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## A REVIEW OF ECONOMIC TRENDS IN 1948

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On the basis of virtually all major business and economic indexes, the year 1948 was one of unusually high-level activity and prosperity. Personal income payments to individuals, average weekly earnings of workers, and corporation profits rose during the year to points above comparable 1947 figures. Employment fluctuated in the general area of 60,000,000 civilian workers, industrial production was relatively stable at levels which indicated virtually full utilization of plant capacity under the conditions of availability of materials and labor which prevailed, capital expenditures for plant and equipment exceeded the total of the preceding year, new construction continued in record volume, while another huge crop of agricultural products has caused concern over the possibility of sizable surpluses of such important crops as cotton, corn, wheat, and perhaps others. Department store sales, a partial indicator of the volume of retail trade, showed a cumulative gain over the total of the preceding year; bank debits, which also tend to indicate business activity, held gains over the comparable months of 1947; and principal banking items, such as demand deposits, loans, and capital, expanded during the year but at a slower rate than the trend which was characteristic of the preceding year.

During the past year, however, in spite of the generally high level of economic activity, there were periods when first deflationary and then inflationary forces seemed to gain strength. Although probably at no time during 1948 could it be said that deflationary forces were clearly dominant, inflationary pressures were most marked during the period extending from about April through September, while deflationary or restrictive influences seemed most prominent during the first and fourth quarters of the year. Moreover, during the year several important readjustments in the relationship between different economic factors began to take effect. In most cases these readjustments occurred more or less gradually, while in other cases—the most notable of which was agriculture—the change in conditions was sharp and sudden. Perhaps as a result of these somewhat mixed and at times confusing developments, businessmen and others maintained a commendable degree of caution in their operations and, except in a few lines, avoided speculative ventures as inflated prices and expanding supplies of goods combined to influence buying practices and increase competition for the purchaser's dollar.

The upward rate of inflationary expansion which had gained momentum during the last quarter of 1947 and continued into January of 1948 was interrupted suddenly in the first two weeks of February by a sharp break in the prices of farm products. A more favorable domestic and foreign crop outlook for most of the basic agricultural products, a less active demand for wheat than had been anticipated earlier, and increasing resistance to the very high level of prices for farm and food products were among factors which combined to break the steady climb which had carried agricultural prices to record levels.

This sharp decline in agricultural prices, which carried the prices of such important products as wheat downward from a January high of \$2.81 a bushel to a February low of \$2.12, corn from \$2.46 a bushel to \$1.92, grain sorghums from \$3.79 per hundredweight to \$2.77, and hogs from \$26.70 to \$21.60 per hundredweight, naturally had a disturbing and sobering effect on business thinking and planning. In fact, businessmen and others seemed to be impressed by this very positive and startling demonstration that readjustments could be expected to occur in those areas of the economy where prolonged and marked inflation had produced distorted and unbalanced conditions. The break in prices of agricultural products seemed to introduce an element of caution, which carried over into some lines of business and into banking.

As the crop-growing season progressed, the favorable expectations regarding agricultural production were borne out as a record-breaking corn crop and considerably above-average crops of wheat, cotton, and several other major products were harvested. Despite sporadic upward movements, prices of these major commodities fluctuated around the government support levels throughout the last half of the year. By the end of 1948 it had become increasingly apparent that, barring serious crop failures in 1949, the inflationary movement in agricultural products had passed its peak and that the level of agricultural prices would be influenced strongly and perhaps primarily by government decisions and policies relating to the support program. In fact, if 1949 harvests compare favorably with those of the past year, real pressure may be placed on the program of price supports now in effect.

Flexible Treasury fiscal policies during 1948 ranged from strongly counter-inflationary to neutral and to mildly inflationary. During the first quarter of the year deflationary fiscal policies were followed by the Treasury. Treasury cash receipts from the public during January, February, and March amounted to approximately \$15,700,000,000 in contrast with cash payments to the public of about \$9,300,000,000, leaving the Treasury with an excess of receipts during the period of some \$6,400,000,000. Inasmuch as surplus funds of the Treasury were used almost entirely to retire Government securities held by the Federal Reserve banks, the excess of receipts over expenditures exerted a very strong deflationary pressure and was reflected in a substantial decline in the money supply.

After the end of the first quarter of the year the Treasury program of retiring Government securities became irregular, reflecting the influence of the Treasury's cash position. During periods when receipts were considerably in excess of expenditures debt retirement was undertaken, while at other times the program was temporarily discontinued. During the last three quarters of the year there were two periods of debt retirement—between July 1 and September 9 and between November 18 and December 9; on the other hand, it was considered desirable to discontinue the program from mid-April through June and from September 9 through November 12. At those times during the year when the program of debt retirement was being carried out, the policy tended to exert some pressure on bank reserves; at other times, when Treasury receipts roughly approximated expenditures to the public, the counter-inflationary force from this source was lacking.

Treasury policies regarding rates for maturing certificates of indebtedness also varied during the year, influenced at least in part by the apparent strength or weakness of inflationary pressures. In May, when it was believed in some quarters that inflationary pressures were weakening, the Treasury announced that June and July maturities of certificates of indebtedness would be refunded at the prevailing rate with offerings of  $1\frac{1}{8}$  percent 12-month certificates. Later, in August, when inflationary forces were admitted by the Government to have gained strength, the Treasury announced its September and October refundings with offerings of  $1\frac{1}{4}$  percent 12-month certificates of indebtedness. Finally, as the rate of business expansion began to show signs of lagging during the last two months of the year, the Treasury withheld any further increase in rates by announcing that it would refund the December 15 maturities of bonds and the January notes and certificates with an offering of  $1\frac{1}{4}$  percent 12-month certificates of indebtedness.

In the meantime, during the year the average discount rate on weekly offerings of Treasury bills rose steadily from approximately 0.952 percent for the first offering in January to approximately 1.154 percent for the offering dated December 23. This steady increase in the bill rate,

together with increases in the certificate rate from 1 percent to  $1\frac{1}{8}$  percent for the January 1948 offering and from  $1\frac{1}{8}$  percent to  $1\frac{1}{4}$  percent for the September and October offerings, influenced private short-term rates at commercial banks and contributed in bringing about an increase of from  $\frac{1}{2}$  percent to  $\frac{3}{4}$  percent. In addition, increases in the rediscount rates of the Federal Reserve banks from  $1\frac{1}{8}$  percent to  $1\frac{1}{4}$  percent and later to  $1\frac{1}{2}$  percent contributed to the firming trend of rates.

Also in the credit sector of the economy, the Board of Governors of the Federal Reserve System announced an increase, effective February 27, of 2 percentage points in reserve requirements against demand deposits of member banks in central reserve cities and another identical increase effective June 11. Then again in September an increase of 2 percentage points against demand deposits and  $1\frac{1}{2}$  percentage points against time deposits became effective for all member banks. Also in September, acting under authority granted by the special session of Congress, the Board of Governors of the Federal Reserve System reinstated Regulation W, with somewhat more restrictive credit terms than those prevailing in the market at the time. Supplementing the actions of the monetary and credit authorities, the American Bankers Association throughout the year strongly urged its membership to support its program of voluntary restriction of the expansion of bank credit and especially to avoid commitments involving speculative or inflationary loans.

Although it probably is not possible to measure the individual effectiveness of these various efforts of the Treasury, the Federal Reserve System, and the private banking system in restricting the expansion of credit, it is a fact that bank lending expanded at a considerably slower rate during 1948 than during the preceding year. During the first six months of 1948 total loans of the Nation's member banks increased approximately \$1,243,000,000, or only 63 percent of the amount of increase which occurred during the comparable six months of 1947. Figures for the second six months of 1948 are not complete at this time, but it is a virtual certainty that the loan expansion of member banks was very substantially less than the \$3,973,000,000 recorded during the last half of 1947; in fact, loan expansion of member banks during the last half of 1948 may not exceed more than 50 percent of the increase of the comparable six-month period in 1947. It is evident that the combination of official and unofficial monetary and credit policies, at least to a considerable degree, had a salutary effect in restricting the volume of credit expansion at a time when the demand for bank loans continued strong.

Industrial production was maintained at a relatively stable, high level throughout the year, except during a brief period in the spring when labor problems slowed the production of durable goods and in July when mass vacations of industrial workers brought about a temporary decline in output. With the output of the Nation's productive system running at such high levels, the supply of merchandise improved notably in relation to demand in a steadily increasing number of lines. As a consequence, by the end of the year housing and automobiles seemed to be the only important consumer goods not in adequate supply, while shortages confronting industrial purchasers were acute only in certain steel products, some items of machinery, freight cars, and certain heavy equipment, especially types required by the electrical and public utility industries. Most items of soft goods, including foods, clothing and apparel, shoes and leather goods, textiles, and virtually all more or less expensive or luxury goods were in adequate supply by the year-end. Moreover, as the year progressed, a similar situation became increasingly noticeable in the durable goods fields and was accompanied by numerous instances of price reductions. In fact, with comparatively few but individually important exceptions, urgent deferred demands of consumers were largely satisfied, and buying shifted more and more as the months passed to meeting requirements of a replacement type. Consequently, consumers became much more selective and value-conscious in their buying.

Price movements during the year were of a mixed character, with fluctuations most notable in foods and other products derived from agricultural production. In the first quarter, price trends on the whole showed a tendency toward softness, but in March and April prices firmed and for several months moved sharply upward to reach new high levels at wholesale and retail. However, strong price resistance which developed noticeably in July, together with the marked improvement in supplies of goods, tended to check the advance, and during the last four or five months of the

year an increasing number of price soft spots began to appear. At the end of November 1948 wholesale prices of farm products were slightly lower than the 1947 monthly average and about 11 percent below the high level reached in January 1948. Wholesale prices of other than farm and food products rose between January and August but then leveled out as price resistance intensified. Although the cost of living was higher at the end of 1948 than 12 months earlier, a slight decline during the fourth quarter seemed to indicate that the peak in living costs may have been reached and passed unless crop failures, increased government expenditures, or other strongly inflationary developments should intervene. Rather sharp reductions in the prices of numerous food items and an increasing number of price decreases in other lines announced during the last two months of the year appear to point toward a moderate downward readjustment of prices which should restore a more soundly balanced price structure.

The volume of construction was maintained at very high levels during 1948, as new records were reached in some categories of building, while in others previous records were approximated. It is estimated that industry's investment in plants and equipment reached a record dollar volume of some \$18,840,000,000, or about \$2,000,000,000 above the total reported for 1947. Physical volume of construction, however, was slightly lower than a year earlier, as higher prices accounted for most of the increased expenditure. New residential construction was in the area of 925,000 units and approximated very closely the all-time record of some 927,000 units built in 1925. During 1948, however, the dollar value of new residential construction exceeded all former levels. Nonresidential construction also was in very large volume during the year, exceeding the dollar amount that was reported for 1947. Production of construction materials reached a postwar high, and some shortages which prevailed during preceding years were relieved. Construction costs, after rising during the first half of the year, tended to level off somewhat as stronger resistance to the high cost level developed and as materials became more plentiful and permitted more continuous job progress.

Production of crude oil and products was at record levels during 1948, but again in this important sector of the economy the rate of increase tended to level out as the year progressed. As capacity of existing facilities was being utilized fully and as demand—though still strong—gradually flattened out somewhat, the rate of expansion slackened. It is estimated that demand for petroleum in 1949 may be about 6 percent higher than that in 1948, but, compared with 1948 year-end production, such an increase will hardly impose any serious strains upon the industry. Despite the strong demand for petroleum, stocks of crude oil and products have risen throughout the year, thus making it possible to meet seasonal demands in the months ahead while maintaining a more stable production volume.

A review of developments during the past year would not be complete without reference to certain governmental actions which exerted an influence on the trend and level of economic activity. In March, following a sudden worsening of international conditions, the President presented a strong appeal for rearmament which was subsequently accepted in large part by the Congress. Soon after, influenced perhaps by the international situation, the European Recovery Program was legislated and assured continuance of a substantial volume of exports during the year. In April Congress legislated tax reduction and, in addition, by its pronouncements and deeds made it reasonably clear that strong anti-inflationary powers or control devices would not be enacted. The combination of these developments seemed to influence business thinking and planning, for their potential stimulative or supporting force was recognized. Later in August, after strong inflationary movements had occurred forcing prices to record levels, the special session of Congress legislated the emergency measures dealing with consumer credit and member bank reserves which have been referred to earlier in this article.

In the Eleventh Federal Reserve District, the trend of economic activity closely followed the national pattern, although there were some differences in degree with respect to the rates of growth or levels of the major indexes. This similarity of trends, of course, might be expected, for business, industry, agriculture, and banking in this District cannot be insulated against the effects and impacts of national developments affecting economic activity; moreover, agriculture, which was an impor-

tant factor in shaping national price trends and which contributed substantially as a source of income, is one of the principal bases of this southwestern economy; furthermore, petroleum production and refining in the District—of very great importance to the Southwest as a source of income—was influenced by the national and, to some extent, the foreign demand situation; then too, wartime and postwar industrial growth of the area has tended to make this part of the country more sensitive to national industrial developments than perhaps has been true in years past; also, national credit policies and other policies of a related character tend to bear with more or less equal force on the banks of this District; in addition, in this District, as in many other parts of the country, a growing population and serious shortage of residential and nonresidential properties stimulated a construction boom that has more than kept pace with national trends; finally, large-volume production of the products of the area, in response to strong national and foreign demands, assured full employment and a steady and expanding flow of income payments.

Estimates of crop production in the five States lying wholly or partly in the Eleventh District during 1948 indicate that several of the major crops of the area were produced in quantities in excess of 1947 production, while virtually all important crops yielded a larger volume of production than the 10-year (1937-46) average. Estimated production of cotton, grain sorghums, rice, and all hay was larger than 1947 output or the 10-year average production. Grapefruit and oranges, although declining from production levels of 1947, were substantially above the 1937-46 average; while wheat production resulted in the third largest crop on record, being exceeded only by the remarkably favorable crop of 1947 and the slightly larger crop of 1944. Livestock on farms in the five States of the District continued to decline in numbers during 1948, with the decline being general among cattle and calves, sheep, and hogs. Most pronounced declines were in the numbers of sheep and cattle and calves, as poor range conditions and drought encouraged reduction in numbers.

On the basis of incomplete figures, it appears probable that cash farm income in the five States of the District during 1948 may have approximated the total of almost \$3,300,000,000 which was reported for 1947. Among the several factors which combined to hold cash receipts from farm marketings at a record level were the large volume of production of numerous crops which tended to offset the effect of price declines, an unusually large volume of 1947-crop wheat marketed during the first quarter of 1948, and very favorable livestock prices which tended to compensate for a somewhat smaller volume of marketings.

Production of crude oil in the District during the year just closed is estimated at only slightly less than 1,000,000,000 barrels, or approximately 10 percent above the total for 1947. Drilling activity as measured by well completions probably was in the neighborhood of 13,700, second only to the 1937 record of 15,620 completions. Crude oil prices remained favorable throughout the year at approximately \$2.65 per barrel. The price situation was comparatively stable until early in the fourth quarter when a large independent company raised its posted price by 35 cents per barrel. Major companies resisted the increase, however, and in December the advance was rescinded. As a result of the very large volume of production of petroleum during the year at stable, favorable prices, the industry again represented one of the most important single sources of income to the District.

Construction contract awards in the Eleventh District continued in very large volume throughout 1948, although during the closing months of the year the rate of expansion in awards leveled off considerably. During the first six months of the year awards were well ahead of those of the comparable months in 1947, but the comparison became less favorable as the year progressed. There are indications that the construction of manufacturing buildings may have passed its postwar peak, but other nonresidential building is being maintained at record levels. Although residential building was at boom levels during 1948, future prospects for this type of construction may depend in considerable part on a better adjustment of construction costs and housing prices to buyers' incomes. In Texas, for instance, new dwelling units were built during 1948 at almost twice the national per capita rate, but the long-continued rise in construction costs and real-estate prices may have reached the point where selling of houses—especially in the range of prices from about \$12,500 to \$25,000

—poses real difficulties. Somewhat tighter mortgage terms and the problem of obtaining the cash payment to complete transactions have been important contributing factors to a slowing down in residential construction and real-estate activity.

Department store sales in the District reflected a better-than-national average volume of activity during the year, despite an unexpected slowing down of sales which became evident in mid-October and continued on through successive weeks into December. Cumulative sales for the year in this District, according to preliminary estimates, may show an increase of about 8 percent over the 1947 volume. The large total of department store sales and retail sales in the District in 1948 reflected the favorable trend in the production and value of petroleum and agricultural products, sustained high-level construction activity, and a steadily increasing volume of industrial activity as the District's new and expanded industries added their contribution to the area's income.

Inventories and accounts receivable of department stores in the District rose appreciably during the year, while collections became slower. The rate of collections declined more markedly on installment accounts than on charge accounts, but both types of credit showed the increased pressure of higher prices upon incomes. At the end of the year the ratio of collections on charge accounts was still substantially above prewar levels, whereas the ratio for installment accounts was only moderately higher.

Principal assets and liabilities of the member banks of the District reflected the high level of business activity in the area and the large value of agricultural, mineral, and industrial production. In common with trends in other spheres of economic activity in the District, most banking items showed an increase during the year but at a more moderate rate than during 1947. For instance, preliminary estimates indicate that total resources of the District's member banks may have increased in the range of \$125,000,000 during 1948, in contrast with an increase of approximately \$465,000,000 in 1947, as total loans increased by about \$235,000,000, investments in Government securities declined by some \$140,000,000, and holdings of other securities increased about \$30,000,000. Demand deposits and time deposits increased moderately during the year just ended, whereas during the preceding year an expansion of about \$430,000,000 was reported. Reflecting a continuation of generally favorable earnings, conservative dividend policies, and the sale of additional stock, capital accounts of member banks in the District increased during 1948 and final figures may show a capital structure some \$20,000,000 larger than a year earlier.

The brief summary of the trend of economic events during 1948 which has been presented in this article tends to point up certain major readjustments which occurred during the year; it may be helpful as we attempt to look ahead into the uncertainties of 1949. One of the most important readjustments during the past year occurred in agriculture and rather clearly established the fact that the inflationary force in that area of economic activity has virtually disappeared as large volume production increased supplies greatly. Also, in many lines of business activity the steadily increasing volume of goods has led to the appearance or at least rapid approach of buyers' markets. Strong consumer resistance to rising prices at midyear and the tendency toward a softening of the price structure in certain important categories also are factors which seem to point toward the end of the inflationary movement unless it is revived and stimulated by additional external or artificial forces. Certainly it is evident from the events of 1948 that prices again can move in two directions and that competition in the disposal of most types of merchandise has reappeared and is increasing.

Since readjustments in one area of the economic system tend to extend their influences to other areas, it is quite probable that the new year will witness a continuation of the process of adjustment; therefore, this is an especially appropriate time for all businesses and banks to re-examine their affairs to be sure that they will be able to adapt their operations to changing conditions. Even though it may be probable that the over-all trend of business activity will be maintained at good or comparatively high levels in the months ahead, business and other forms of economic activity may expect to be confronted by problems more numerous and difficult than those which have characterized earlier postwar years.

# Review of Business, Industrial, Agricultural, and Financial Conditions

## DISTRICT SUMMARY

The outlook for the agricultural and livestock industries in the Eleventh Federal Reserve District is clouded by the continuance of the acute drought prevailing over the major portion of the area. While scattered rains have fallen recently in some localities, a large portion of the District is seriously deficient in both surface and subsoil moisture. The lack of moisture has retarded the seeding and germination of small grains and winter cover crops. The condition of livestock and their ranges has deteriorated further during the past month, with range feeds and stock water becoming very short in some areas.

The value of construction contracts awarded in the District during November declined 10 percent from that in October and was one-fourth smaller than in November 1947. Daily average production of crude petroleum again rose to a new peak in November and a further increase is indicated for December. The Texas Railroad Commission, however, announced recently a reduction of 10 percent in production allowables for that State for January 1949.

The value of department store sales increased from October to November but was slightly less than that in the corresponding month of the preceding year. A similar decline occurred during the first two weeks of December. While sales of furniture stores also increased in November, they were sharply lower than those in that month of 1947.

The loans of weekly reporting member banks in selected cities of the District showed a further seasonal expansion between November 10 and December 15, but the increase was much smaller than in the corresponding period of 1947. The investments and deposits of these banks also continued to increase during the five-week period.

## BUSINESS

The slowing down in consumer buying at department stores which became apparent in October continued during November and early December. This trend developed not only in the Eleventh Federal Reserve District but throughout the United States. In the District the value of sales increased about 7 percent from the lower-than-seasonal level established in October but fell 2 percent below the value during November a year earlier, even though November 1948 had one more business day. This decrease from the preceding year contrasts with a gain of 10 percent in cumulative sales for the first eleven months of 1948. The adjusted index of department store sales, which makes allowance for seasonal factors and the varying number of trading days, amounted to 390 percent of the 1935-39 average in November, which is sharply lower than the 415 percent for November 1947 and the all-time peak of 448 percent registered in April 1948. During the first half of December sales were slightly under those during the corresponding period of 1947.

Despite the current leveling off in consumer buying, it should be pointed out that dollar sales for the fourth quarter of 1948 may exceed those during the comparable period of 1947. While the unseasonable temperatures prevailing during the fall months probably have contributed to the slowing down in buying, readjustments in certain basic factors have been in process for several months. The expanding supply of available goods in both durable and nondurable categories has enabled consumers to buy virtually whatever merchandise might be needed and to have a

greater choice in the merchandise purchased. These conditions naturally contributed to greater selectivity in buying and to a demand for better quality merchandise in relation to the purchase price. At the same time, there has been increasing evidence that numerous consumers have been finding it more difficult to maintain the volume of their purchases in the face of the rising cost of living. During the past year the ratio of credit sales to total sales has been rising somewhat, the volume of outstanding accounts has increased substantially, and the rate of collections on outstanding accounts has declined. The increase in outstanding accounts and the decrease in collections have been most pronounced with respect to installment accounts. The ratio of collections on installment accounts during November to receivables outstanding at the first of the month was 19 percent as compared with 30 percent during November 1947. The rate of collections on regular accounts was 53 percent of outstandings during November as compared with 55 percent a year earlier.

## WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in				
		Net sales		Stocks †		
		November 1947	October 1948	11 mo. 1948 comp. with 11 mo. 1947	November 1947	October 1948
<b>Retail trade:</b>						
Department stores:						
Total 11th Dist. ....	48	-2	7	10	18	6
Corpus Christi.....	4	-5	4	1	6	10
Dallas.....	7	-4	5	4	22	5
Fort Worth.....	4	-5	†	7	15	2
Houston.....	7	-2	12	23	21	21
San Antonio.....	5	-†	15	8	6	-†
Shreveport, La.....	3	5	-5	18	21	..
Other cities.....	18	-2	5	6	21	-†
Furniture stores:						
Total 11th Dist. ....	43	-20	10	..	16	2
Dallas.....	4	-38	29	..	8	4
Houston.....	4	-31	1	..	..	..
Port Arthur.....	4	-2	9	..	16	-1
San Antonio.....	4	-21	9	..	..	..
<b>Wholesale trade:*</b>						
Machinery, equip't and supplies.....	4	-23	-24	..	1	1
Drugs.....	5	18	-†	6	8	-2
Dry goods.....	9	-22	-17	..	10	1
Groceries.....	40	1	-6	5	7	5
Hardware.....	7	-12	-13	3	15	-1
Tobacco & products.....	12	5	†	†	7	-2
Wiring supplies, construction materials distributors.....	4	10	-14	..	No chg.	-7

\*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			
	Nov. 1948	Oct. 1948	Sept. 1948	Nov. 1947	Nov. 1948	Oct. 1948	Sept. 1948	Nov. 1947
11th District.....	475	427	444	507r	390	388	423	415r
Dallas.....	432	397	416	467r	357	361	375	386r
Houston.....	561	480	552	595r	464	437	516	491r

  

	Stocks—(1935-39=100)							
	Unadjusted*				Adjusted			
	Nov. 1948	Oct. 1948	Sept. 1948	Nov. 1947	Nov. 1948	Oct. 1948	Sept. 1948	Nov. 1947
11th District.....	431	419	423	382	402	370	378	357

\*Unadjusted for seasonal variation.

r-Revised.

The underlying strength of consumer demand, however, is indicated by the generally favorable response to the special promotions and clearance sales featured by department stores during November. These sales efforts apparently stimulated buying substantially in certain departments where sales had shown a tendency to lag. These developments suggest that there may have been some deferment of buying in anticipation of lower prices or better quality merchandise but a willingness to pur-

chase goods whenever prices are considered reasonable. Strong factors that will tend to sustain consumer buying in large volume are the high levels of employment and consumer incomes.

Department stores during recent months have shown a tendency to hold down inventories and to bring about a better balance between supplies in the several departments. Total inventories at the end of November were only 6 percent larger than a month earlier, and the 18 percent increase as compared with inventories on the same date of the preceding year represents the smallest year-to-year gain reported during 1948. There has been a tendency to reduce the volume of merchandise orders outstanding. At the end of November such orders were 15 percent lower than a month earlier and 39 percent below those at the end of November 1947.

Sales of furniture stores in the Eleventh Federal Reserve District, which had declined sharply from September to October, increased 10 percent in November, but the total for the latter month was 20 percent smaller than that for November 1947. The size of the decline from a year ago, together with the widespread clearance sales advertised by furniture stores generally, suggests that buyers may have become more restrictive in their purchases and more selective in choices of merchandise. It is significant that the ratio of cash sales to total sales increased during November, while collections were about the same as those in October and 10 percent higher than a year ago. Accounts receivable at the end of November were fractionally lower than a month earlier but 41 percent higher than at the end of November last year. This year-to-year increase, however, was the smallest reported for any month during 1948.

Reflecting a continuation of the upward trend shown for other recent months, inventories at reporting furniture stores increased 2 percent from October to November and at the end of the month were 16 percent larger than a year earlier. For several months the margin of increase over the preceding year has been widening, and in November it was the largest reported in more than a year.

## AGRICULTURE

The drought that prevailed throughout most of the Eleventh Federal Reserve District this summer and fall continued during November and the first part of December. Showers in northeast Texas and other scattered areas around mid-December brought temporary relief, but other areas still needed rain. The dry open weather, which delayed land preparation and seeding of crops, was favorable for harvesting of vegetables in the southern part and of cotton in the northwestern part of the State. There was considerable damage to tender vegetables in the commercial garden areas of Texas because of low temperatures. Due to the extended drought during the fall and early winter, farmers were unable to seed all of their intended acreage of grains and other winter cover crops. This shortage of moisture, together with blowing winds and brief periods of freezing temperatures, also resulted in losses of planted acreage.

The United States Department of Agriculture, in its December 1 report, estimates the 1948 United States cotton crop at 14,937,000 bales, or 229,000 bales below the estimate made a month earlier. The reduction occurred principally in states east of the Mississippi River, where rainy weather retarded harvesting and reduced yields. The latest estimate, which is more than 3,000,000 bales larger than the production of 1947, is 24 percent above the 10-year (1937-46) average. The 1948 estimated yield of 311.5 pounds per acre is at the highest level on record,

being 17 percent above that of 1947 and 23 percent above average. Ginnings prior to December 1, amounting to 12,762,000 bales, represented 85 percent of estimated production or about the same proportion of the crop ginned prior to the same date in 1947.

The December 1 estimate of the Texas cotton crop of 3,200,000 bales, which is unchanged from that a month earlier, is slightly below 1947 production but about 11 percent above the 10-year average harvest. Yield per acre is 1948, estimated at 176 pounds, is 22 pounds below that of 1947 but slightly above average. The estimate of cotton acreage for harvest is placed at 8,750,000 acres, which, when compared with the estimate of 8,974,000 acres planted, indicates an acreage abandonment of 2.5 percent, or slightly less than the average of the previous five years. Below normal rainfall throughout the State following the start of harvesting favored a rapid harvest of the crop with little loss in the field. The percentage of total expected production remaining for harvest on December 1 was much smaller than usual. Ginnings in Texas prior to December 1 were 2,916,000 bales, or about 91 percent of the estimated production, compared with 82 percent of the crop ginned prior to the same date in 1947. The 1948 cotton production in Louisiana was estimated on December 1 at 760,000 bales, which is 50 percent larger than the 1947 crop and 29 percent above average. The Oklahoma crop, placed at 370,000 bales, is substantially above the 1947 crop but one-third below average. The New Mexico and Arizona cotton crops, estimated at 240,000 and 320,000 bales, respectively, are the largest on record for these States.

TEXAS COTTON BY CROP REPORTING DISTRICTS

Crop reporting districts	Yield per harvested acre (pounds)			Production, 500-lb. gross weight bales (thousands)		
	Average 1937-46	1947	1948 indicated Dec. 1	Average 1937-46	1947	1948 indicated Dec. 1
1-N North High Plains. . . . .	170	288	286	55	105	125
1-S South High Plains. . . . .	195	224	140	446	946	605
2 Permian Plains. . . . .	161	143	143	528	494	500
3 North Central. . . . .	116	121	128	45	15	20
4 Northern Texas Prairies. . . . .	160	163	153	764	810	780
5 East Texas. . . . .	146	164	168	346	185	220
6 Trans-Pecos. . . . .	490	598	707	77	113	140
7 Edwards Plateau. . . . .	126	134	75	46	32	18
8 Southern Texas Prairies. . . . .	164	223	201	317	315	280
9 Coastal Prairies. . . . .	215	219	256	129	129	160
10 South Texas. . . . .	204	303	331	141	293	352
State. . . . .	170	198	176	2,894	3,437	3,200

SOURCE: United States Department of Agriculture.

Crop conditions in the commercial vegetable areas during the latter half of November and the first part of December were rather unfavorable due to low temperatures, high winds, and some shortages of moisture. Tender crops suffered considerable damage from low temperatures on November 29 in the Laredo-Winter Garden-Eagle Pass Districts. At the same time, frosts were reported from practically all sections of the Lower Rio Grande Valley. At mid-December, hardy type crops in the Valley were in good condition, as they had suffered only minor cold damage. Transplanting of onions was making good progress in irrigated sections and was nearly completed in some areas of the Winter Garden section. Planting of early spring crops was under way in some areas of the Lower Valley. Some plantings in the non-irrigated Coastal Bend area, where a good reserve of subsoil moisture has been built up, were in need of surface moisture. Marketing of commercial vegetables during the first half of December was limited mainly to the hardy type crops, such as beets, broccoli, cabbage, carrots, and spinach.

Conditions in the Lower Rio Grande Valley throughout most of November and early December were favorable for maturing and harvesting of citrus. While rainfall for the month was light

and accumulation of soil moisture during the season has been considerably below normal, fall rains were timely and fruit sized well with good quality. The low temperatures of November 30 did practically no damage, but strong winds for two days resulted in considerable defoliation of trees. Production of grapefruit in Texas, estimated at 19,000,000 boxes, is 18 percent less than last season but 9 percent above average. The Texas orange crop is estimated at 4,700,000 boxes—10 percent less than last season but 45 percent above average. The United States grapefruit crop is estimated at 56,250,000 boxes, compared with 61,630,000 boxes in 1947, while the orange crop estimate is placed at 114,900,000 boxes, compared with 110,380,000 boxes the previous season. Texas orange and grapefruit shipments during October and November were 37 and 15 percent, respectively, ahead of movements during the same period in 1947.

Ranges and pastures in the District continued to deteriorate during November and early December except in southern counties of Texas and the northern Panhandle area. Some precipitation was reported throughout most of the District on December 14, but for the most part it was not sufficient to bring material relief. The growth of small grain pastures, rescue grass, clovers, and winter weeds continues very slow except in the northern Plains counties of Texas where early planted wheat was supplying fair grazing. Despite heavy supplemental feeding in all areas, except extreme south Texas and some northern Texas Panhandle counties, livestock continued to shrink.

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

State	October 1948			October 1947	Cumulative receipts	
	Crops	Livestock	Total	Total	Jan. 1 to Oct. 31 1948	1947
Arizona	\$ 8,362	\$ 7,783	\$ 16,145	\$ 22,395	\$ 150,292	\$ 140,238
Louisiana	45,319	9,923	55,242	58,121	283,490	241,191
New Mexico	11,494	30,152	41,646	47,657	128,455	129,015
Oklahoma	56,616	31,634	88,250	73,170	590,217	530,126
Texas	143,647	81,454	225,101	281,944	1,598,934	1,513,105
Total	\$265,438	\$160,946	\$426,384	\$483,287	\$2,751,388	\$2,553,675

SOURCE: United States Department of Agriculture.

The number of cattle on feed in the United States was expected at the first of December to exceed the volume of 1947, according to the Bureau of Agricultural Economics. Cattle feeders bought heavily during November, upsetting earlier indications of a decline in feeding operations during the current season. Shipments of stocker and feeder cattle going into 11 Corn Belt states during November showed a 39 percent increase over November 1947. In Iowa and Illinois, the biggest corn-producing States, November in-shipments of cattle were the largest on record. Also, a large number of cattle will be on feed in the West this season, with California feeding a record number. However, cattle feeding in the wheat pasture areas of Kansas, Oklahoma, and Texas has been hampered by inclement weather. The number of lambs on feed in the United States will be the lowest in 20 years, due to heavy slaughter and to shortage of grain pastures. Lamb feeding on wheat pastures in western Oklahoma and the Texas Panhandle remains negligible.

Total receipts of livestock at the Fort Worth and San Antonio markets during November showed a seasonal decline of 4 percent but were above receipts of November 1947 by the same percentage. Receipts of cattle were off 5 percent from the previous month and down 13 percent from the corresponding month in 1947. Although receipts of calves rose almost one-fourth, they were still 7 percent below the same month of the previous year. Receipts of hogs in November, rising seasonally, were double those of October and 29 percent above the same

month in 1947. Sheep receipts, making a seasonal decline of 36 percent from October, remained 15 percent above November 1947.

LIVESTOCK RECEIPTS—(Number)

Class	Fort Worth			San Antonio		
	November 1948	November 1947	October 1948	November 1948	November 1947	October 1948
Cattle	69,108	81,671	79,302	38,714	41,934	33,907
Calves	54,056	60,153	40,545	34,664	35,691	31,689
Hogs	86,995	65,911	40,049	7,452	7,184	7,078
Sheep	87,324	89,458	137,004	52,267	32,256	30,956

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundredweight)

Class	Fort Worth			San Antonio		
	November 1948	November 1947	October 1948	November 1948	November 1947	October 1948
Beef steers	\$31.00	\$31.00	\$31.00	\$27.50	\$25.00	\$26.00
Stocker steers	25.50	22.00	25.50	26.00	.....	26.00
Heifers and yearlings	30.00	26.00	31.00	25.00	25.00	26.00
Butcher cows	21.00	18.25	20.00	20.00	17.00	20.50
Slaughter calves	26.00	24.00	26.00	25.25	22.00	26.25
Hogs	26.00	26.50	27.00	25.00	25.75	26.50
Lambs	25.00	23.50	25.00	21.50	21.00	22.50

The November 15 price report of the United States Department of Agriculture shows that the index of prices received by Texas farmers for all commodities, which was 300 percent of the 1910-14 average level, was one point above the level of the previous month. This rise was in sharp contrast to the United States index of prices received by farmers, which declined for the fourth consecutive month to the lowest level since June 1947. Price movements among commodity groups in Texas varied, with increases registered for food grains, feed grains and hay, poultry and eggs, and oil-bearing crops more than offsetting price declines for meat animals, citrus fruits, sweet potatoes, and truck crops. The most important decline affecting meat animals was in the price of hogs, which, at \$21.50 per hundred pounds, was off \$1.90 for the month. Prices for beef cattle and veal calves were about unchanged from the previous month, maintaining a level about \$4.00 per hundred pounds above a year earlier. Sheep and lambs, at \$9.70 and \$20.10 per hundred pounds, respectively, were off about 20 cents from October. Rice advanced 55 cents to average \$2.75 per bushel. Corn prices showed no change, while prices of other grains made slight gains during the month. The sharpest decline occurred in the prices of citrus fruits, which dropped about 60 percent. While citrus prices usually decline substantially during the marketing season beginning October 1, the decline this season occurred earlier and was very pronounced due to the heavy early season marketings and the poor quality of the early fruit, which resulted in decreased consumer demand for Texas citrus.

Reports from spot commodity markets indicate that from November 15 to mid-December the prices received for corn and oats declined, while prices of wheat and grain sorghums made little change. Cotton prices rose slightly during the period, and while lamb prices held steady, prices of other livestock declined.

FINANCE

During the five-week period ended December 15 total loans of selected member banks in leading cities of the District increased by \$17,845,000. Commercial, industrial, and agricultural loans rose by \$10,385,000 and "all other" loans by \$7,128,000 to account for most of the loan expansion. Other loans for security trading and real-estate loans showed minor increases of \$753,000 and \$384,000, respectively, offset in part by declines of \$545,000 in loans to brokers and dealers in securities and \$260,000 in loans to banks.

Although most types of loans have continued to increase at selected member banks in this District during the past five weeks, the increase has been much less in amount than that which occurred during the comparable period in 1947. During the same five-week period in 1947 total loans of these selected member banks increased by about \$44,100,000, as commercial, industrial, and agricultural loans rose by \$42,000,000, real-estate loans by approximately \$1,500,000, and the category "all other" loans by about \$8,000,000, with partially offsetting decreases in other types of loans. The less rapid increase in bank credit in this District during the past few weeks in contrast with comparable weeks of 1947 reflects a combination of a slowing-down in business activity, especially in retail trade, construction, and real-estate transactions, somewhat tighter credit conditions, and a more selective attitude on the part of the District's member banks with respect to loan commitments.

Total investments of the selected member banks in the District rose by \$9,308,000 during the five-week period ended December 15 as a result of increases in holdings of United States Treasury bills and United States certificates of indebtedness. These banks reported a reduction in holdings of United States Government bonds by \$18,901,000 and a decline in holdings of United States Treasury notes by \$2,403,000. The trend reflected during this five-week period was a continuation of the trend which has been evident during the past year. For instance, since December 17, 1947, selected member banks in this District have added \$27,220,000 to their holdings of Treasury bills and have increased their portfolios of Treasury certificates of indebtedness by \$75,962,000, while disposing of Treasury notes and United States Government bonds in an amount totaling \$186,134,000.

Total deposits of member banks in leading cities of the District increased by \$73,964,000 as a result of an increase in demand deposits adjusted amounting to \$80,814,000 and an increase in interbank deposits of \$5,591,000, offset in part by declining time deposits and deposits of the United States Government.

at the country banks of the District, which reported a total some \$82,000,000 more than a month earlier in contrast with an increase of about \$78,000,000 at the reserve city banks. Time deposits of the District's member banks increased slightly, with the bulk of the increase also occurring at the country banks. Comparison of most recent figures with those of November 1947 shows that gross demand deposits of the District's member banks have increased by approximately \$122,000,000, while time deposits during the same period increased by about \$51,000,000.

## 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
November 1946	\$4,864,407	\$503,710	\$2,341,164	\$319,618	\$2,523,243	\$184,092
November 1947	5,286,063	543,085	2,524,890	337,324	2,761,173	206,361
July 1948	5,096,434	587,716	2,456,933	375,215	2,639,501	212,501
August 1948	5,112,411	591,551	2,449,802	376,803	2,662,609	211,748
September 1948	5,203,768	589,519	2,508,252	378,943	2,695,516	210,576
October 1948	5,247,519	592,462	2,506,619	379,873	2,740,900	212,589
November 1948	5,407,874	594,125	2,584,489	379,905	2,823,385	214,220

## SAVINGS DEPOSITS

Eleventh Federal Reserve District					
City	Number of reporting banks	November 30, 1948		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Nov. 29, 1947	October 30, 1948
Louisiana: Shreveport	3	32,688	\$ 24,954,196	- 4.1	- 0.03
Texas:					
Beaumont	3	12,121	6,178,298	- 6.6	0.3
Dallas	8	140,151	77,941,151	- 0.7	0.1
El Paso	2	31,607	22,185,379	- 5.4	- 0.8
Fort Worth	4	43,136	34,396,181	- 1.6	- 0.4
Galveston	4	23,129	21,555,706	- 2.1	- 0.8
Houston	8	101,793	72,978,105	4.5	0.1
Lubbock	2	1,503	3,598,098	91.3	28.8
Port Arthur	2	6,121	4,782,072	- 5.1	- 0.7
San Antonio	5	39,195	45,234,494	- 4.3	- 0.1
Waco	3	10,201	9,936,686	3.0	0.4
Wichita Falls	3	7,069	4,523,442	- 3.8	- 1.4
All other	55	62,730	53,959,811	- 0.9	0.1
Total	102	511,444	\$382,221,619	- 0.6	0.1

Bank debits reported by banks in 24 cities throughout the District declined 1 percent during November, as 16 of the cities reported a smaller volume. Largest decreases in bank debits occurred at the banks in Shreveport, Louisiana, and Corsicana, Houston, Waco, and Wichita Falls. The decline in bank debits, although not a wholly accurate measure of the trend of business and trade activity, does reflect the slowing-down that has occurred during the last few weeks. The annual rate of turnover of deposits at these reporting banks also declined in November from the October level but continues above the level of 1947. During November the annual rate of turnover of deposits was 13.1, in contrast with 13.4 a month earlier. The most active turnover of deposits was reported from banks in Dallas,

## MEMBER BANK RESERVES AND RELATED FACTORS

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

(In thousands of dollars)

Item	Dec. 15, 1948	Dec. 17, 1947	Nov. 10, 1948
Total loans and investments	\$2,336,438	\$2,306,886*	\$2,309,285
Total loans—Net†	1,115,528		1,097,610
Total loans—Gross	1,121,849	1,017,930*	1,104,004
Commercial, industrial, and agricultural loans	774,074	716,109	763,689
Loans to brokers and dealers in securities	5,754	6,407	6,299
Other loans for purchasing or carrying securities	57,972	66,083	57,219
Real-estate loans	87,732	76,272	87,348
Loans to banks	86	193	346
All other loans	196,231	152,866	189,103
Total investments	1,214,589	1,288,956	1,205,281
U. S. Treasury bills	64,047	36,827	45,108
U. S. Treasury certificates of indebtedness	244,079	168,117	232,379
U. S. Treasury notes	66,507	128,199	68,910
U. S. Government bonds (incl. gtd. obligations)	719,187	843,629	738,088
Other securities	120,769	112,184	120,796
Reserves with Federal Reserve Bank	571,668	487,847	573,615
Balances with domestic banks	329,501	296,828	281,427
Demand deposits—adjusted*	2,015,334	1,894,221	1,934,520
Time deposits	410,815	378,991	417,427
United States Government deposits	26,426	15,610	32,255
Interbank deposits	650,038	672,334	644,447
Borrowings from Federal Reserve Bank	None	9,500	2,000

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

†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.

‡After deductions for reserves and unallocated charge-offs.

Gross demand deposits of member banks in the Eleventh District continued the upward trend which has been evident for many months and during November averaged approximately \$5,407,000,000. This increase in deposits was slightly larger

Eleventh Federal Reserve District (In millions of dollars)							
Item	Changes in weeks ended					Cumulative changes	
	Dec. 15, 1948	Dec. 8, 1948	Dec. 1, 1948	Nov. 24, 1948	Nov. 17, 1948	5 weeks ended Dec. 15, 1948	Jan. 1 to Dec. 15, 1948
Federal Reserve credit—							
local	4.5	3.5	- 5.2	-17.7	13.8	- 1.1	0.5
interdistrict commercial & financial transactions	-11.0	4.0	-25.3	- 9.2	- 7.3	-48.8	-90.7
Treasury operations	- 1.7	22.0	11.3	6.4	4.3	42.3	192.3
Currency transactions	3.5	1.1	- 4.5	2.4	2.6	5.1	- 7.4
Other deposits at the Federal Reserve Bank	0.6	- 0.4	- 0.2	- 0.2	0.6	0.4	0.7
Other Federal Reserve accounts	- 0.1	- 0.5	0.4	- 0.2	0.1	- 0.3	9.1
Member bank reserve balances	- 4.2	29.7	-23.5	-18.5	14.1	- 2.4	104.5

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

which showed a rate of 17.4, while banks in El Paso, Fort Worth, Houston, and Lubbock reported a turnover of 14 or more times per year.

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

(Amounts in thousands of dollars)

City	Debits			End-of-month* Nov. 30, 1948	Annual rate of turnover		
	Nov. 1948	Nov. 1947	Pct. change over 1948		Nov. 1948	Nov. 1947	Oct. 1948
Arizona: Tucson.....	\$ 59,326	12	- 2	\$ 86,807	8.3	7.7	8.6
Louisiana:							
Monroe.....	38,432	7	- 3	41,673	11.0	10.4	11.4
Shreveport.....	143,731	18	-13	164,794	10.3	9.7	12.0
New Mexico: Roswell.....	16,923	16	1	20,308	10.2	9.1	10.9
Texas:							
Abilene.....	36,497	10	†	42,688	10.3	10.0	10.3
Amarillo.....	93,435	8	- 3	85,441	13.2	12.1	13.8
Austin.....	106,779	11	- 2	101,029	12.6	11.3	12.1
Beaumont.....	103,357	22	†	102,263	12.1	10.7	12.6
Corpus Christi.....	75,768	5	1	81,417	11.3	11.8	11.3
Corsicana.....	11,138	9	-15	20,682	6.5	6.0	7.8
Dallas.....	1,078,512	17	2	758,049	17.4	15.8	17.5
El Paso.....	138,646	20	3	114,195	14.6	12.6	14.4
Fort Worth.....	341,248	12	4	296,362	14.0	13.1	13.8
Galveston.....	87,024	10	- 2	98,939	8.3	8.0	8.5
Houston.....	1,081,976	20	- 5	924,563	14.3	13.3	15.1
Laredo.....	15,721	3	- 1	22,299	8.5	8.9	8.6
Lubbock.....	79,555	9	- 7	67,544	14.0	16.6	13.7
Port Arthur.....	33,939	12	- 3	40,023	10.4	9.5	11.0
San Angelo.....	30,935	6	- 1	40,343	9.2	8.9	9.6
San Antonio.....	235,244	6	- 2	322,781	8.8	8.4	9.1
Texarkana†.....	16,149	3	- 2	22,788	8.5	8.4	8.6
Tyler.....	41,034	14	- 1	54,277	9.1	8.9	9.1
Waco.....	33,075	4	- 5	67,398	9.5	9.1	10.3
Wichita Falls.....	56,656	17	- 5	82,560	8.3	7.7	8.8
Total—24 cities.....	\$3,955,100	15	- 1	\$3,659,921	13.1	12.2	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 \$26,825.

†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 December 15 included a decline of more than \$4,000,000 in holdings of United States Government securities and a reduction in total earning assets of about \$7,400,000. A counterseasonal movement of currency in circulation is reflected in a decline in Federal Reserve notes of the Dallas Bank in actual circulation from \$630,294,000 on November 15 to \$628,738,000 on December 15. This counterseasonal movement reflected in figures for the Eleventh District is also characteristic for the Nation as a whole.

**CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS**

(In thousands of dollars)

Item	Dec. 15, 1948	Dec. 15, 1947	Nov. 15, 1948
Total gold certificate reserves.....	\$640,148	\$515,079	\$641,528
Discounts for member banks.....	None	11,000	2,280
Foreign loans on gold.....	6,667	1,313	7,867
U. S. Government securities.....	1,042,036	975,344	1,046,051
Total earning assets.....	1,048,703	987,657	1,056,188
Member bank reserve deposits.....	967,657	830,801	978,391
Federal Reserve notes in actual circulation.....	628,738	627,735	630,294

Treasury fiscal operations during the four weeks ended December 9 included weekly retirements of \$100,000,000 of Treasury bills. During the same period the average rate of discount on offerings of Treasury bills firmed moderately, rising from 1.141 percent per annum to 1.152 percent for the issue dated December 9. A further slight rise to 1.153 percent was reported for the issue of bills dated December 16, an issue which was rolled over in total.

**INDUSTRY**

The value of construction contracts awarded in the Eleventh Federal Reserve District during November totaled \$53,000,000, or 10 percent less than in October and 26 percent less than in November 1947. Awards for residential building, which had

been lagging in recent months, increased sharply in November but were still 21 percent under the total for the same month of 1947. This rise in residential awards from October to November, however, was more than offset by the 25 percent decline in awards for nonresidential construction. During the first eleven months of 1948, the total value of construction contracts awarded was 10 percent larger than in the corresponding period of 1947; but residential awards were up only 2 percent, compared with 14 percent for other construction.

**VALUE OF CONSTRUCTION CONTRACTS AWARDED**

(In thousands of dollars)

	November 1948 <sup>Ⓐ</sup>	November 1947	October 1948	Jan. 1 to Nov. 30 1948 <sup>Ⓐ</sup>	Nov. 1947
Eleventh District—total.....	\$ 59,920	\$ 71,235	\$ 59,123	\$ 698,384	\$ 637,160
Residential.....	21,497	27,251	17,148	234,160	229,116
All other.....	31,423	43,984	41,975	464,224	408,044
United States*—total.....	611,216	715,108	778,606	8,735,595	7,134,505
Residential.....	264,033	290,220	296,760	3,351,269	2,926,977
All other.....	347,183	424,888	481,846	5,384,326	4,207,528

\*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

<sup>Ⓐ</sup>Preliminary.

**BUILDING PERMITS**

City	November 1948		Percentage change valuation from		Jan. 1 to Nov. 30, 1948		Percentage change valuation from 1947
	No.	Valuation	Nov. 1947	Oct. 1948	No.	Valuation	
Louisiana:							
Shreveport.....	231	\$ 646,091	-67	- 9	3,462	\$ 26,170,918	123
Texas:							
Abilene.....	75	286,785	- 2	-42	1,052	4,834,741	20
Amarillo.....	182	512,571	-50	-44	2,193	10,024,510	23
Austin.....	190	824,250	-53	-37	3,433	20,899,219	14
Beaumont.....	331	894,986	179	40	4,029	9,053,083	58
Corpus Christi.....	234	1,232,308	73	17	3,280	15,261,063	8
Dallas.....	1,292	8,120,035	96	59	15,130	84,516,786	61
El Paso.....	143	425,391	-64	-82	1,562	10,789,168	44
Fort Worth.....	581	2,704,058	-15	20	6,256	26,929,894	5
Galveston.....	135	130,980	-50	-29	1,744	3,490,870	44
Houston.....	538	7,963,925	34	5	8,073	92,273,372	42
Lubbock.....	181	1,618,338	182	237	2,549	13,596,607	37
Port Arthur.....	137	330,912	41	60	1,579	3,083,245	41
San Antonio.....	1,758	2,654,880	-36	14	14,314	32,809,212	23
Waco.....	99	515,950	-13	-28	1,620	10,853,111	30
Wichita Falls.....	97	220,005	88	20	877	3,614,126	53
Total.....	6,204	\$28,793,965	10	9	71,153	\$368,508,990	39

The dollar value of new construction put in place in the United States in 1949 is estimated by the Department of Commerce and the Department of Labor at \$18,750,000,000, or 5 percent above the 1948 record. However, the physical volume of construction is likely to be no more in 1949 than in 1948, since most or all of the increase in dollar value is expected to

**PROBABLE VOLUME OF NEW CONSTRUCTION EXPENDITURES IN 1948 AND 1949**

(Amounts in millions of dollars)

Type of construction	1949	1948	Percent change
Total new construction.....	\$18,750	\$17,775	5.5
Private construction.....	13,750	13,735	.1
Residential building (nonfarm).....	6,500	7,100	- 8.5
Nonresidential building (nonfarm).....	4,050	3,600	12.5
Industrial.....	1,300	1,380	- 5.8
Commercial.....	1,450	1,260	15.1
Warehouses, office and loft buildings.....	450	350	28.6
Stores, restaurants, and garages.....	1,000	910	9.9
Other nonresidential.....	1,300	960	35.4
Religious.....	325	230	41.3
Educational.....	325	245	32.7
Social and recreational.....	275	215	27.9
Hospital and institutional.....	175	115	52.2
Hotels and miscellaneous.....	200	155	29.0
Farm construction.....	450	500	-10.0
Public utilities.....	2,750	2,535	8.5
Railroad.....	350	350	0
Telephone and telegraph.....	725	675	7.4
Other.....	1,675	1,510	10.9
Public construction.....	5,000	4,040	23.8
Residential building.....	150	65	130.8
Nonresidential building.....	1,375	970	41.8
Educational.....	700	525	33.3
Hospital and institutional.....	375	200	87.5
Other nonresidential.....	300	225	33.3
Military and naval facilities.....	175	150	16.7
Highways, streets, and roads.....	1,700	1,550	9.7
Sewage disposal and water supply.....	550	450	22.2
Miscellaneous public service enterprises.....	125	105	19.0
Conservation and development.....	750	600	25.0
All other public construction.....	175	150	16.7

SOURCES: United States Department of Commerce. United States Department of Labor.

result from higher average construction costs. The Departments have indicated that increases for 1949 over 1948 are expected for the various types of public construction and for private non-residential building other than industrial. Industrial and residential building is expected to decrease moderately, with the number of new dwelling units started declining to about 875,000 from the estimated near-record total of about 925,000 during 1948. Maintenance of a high volume of home building in 1949 is generally believed to depend to a considerable extent upon the ability of builders to adjust their operations to include a larger proportion of lower priced homes than in 1948.

Production of crude petroleum during November reached new peaks in both the District and the Nation. The daily average production in the District, amounting to 2,771,000 barrels, was 19,000 barrels higher than in October and 205,000 barrels larger than in November 1947. Daily average production in the Nation was 5,631,000 barrels, or 57,000 barrels more than in the previous month and 373,000 barrels more than in the same month a year earlier. Production during the first eleven months of 1948 exceeded that for the corresponding period of 1947 by 10 percent in the District and 9 percent in the Nation.

## CRUDE OIL PRODUCTION—(Barrels)

Area	November 1948		Increase or decrease in daily average production from	
	Total production	Daily avg. production	November 1947	October 1948
Texas:				
District 1.....	820,950	27,665	3,108	-814
2.....	5,339,250	177,975	15,768	-1,680
3.....	15,126,900	504,230	17,183	149
4.....	7,643,100	254,770	689	627
5.....	1,553,850	51,795	10,237	624
6.....	8,910,450	297,015	-7,137	-4,879
Other 6.....	3,747,000	124,900	7,353	3,094
7b.....	1,746,000	58,200	16,750	698
7c.....	1,466,850	48,895	7,237	1,130
8.....	22,398,000	746,600	102,940	17,997
9.....	4,278,600	142,620	8,885	275
10.....	2,661,600	88,720	547	281
Total Texas.....	75,701,550	2,523,385	183,590	17,502
New Mexico.....	4,027,050	134,235	14,517	1,179
North Louisiana.....	3,413,700	113,790	7,303	553
Total Eleventh District.....	83,142,300	2,771,410	205,380	19,234
Outside Eleventh District.....	85,777,350	2,859,245	167,557	37,853
United States.....	168,919,650	5,630,655	372,937	57,087

SOURCE: Estimated from American Petroleum Institute weekly reports.

Daily average crude oil runs to refinery stills during November were close to record levels in both the District and the Nation. At the same time, stocks of crude oil have continued to rise, reaching a level 5 percent above a year earlier. Stocks of refined products other than gasoline also have increased substantially and are beginning to tax the available storage facilities of some producing companies.

In view of the improved inventory position with respect to crude petroleum and refined products, the Railroad Commission of Texas has cut January average daily allowable petroleum production to 2,466,034 barrels, or approximately 10 percent below that of December and 2 percent under the December rate of actual production. Moreover, the accumulation of large stocks of petroleum products is taxing the storage facilities of some refineries, leading to a curtailment of operations and to a softening of prices of some products. Some companies which earlier in the fall increased the posted prices of crude oil have rescinded that action.

The petroleum requirements of the Nation in 1949 have recently been estimated by the Interstate Oil Compact Commission at 6,517,000 barrels daily, or 6 percent more than in 1948. This estimate indicates some slackening in the rate of increase of demand and suggests that production need not increase so rapidly as heretofore. Sufficient working stocks are expected to be available to meet fluctuations in requirements while allowing production at an approximately uniform rate.

## ESTIMATED DAILY AVERAGE PETROLEUM SUPPLY AND REQUIREMENTS, 1949

End use	(Amounts in barrels per day)	
	1949 requirements	Percent change from 1948
Gasoline.....	2,648,000	7
Kerosene.....	354,000	11
Distillate.....	1,108,000	12
Residual.....	1,409,000	0
Other.....	998,000	4
Total.....	6,517,000	6
Sources of supply	1949 new supply	
Crude production.....	5,550,000	
Natural gas liquids.....	420,000	
Imports.....	545,000	
Total.....	6,515,000	

SOURCE: Interstate Oil Compact Commission.

The 1948 cottonseed production in the United States, based on a 14,937,000 bale cotton crop and past ratios of lint to seed, probably will approximate 6,036,000 tons, compared with 4,681,000 tons in 1947 and a 10-year average of 4,947,000 tons. Since over a 10-year period an average of 82 percent of all seed produced is received at mills for crushing, receipts during the August 1948-July 1949 season should approximate 5,000,000 tons. Receipts during the first four months of the season totaled 4,172,000 tons or 83 percent of the estimated season total, compared with receipts of 76 percent of the total during the corresponding period of the previous season. The high receipts thus far this season reflect the rapid harvesting of cotton and the comparatively prompt movement of seed to mills.

In Texas, the 1948 cotton crop is estimated at 7 percent less than the 1947 crop, but ginnings are advanced and receipts of cottonseed at mills during the first four months of the season were 8 percent more than during the corresponding months of the previous season.

Production of cottonseed products this season has been 24 to 29 percent above that for the previous season, while shipments have been up 28 to 34 percent, with the result that the seasonal increase of stocks of products at mills has been less than during the previous season. November 30 stocks of all products except oil exceeded those of a year earlier only because of larger stocks at the beginning of the present season.

## COTTONSEED AND COTTONSEED PRODUCTS

	November 1948			
	Texas		United States	
	Aug. 1 to Nov. 30 This season	Last season	Aug. 1 to Nov. 30 This season	Last season
Cottonseed received at mills (tons).....	964,835	895,214	4,171,898	3,098,207
Cottonseed crushed (tons).....	554,174	469,370	2,124,956	1,688,575
Cottonseed on hand Nov. 30 (tons).....	474,855	480,272	2,128,379	1,509,160
Production of products:				
Crude oil (thousand pounds).....	166,435	141,756	666,487	514,707
Cake and meal (tons).....	264,837	221,493	963,339	779,621
Hulls (tons).....	123,364	104,820	484,584	382,379
Linters (running bales).....	182,288	157,096	663,667	526,988
Stocks on hand November 30:				
Crude oil (thousand pounds).....	17,477	15,928	49,199	58,221
Cake and meal (tons).....	26,332	12,594	78,427	70,183
Hulls (tons).....	24,054	22,997	74,606	70,040
Linters (running bales).....	65,222	43,271	179,331	169,757

SOURCE: United States Bureau of Census.

With increasing world production of fats and oils and with United States production of edible vegetable oils expected to reach a new record of about 3.6 billion pounds during the 1948-49 season, prices of cottonseed and cottonseed oil this season have remained below the levels of the previous season and the autumn rise in the price of cottonseed in Texas has been much less than during 1947 or 1946.

## DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

Consumption at:	November 1948	November 1947	October 1948	August 1 to November 30	
				This season	Last season
Texas mills.....	11,967	11,944	11,942	51,308	49,304
United States mills.....	685,166	759,866	695,887	2,848,924	3,029,912
U. S. stocks—end of month:					
In consuming estab'm'ts.....	1,653,888	1,848,480	1,468,500		
Public stg. & compresses.....	8,434,988	5,363,345	7,325,729		