falls..... | 3 | 7,075 | 4,594,022 | - 2.3 | - 0.9 |
| All other..... | 55 | 63,075 | 53,783,906 | - 0.3 | - 0.1 |
| Total..... | 102 | 517,133 | \$381,793,444 | - 0.7 | 0.2 |

INDUSTRY

The value of construction contracts awarded in the Eleventh Federal Reserve District during September declined sharply from the level that had been maintained in other recent months but was slightly larger than the total for September last year. Total awards in the District during September amounted to \$43,328,000 as compared with \$75,883,000 in August and a monthly average of about \$70,000,000 during the first eight months of the year. The decline from the preceding month, which was general among all classes of construction, was much more pronounced than for the country as a whole but may represent only a temporary slowing down, inasmuch as recent reports from various sources indicate a marked increase in awards during October, particularly in the residential category. There are indications that completed houses are becoming more difficult to sell at present high prices and numerous projects of all types are being deferred because of high costs of construction.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

| | September 1948② | September 1947 | August 1948 | January 1 to September 30 1948② | September 30 1947 |
|---------------------------|-----------------|----------------|-------------|---------------------------------|-------------------|
| Eleventh District—total.. | \$ 43,328 | \$ 38,899 | \$ 75,883 | \$ 593,951 | \$ 489,919 |
| Residential..... | 18,259 | 13,033 | 24,748 | 200,923 | 179,807 |
| All other..... | 25,069 | 25,866 | 51,135 | 393,028 | 310,112 |
| United States*—total..... | 782,192 | 649,936 | 854,091 | 7,345,773 | 5,626,111 |
| Residential..... | 279,658 | 268,543 | 337,550 | 2,790,476 | 2,287,267 |
| All other..... | 482,534 | 381,453 | 516,541 | 4,555,297 | 3,338,844 |

*37 states east of the Rocky Mountains.

②—Preliminary.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

| City | September 1948 | | Percentage change valuation from | | Jan. 1 to Sept. 30, 1948 | | Percentage change valuation from 1947 |
|----------------------------|----------------|--------------|----------------------------------|-------------|--------------------------|---------------|---------------------------------------|
| | No. | Valuation | Sept. 1947 | August 1948 | No. | Valuation | |
| Louisiana: Shreveport..... | 308 | \$ 1,480,140 | -17 | 50 | 2,992 | \$ 24,813,757 | 185 |
| Texas: | | | | | | | |
| Abilene..... | 109 | 408,485 | -17 | 24 | 849 | 4,052,520 | 19 |
| Amarillo..... | 209 | 907,672 | 9 | -24 | 1,798 | 8,592,589 | 40 |
| Austin..... | 239 | 1,450,654 | -11 | -36 | 2,981 | 18,758,694 | 25 |
| Beaumont..... | 403 | 571,605 | 18 | -35 | 3,304 | 7,525,743 | 55 |
| Corpus Christi..... | 281 | 915,465 | - 6 | 11 | 2,739 | 12,979,254 | 17 |
| Dallas..... | 1,370 | 6,867,535 | - 5 | 30 | 12,399 | 71,576,113 | 71 |
| El Paso..... | 221 | 1,251,965 | 23 | 110 | 1,207 | 7,985,761 | 46 |
| Fort Worth..... | 541 | 2,042,846 | -49 | 4 | 5,124 | 21,980,318 | 10 |
| Galveston..... | 145 | 364,637 | No chg. | 105 | 1,467 | 3,162,292 | 62 |
| Houston..... | 602 | 7,842,950 | 24 | - 3 | 6,828 | 77,279,747 | 51 |
| Lubbock..... | 273 | 2,023,604 | 122 | 128 | 2,178 | 11,497,280 | 31 |
| Port Arthur..... | 176 | 187,468 | -12 | 61 | 1,302 | 2,540,711 | 45 |
| San Antonio..... | 1,333 | 3,068,210 | 12 | 10 | 11,316 | 27,829,087 | 41 |
| Waco..... | 149 | 830,732 | -20 | 11 | 1,371 | 9,627,911 | 40 |
| Wichita Falls..... | 113 | 305,600 | 61 | 13 | 712 | 3,210,866 | 62 |
| Total..... | 6,472 | \$30,519,468 | 1 | 8 | 58,567 | \$313,412,643 | 50 |

Daily average production of crude petroleum in the District rose to a new all-time peak of 2,710,000 barrels during September, exceeding the August rate by 16,000 barrels and that in September last year by 157,000 barrels. In areas outside the Eleventh District production amounted to 2,666,000 barrels daily, representing a decline of 157,000 barrels from the August rate but an increase of 21,000 barrels over the rate in September last year. The decline from August to September reflected primarily the effect of strikes in California, where production declined sharply early in the month. Production in that State recovered rapidly following the resumption of work, and by mid-October production in the United States was at a new peak rate.

CRUDE OIL PRODUCTION—(Barrels)

| Area | September 1948 | | Increase or decrease in daily average production from | |
|--------------------------------|------------------|-----------------------|---|----------------|
| | Total production | Daily avg. production | August 1948 | September 1947 |
| Texas: | | | | |
| District 1..... | 863,000 | 28,766 | -215 | 4,526 |
| 2..... | 5,387,000 | 179,567 | 609 | 18,822 |
| 3..... | 14,838,250 | 494,608 | 1,145 | -4,482 |
| 4..... | 7,517,600 | 250,583 | 183 | 2,433 |
| 5..... | 1,477,500 | 49,250 | 100 | 8,390 |
| 6..... | 9,274,250 | 309,142 | 4,653 | -58 |
| Other 6..... | 3,603,000 | 120,100 | -266 | 1,595 |
| 7b..... | 1,577,500 | 52,583 | 1,693 | 11,498 |
| 7c..... | 1,345,250 | 44,842 | 1,145 | 3,682 |
| 8..... | 21,233,250 | 707,775 | 4,401 | 70,175 |
| 9..... | 4,200,000 | 140,000 | 1,971 | 11,815 |
| 10..... | 2,602,250 | 86,742 | 594 | 397 |
| Total Texas..... | 73,918,750 | 2,463,958 | 16,013 | 128,793 |
| New Mexico..... | 3,958,000 | 131,933 | -740 | 14,688 |
| North Louisiana..... | 3,421,100 | 114,037 | 755 | 13,199 |
| Total Eleventh District..... | 81,297,850 | 2,709,928 | 16,028 | 156,680 |
| Outside Eleventh District..... | 79,976,200 | 2,665,873 | -157,214 | 20,676 |
| United States..... | 161,274,050 | 5,375,801 | -141,186 | 177,356 |

SOURCE: Estimated from American Petroleum Institute weekly reports.

Refinery operations as measured by crude oil runs to refinery stills also declined during September as a result of the labor disputes in California. In August, crude oil runs to refinery stills in California averaged about 875,000 barrels daily, and reports indicate that output in that State may have been reduced by as much as one-half. Crude oil runs to stills in other parts of the United States averaged 4,782,000 barrels daily in September, or 68,000 barrels more than in August.

Drilling activity as measured by the number of new well completions reached new peaks during August both in the District and in the United States and apparently remained at or near the higher levels during September and early October. In the District, completions totaled 1,344 in August as compared with 1,237 wells in July and 976 wells in August 1947. Total completions during the first eight months of 1948 numbered 8,977 wells, reflecting an increase of 2,076 wells or about 30 percent over those in the corresponding period of 1947. In the Nation,

total completions of 23,559 wells during the eight months were 4,134 wells or about 21 percent more than in the corresponding period last year.

Uncertainty regarding the future trend of prices of crude petroleum and refined products developed late in September when a major purchaser raised the posted price of crude petroleum 35 cents per barrel. Thus far, the increase in the posted price has been met by only a few independent operators, and press reports suggest that the price increase is being resisted strongly by the major companies. It is anticipated that developments will result chiefly from the operation of competitive forces bearing upon the demand for and the supply of crude petroleum.

On the basis of the estimated production of cotton and the average ratio of lint cotton to cottonseed, it appears that the production of cottonseed in the United States will amount to about 6,100,000 tons as compared with 4,700,000 tons in 1947 and a 10-year average of 4,900,000 tons. Reflecting the larger production of cotton and the rapid progress with harvesting, the movement of cottonseed to crushing mills during August and September has been in much larger volume than in the comparable period of 1947. In the United States, mill receipts of cottonseed during the two months totaled 1,604,000 tons or about 26 percent of the estimated total production for the season, whereas about 36 percent of the cotton crop had been ginned prior to October 1. Crushings during the two months, which amounted to 708,000 tons, were 57 percent greater than in the same period last season. Production of cottonseed products has shown a corresponding increase and most of the output has been moving into trade channels. Consequently, mill stocks of

products at the end of September were either lower or only moderately higher than the respective totals at the beginning of the season.

In Texas, where ginnings are most advanced, receipts of cottonseed have been especially large even though the indicated production of cotton this year is smaller than in 1947. During the first two months of the season, receipts totaled 435,000 tons but crushings were less than half of that amount. Shipments of products from mills in Texas have also been in large volume.

COTTONSEED AND COTTONSEED PRODUCTS

| | September 1948 | | | |
|--|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Texas | | United States | |
| | August 1 to This season | September 30 Last season | August 1 to This season | September 30 Last season |
| Cottonseed received at mills (tons)..... | 435,405 | 334,725 | 1,603,660 | 957,335 |
| Cottonseed crushed (tons)..... | 211,943 | 155,473 | 707,521 | 451,852 |
| Cottonseed on hand September 30 (tons) | 287,656 | 233,680 | 985,219 | 605,011 |
| Production of products: | | | | |
| Crude oil (thousand pounds)..... | 63,898 | 46,246 | 216,927 | 136,673 |
| Cake and meal (tons)..... | 104,097 | 73,617 | 322,559 | 205,323 |
| Hulls (tons)..... | 47,779 | 34,218 | 160,841 | 105,217 |
| Linters (running bales)..... | 73,035 | 50,763 | 222,234 | 138,107 |
| Stocks on hand September 30: | | | | |
| Crude oil (thousand pounds)..... | 6,926 | 7,798 | 28,551 | 36,582 |
| Cake and meal (tons)..... | 28,823 | 8,966 | 75,250 | 38,424 |
| Hulls (tons)..... | 20,155 | 17,568 | 58,008 | 48,751 |
| Linters (running bales)..... | 60,139 | 31,808 | 146,691 | 115,477 |

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

| | September 1948 | September 1947 | August 1948 | August 1 to This season | September 30 Last season |
|----------------------------|-------------------|-------------------|----------------|----------------------------|-----------------------------|
| Consumption at: | | | | | |
| Texas mills..... | 15,309 | 11,646 | 12,090 | 27,399 | 23,533 |
| United States mills..... | 739,139 | 728,606 | 728,732 | 1,467,871 | 1,441,470 |
| U. S. stocks—end of month: | | | | | |
| In consuming estabm'ts... | 1,282,404 | 1,139,357 | 1,246,848 | | |
| Public stg. & compresses.. | 4,140,319 | 2,588,052 | 1,723,616 | | |