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BANKING IN THE ELEVENTH DISTRICT DURING ECONOMIC READJUSTMENT

Although exact timing of a change in the course of economic activity always is difficult and uncertain, even when considered retrospectively, it is perhaps roughly accurate to say that the turn from postwar inflation to recession or readjustment began to take definite hold during the latter part of the third quarter or early in the fourth quarter of 1948. It is true that some indexes of business and financial activity continued to advance after that time, but on the whole, the number of signs that the postwar inflation had lost much of its vigorous force—at least for the time—increased steadily as the fourth-quarter months of 1948 passed.

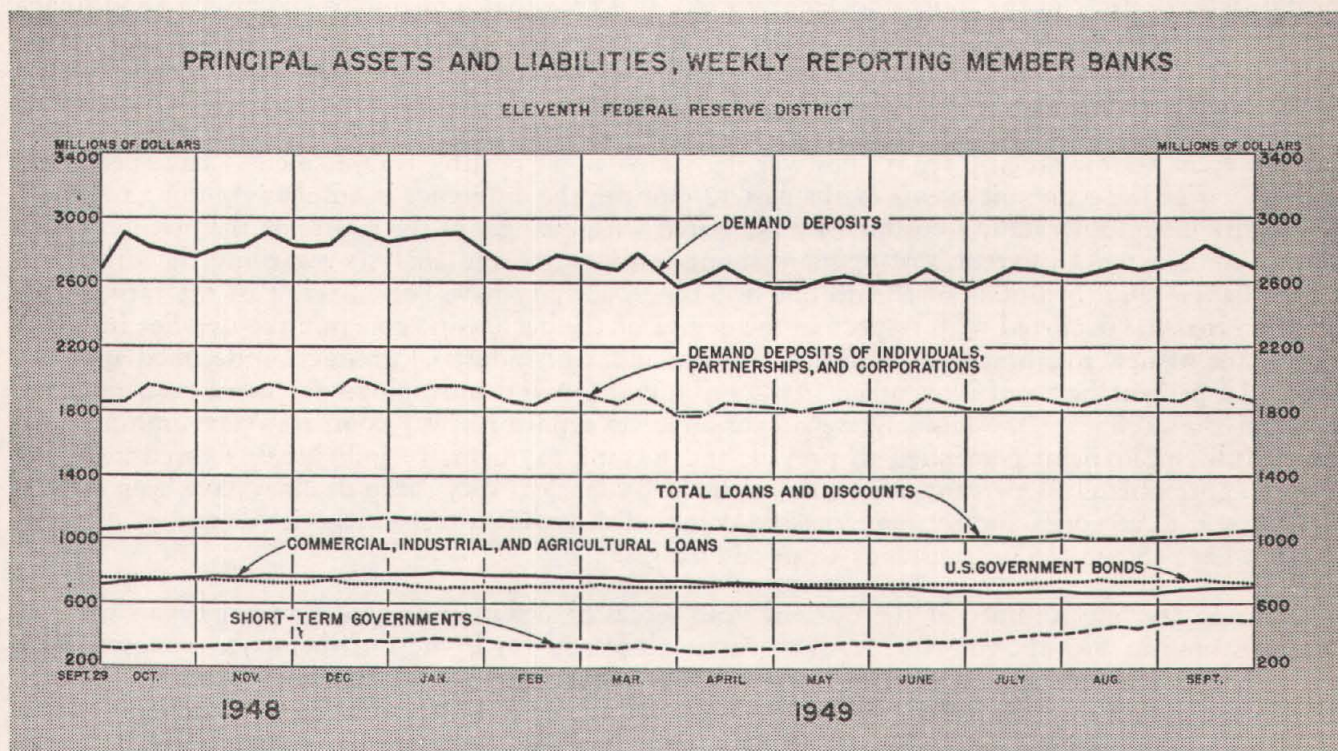
Different terms, ranging from “postwar deflation” to a “healthy readjustment,” have been used to characterize the economic events of the past 12 months, the difference in emphasis tending to reflect the confusion and uncertainty customarily associated with changes in the course of the business cycle. Also, to some extent, differences of opinion among businessmen and analysts regarding the seriousness or—perhaps—“healthfulness” of the decline in business activity have been a result of the rather wide variation that has occurred with respect to the degree of the decline in economic factors. For instance, the volume of new manufactures as reflected by the index of industrial production declined approximately 18 percent between November 1948 and July 1949 and unemployment more than doubled, although the decline in the annual rate of consumer expenditures was comparatively unimportant, almost full employment continued to prevail, and income payments to individuals showed a decline of only approximately 3 percent. Likewise, in the field of prices very sharp declines have been experienced in some categories and by some specific commodities, while other categories or groups of commodities have shown strong resistance to price changes.

During the late summer of the current year forces of deflation or readjustment began to show a loss of strength, with the consequence that the trends of activity in most of the major economic areas first began to level out and then turned upward. The moderate recovery continued through September—in fact, until interrupted by the current siege of strikes and labor-management difficulties that are plaguing the Nation’s vitally important basic industries and are gradually extending their damaging influences in widening circles throughout the economy.

Whether the recent improvement in business conditions marks a real end of the first postwar period of deflation or whether it represents only a reflection of a degree of seasonal activity which normally might be expected at this time of year, supplemented by a certain amount of inventory restocking by businesses which may have been overzealous in their efforts to reduce stocks, probably cannot be forecast with assurance at this time. On one side of the question there seem to be factors which establish reasonably strong grounds for concluding that the readjustment has not yet been fully accomplished, especially with respect to the level and balance of the price structure; on the other side, however, it is virtually certain that during the months ahead the Government will engage in substan-

tial deficit financing and thus create some degree of revival of inflationary stimuli. Numerous other more or less conflicting factors might be mentioned which would demand consideration and appraisal if one were developing a pattern of the probable trend of business and economic activity in the months ahead.

For the purposes of this article, however, it is not necessary to attempt to review the business situation in detail or to undertake to forecast the trend of events. Instead, these few introductory paragraphs will suffice to picture in a broad, general manner the economic setting in which the banking system in this District has operated during the past 12 months. From this vantage point and looking backward rather than forward, certain questions relating to developments in the field of banking will be considered. How have the events of the past 12 months of economic readjustment affected banking in this District? Have the trends of principal banking items followed a course roughly comparable to the general economic pattern of the period, or has the impact of readjustment been more—or less—severe upon the District's banking system? How have certain of the central banking system's policies and actions affected the District's member banks? Is there any notable evidence that the member banks in the District have contributed to the recessionary developments of the period? Is there any impressive evidence that the District's member banks were unduly restrictive in their policies and operations as businesses and individuals were being subjected to the problems of readjustment? Although each banker obviously is fully aware of the policies he has followed, a general consideration of questions such as those indicated above with reference to the system of member banks in the District may be of interest and, also, will tend to summarize the running sequence of happenings in the banking field in the area which have been discussed from month to month in the pages of successive issues of this *Review*.



Two principal sets of banking data are used as a basis of the discussion of banking developments which follows. One set of data, showing the changes in principal asset and liability accounts of the weekly reporting member banks in the District, tends to reflect the collective character of banking policies and practices at the banks in the several larger cities of the District. The second series of figures, showing monthly changes in selected major asset and liability accounts of all member banks—Reserve city banks and country banks, tends to give a broader, although somewhat less detailed, picture of the District's banking developments. Although developments at the member banks of the District or at the weekly reporting member banks in the larger cities of the District do not, of course, represent the complete banking situation in the respective areas—because of the operations

of nonmember banks—the member banks do account for such a substantial proportion of the banking activity in the District and in these larger cities as to provide a satisfactory measure of the trend of such important bank assets and liabilities as total loans and investments, total loans of different major categories, and deposits.

During the 12-month period from September 29, 1948, to September 28, 1949, total loans and investments, i.e., total bank credit, of the weekly reporting member banks of the District increased from \$2,252,000,000 to \$2,412,000,000, although the period as a whole contained three more or less distinct phases. Between September 29, 1948, and January 12, 1949—the first phase of the period—the outstanding credit of these banks increased by approximately \$91,000,000. That increase was followed by a contraction during the late winter and early spring months of the year—the second phase—amounting to approximately \$127,000,000 by April 6. For several weeks then the volume of bank credit remained relatively stable in the neighborhood of \$2,250,000,000 and then, during the third phase of the period, turned up rather sharply to reach the total of \$2,412,000,000, referred to above, on September 28.

Study of the volume of loans and the volume of investments of these selected banks in metropolitan areas tends to show the extent to which the changes in total bank credit were the result of changes in the effective demand for credit accommodation by businesses and individuals of the area and of investment policies of banks seeking to place "surplus" funds into investment—principally into Government securities. Three phases are apparent also during the 12-month period in the trend of total loans of the weekly reporting member banks, although these phases roughly coincide with those that were characteristic of total loans and investments only in the case of the first period of about 3 months. From September 29, 1948, to January 12, 1949, the trend of commercial, industrial, and agricultural loans was generally upward as the selected member banks added approximately \$80,000,000 to the amount of this type of credit outstanding. The increase in this type of bank credit, together with an increase in loans classified as "all other," accounted for the total increase in bank credit during the period, inasmuch as investments in securities remained relatively constant.

It will be recalled that during the last quarter of 1948 the trend of business activity continued upward, but as the forces of deflation gained strength the rate of increase was appreciably slower than had been characteristic of preceding months. Likewise, the increase in commercial, industrial, and agricultural loans between September 29, 1948, and January 12, 1949, which amounted to about 11 percent, was substantially less than the rate of increase that prevailed during the comparable period in the preceding year—an increase of about 26 percent—when a comparatively easy credit policy was in force. For some months prior to the fourth quarter of 1948 banks had been urged to exercise caution in their lending practices, and then in September 1948 the reserve requirements of the District's Reserve city and country banks had been increased. Although factors such as these tended to induce—or possibly in some cases force—a degree of caution in bank credit policies, it is evident nevertheless that the period of economic readjustment was not accompanied in its early stages by a contraction of bank credit to business, industry, and agriculture. In other words, perhaps it is accurate to say that while these banks continued to meet requirements for credit by satisfying the effective demand, they also directed their attention and that of their borrowers toward the goal of assuring that "their houses were in order" to withstand whatever conditions might evolve out of the brewing economic uncertainty.

Around the turn of the year 1949, the upward trend of virtually all of the important business indexes was checked, and the course of business activity turned moderately downward. A number of factors exerted a direct effect upon the demand for credit by businesses and individuals during the period of rather evident readjustment which extended through July. Inventory adjustments at different levels of distribution became much more general and also more severe and represented one of the important causes of the decline which occurred in business loans. Other developments which tended to reduce the effective demand for bank credit included a seasonal decline in commodity financing requirements; a reduction in demand for construction financing, due to the completion of many projects and the hesitancy on the part of builders to initiate new projects under the uncertainty which prevailed as to the economic outlook in general and the future prospects

for real estate in particular; the moderately lower level of prices, which, together with shrinking inventories, tended to reduce the cost of doing business and lessened working capital requirements; a tendency on the part of businesses and banks to strengthen their positions—the former tending to reduce their bank indebtedness as much as possible and the latter to improve loan portfolios by following firmer practices with regard to substandard credits; and some decline in the volume of capital expenditures.

During this second phase of the period, extending from January 12, 1949, to August 3, 1949, commercial, industrial, and agricultural loans declined by approximately \$126,000,000 or almost 16 percent. The full decline, however, cannot be attributed only to the declining business situation because of the seasonal factor which also was involved during the period. The decline in the volume of commercial, industrial, and agricultural loans during the first 7 months in 1949, however, did account for approximately all of the change in total loans.

In April, in view of the predominance of deflationary forces, the Board of Governors of the Federal Reserve System announced a reduction in reserve requirements of Reserve city and country member banks effective early in May. This action, which made an additional supply of funds available to the banks for investment or lending purposes, was promptly followed by an increase in the Government securities portfolios of the banks in larger cities but, as might have been expected, did not result in an immediate increase in loans. The decline that had been taking place in the loan volume was not caused by an unwillingness on the part of banks to extend credit, nor was it due to an inadequacy of loanable funds; instead, it was a reflection of a declining demand for bank credit. Consequently since the funds released were not required for lending purposes at the moment, they were promptly invested in short-term Governments: between May 4 and May 11 holdings of Treasury bills increased by \$24,235,000 and of certificates of indebtedness by \$7,100,000.

The action of the System, however, did have the effect that was intended, namely, to place the banks in a position with regard to loanable funds whereby there would be no question of their ability to extend credit when and if such credit were demanded by credit risks reasonably sound from a banking standpoint. Obviously, banks might be expected to sell Treasury bills, when their earnings on such securities are in the neighborhood of 1 percent, in order to obtain loanable funds for use in extending credit to businesses and individuals at a substantially higher rate of interest if the demand should develop. The reduction in reserve requirements, although inducing banks at the moment of reduction to increase their holdings of Governments rather than to expand loans, nevertheless, at the same time placed those banks in a position whereby subsequent sales of such securities would provide them with loanable funds.

Later during the period—on June 30 and July 1 and then again at weekly intervals from August 1 through September 1—reserve requirements of member banks were reduced. On these occasions, also, the volume of loans was unaffected, but holdings of bills and certificates increased substantially: investment in Treasury bills rose by \$14,500,000 between June 29 and July 6 and by \$61,000,000 between July 27 and September 7, while holdings of certificates of indebtedness during the same periods rose by \$3,200,000 and \$17,600,000. Again, the objective of this series of actions by the System was to assure that banks would be able and willing to meet the credit needs of business if the demand for additional working capital funds should arise, but it was not expected that the mere release of funds would lead to an immediate expansion of loans at the banks' initiative—it is realized, of course, that banking does not operate that way.

Late in June the decline in commercial, industrial, and agricultural loans of the weekly reporting member banks showed clear signs of leveling off, and after a few weeks of minor fluctuation in a more or less sideways direction the volume turned upward to rise from \$670,000,000 on August 3 to \$712,000,000 on September 28, an increase of about \$42,000,000 during the 8-week period. The increase that occurred in this class of loans during the third quarter of the current year exceeded the increase which was reported during the somewhat longer but comparable period last year when, between June 9 and September 29, loans to business, industry, and agriculture expanded by only \$33,000,000. Of course, as has been stated, during the earlier period restrictive credit measures were enforced to combat the threatening inflationary trend, while during the more recent

period comparatively easy credit conditions prevailed. Inasmuch as banks were in a position during each of the periods to expand credit, however, the determining factor in the volume of expansion probably centered in the strength of business demand for funds.

The recent turnabout in the trend of commercial, industrial, and agricultural loans at member banks in the District's larger cities coincided approximately with the turn in certain of the major indexes of business activity. The index of industrial production rose by 7 points during August, unemployment decreased, and reports from over the country reflected a resumption of buying to restock inventories. In the District, nonagricultural employment showed further strength, retail trade as reflected by department store indexes showed moderate improvement, a better situation appeared in such important industries as petroleum and textiles, and in many quarters a more optimistic attitude seemed to have replaced the feeling of uncertainty and mild pessimism of the earlier months of the year.

In the light of this summary of loan activity during the 12-month period at these larger member banks in the District, it would appear that the trend of the loan volume has fluctuated in a manner that has been generally consistent with business requirements under the conditions which prevailed. For several reasons, including the fact that there always is—and must be—some indeterminate volume of requests for credit rejected by banks, it is never possible to determine with statistical precision whether the volume of bank credit actually extended in any given period represents the optimum or "best" amount. A review of the data available, however, seems to present no evidence that these larger banks of the District have exerted either an unduly repressive or an expansive influence upon the business situation since the onset of the business readjustment.

Fluctuation in other major categories of loans at these selected member banks showed no changes which might be related significantly to the variations in the business trend. Real-estate loans reflected virtually no change during the entire period, as even week-to-week changes rarely exceeded \$1,000,000. The amount of this class of loans outstanding on September 29, 1948, was approximately \$88,000,000, as compared with about \$89,000,000 just 1 year later. It will be recalled that throughout the postwar period until the fall of 1948 real-estate loans increased steadily and substantially. During the second and third quarters of 1948, however, some of the edge seemed to be taken off of the real-estate boom as resistance to rising prices increased and then turned to an expectation of price declines, which in fact appeared in varying degrees during succeeding months. These developments may have contributed to the wholesome cautiousness that banks seem to have shown in respect to the extension of credit into this important economic area during the past 12 months, when new loans have only approximated repayments.

Deposits of the larger member banks in the District have shown a very high degree of stability during the past 12 months, with the trend during most of the period being slightly upward. Only during the first quarter of the year was a decrease of any significance noted, and that was offset entirely by the steady growth reported between mid-April and the end of September. In fact, with the exception of such temporary factors as income tax payments and a few others, the steady growth of deposits in the District has been virtually unbroken. Total deposits of these larger member banks in the District were approximately \$67,000,000 higher on September 28, 1949, than a year earlier, while the increase in adjusted demand deposits amounted to about \$16,000,000.

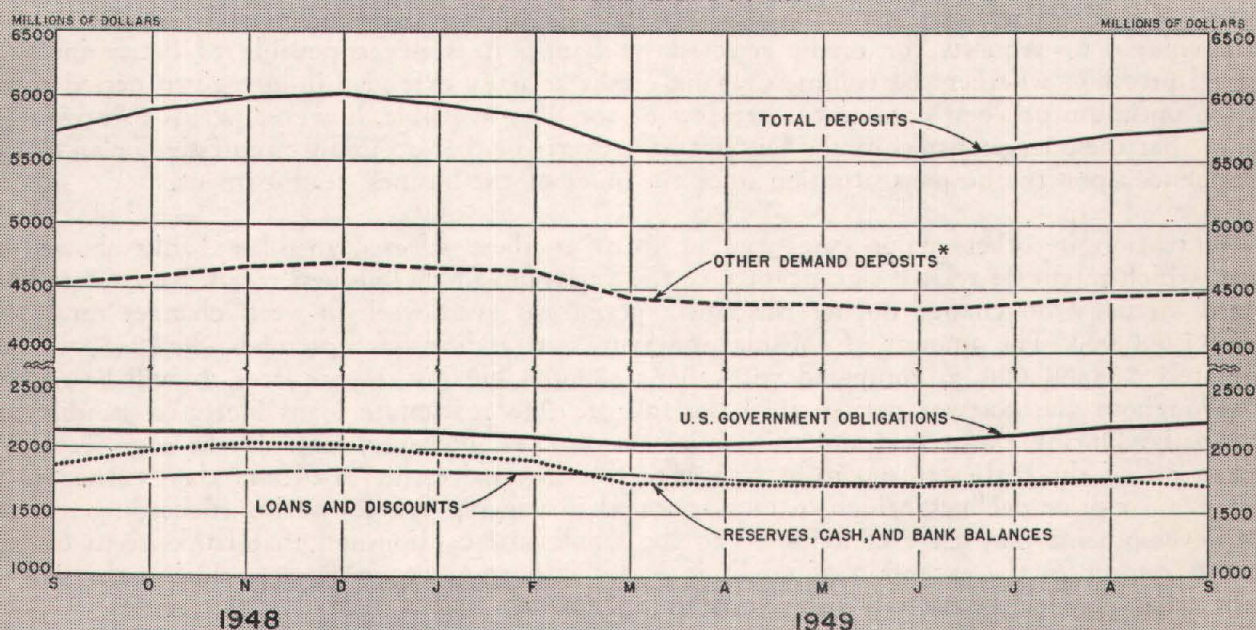
In view of the unusually rapid increase that occurred in the deposit growth of the District's member banks during the war period, there has been some questioning from time to time as to whether those gains would be held. Actually, however, since the end of the war the relatively more favorable position of the banks in this District with respect to deposit growth has continued, and there is no evidence in the figures of the past 12 months that would point toward a change in the situation being likely in the foreseeable future. Of course, this District's ability to hold its deposit gains depends primarily on the ability of its businesses, industries, and agriculture to keep pace, collectively speaking, with the average levels of the country as a whole. Deposit shrinkage resulting from such general factors as a loss of population, increased currency circulation, or significant repayment of government debt out of budgetary surpluses does not seem to be particularly likely at this time. The principal possibility of deposit losses would appear to be a loss to other parts of

the country as a result of this District experiencing an unfavorable balance of trade in relation to other areas and to the rest of the country as a whole.

Even during the past 12 months of economic readjustment, however, business trends in this District have compared favorably with those for the Nation or with those of other parts of the country. Instead of anticipating a loss of deposits, it seems more reasonable at this time, in view of all factors deserving consideration, that the volume of deposits of the banks of the area will continue to expand. Of course, the rate of expansion naturally is expected to be less than that which the area experienced during the war years and part of the postwar period, but nevertheless it should be generally steady and appreciable. Certainly there will be interruptions in the growth trend from time to time, but they do not appear likely to be of such proportions as to cause serious problems—any declines that may occur probably will be more in the nature of seasonal movements or short-run, temporary dislocations than longer term cyclical trends.

PRINCIPAL ASSETS AND LIABILITIES, ALL MEMBER BANKS

ELEVENTH FEDERAL RESERVE DISTRICT



A summarization of the principal asset and liability accounts of the District's Reserve city and country member banks for the 12-month period, presented as Table I, shows in a general manner the changes that have taken place at all member banks in the area and at the two major classes of banks. As was shown by the more detailed figures presented in preceding paragraphs relating to the credit operations of the larger banks in reporting cities, the more general figures reported by all banks in the District also show no evidence that banking policies and practices have aggravated problems of readjustment during the past 12 months. In fact, on the contrary, it appears that the member banks of the District have met the credit requirements of business that might have been expected to prevail and, in so doing, have been able to maintain a very sound liquid position at a high, stable level.

Loans and investments of the District's member banks increased by approximately \$195,000,000 during the 12 months, with about 78 percent of the increase accounted for by the Reserve city banks and 22 percent by the country banks. Most of the increase in bank credit at the Reserve city banks, however, was in the form of an increase in investments in Government securities, while the loan increase at country banks was substantially greater but was accompanied by a decline of more than \$50,000,000 in holdings of Governments. As study of Table I shows, loans of Reserve city banks increased by only \$13,000,000, as contrasted with an increase of \$91,000,000 at country banks, but additional funds amounting to \$134,000,000 were invested in Government securities by the

Reserve city banks—most of these investments being short-term issues—while country banks disposed of Governments in the amount mentioned above.

Although the total deposits of all member banks in the District and of the Reserve city banks showed moderate increases of \$35,000,000 and \$74,000,000, respectively, a slight decrease amounting to less than 1½ percent occurred during the period at the country banks. In view of the tremendous importance of agriculture to the country banks of this District and the fact that—despite the very favorable agricultural situation that has prevailed—agricultural prices have declined and net cash farm income has been reduced perhaps by 5 to 8 percent during the last year, the shrinkage that has occurred in country bank deposits seems surprisingly small. In contrast with the partially offsetting movements that occurred with respect to total deposits at different classes of banks, time deposits continued to expand, rising \$41,000,000 at the Reserve city banks and \$17,000,000 at the country banks.

TABLE I
SUMMARIZED BALANCE SHEET*
MEMBER BANKS—BY CLASSES OF BANKS
ELEVENTH FEDERAL RESERVE DISTRICT

(In millions of dollars)

	All member banks— September 1949		Reserve city banks— September 1948		Country banks— September 1948	
Assets						
Loans and investments.....	\$4,350	\$4,155	\$2,203	\$2,051	\$2,147	\$2,104
Loans and discounts.....	1,823	1,719	1,005	992	818	727
Government obligations.....	2,212	2,130	1,090	956	1,122	1,174
Other securities.....	315	306	108	103	207	203
Reserves, cash and balances.....	1,718	1,857	846	917	872	940
Other assets.....	79	64	49	43	30	21
Total assets.....	6,147	6,076	3,098	3,011	3,049	3,065
Liabilities and capital						
Total deposits.....	5,756	5,721	2,890	2,816	2,866	2,905
Gross demand deposits.....	5,110	5,133	2,470	2,437	2,640	2,696
Time deposits.....	646	588	420	379	226	209
Other liabilities.....	23	20	16	14	7	6
Total capital accounts.....	368	335	192	181	176	154
Total liabilities and capital.....	6,147	6,076	3,098	3,011	3,049	3,065

*Partly estimated.

TABLE II
PRINCIPAL EARNINGS AND EXPENSE ACCOUNTS
MEMBER BANKS—ELEVENTH FEDERAL RESERVE DISTRICT

(In thousands of dollars)

	—6 Months ended June 30, 1949—			—6 Months ended June 30, 1948—		
	Reserve city banks	Country banks	All member banks	Reserve city banks	Country banks	All member banks
Interest and dividends on U.S. Government securities.....	\$ 7,832	\$ 9,477	\$17,309	\$ 7,780	\$ 8,867	\$16,647
Interest and discounts on loans.....	19,305	23,316	42,621	17,248	20,104	37,352
Total earnings from current operations	33,721	40,943	74,664	30,599	36,620	67,219
Total current operating expenses.....	20,434	21,934	42,368	18,421	19,550	37,971
Net earnings from current operations	13,287	19,009	32,296	12,178	17,070	29,248
Recoveries, transfers from reserves, and profits.....	1,614	1,366	2,980	1,086	2,714	3,800
Losses, charge-offs, and transfers to reserves.....	4,377	4,050	8,427	6,409	5,336	11,745
Profits before income taxes.....	10,524	16,325	26,849	6,855	14,448	21,303
Taxes on net income.....	3,732	4,037	7,769	2,987	3,498	6,485
Net profits.....	6,792	12,288	19,080	3,868	10,950	14,818

Perhaps there are several measures that might be used to attempt to judge the effect of a given set of economic circumstances upon a system of banks, but certainly one measure which is readily understood and is generally of interest to bankers is the effect upon bank earnings. Table II summarizes the principal earnings and expense accounts of the Reserve city and country member banks in this District for two comparable periods—the first 6 months of 1948 and the first 6 months of 1949. It is

realized, of course, that the first 6 months of the current year did not span the entire period of readjustment under consideration; but on the other hand, mild though the readjustment has been, the most severe features of the development occurred during the first 6 months of this year. Study of these data shows clearly that the economic readjustment through which the area has been passing has not had a notably unfavorable effect upon the banks of the District. In fact, quite to the contrary, net profits after taxes of all member banks in the District amounted to \$19,080,000 during the first 6 months of 1949, in contrast with \$14,818,000 during the comparable period in 1948. Furthermore, both country banks and Reserve city banks enjoyed significant increases in net profits, with the former reporting net profits after taxes of \$12,288,000 as compared with \$10,950,000 during the preceding period and Reserve city banks \$6,792,000 as compared with \$3,868,000.

Review of Business, Industrial, Agricultural and Financial Conditions

DISTRICT SUMMARY

Sales at department stores in the Eleventh District continued the upturn noted in August with a substantial, greater-than-seasonal increase in September. Sales were 17 percent higher than in August, although 9 percent below the unusually high level of September a year ago. Furniture store sales decreased further by 5 percent from August to September and were 25 percent smaller than in the corresponding month last year.

Reflecting the increase in the demand for crude petroleum, daily average production in the District increased by 130,000 barrels from August to September but was still about 500,000 barrels lower than in September last year. Production allowables in Texas were increased further by 32,000 barrels daily for October and by 138,000 barrels daily for November.

The value of construction contracts awarded in the District during September totaled \$65,000,000, reflecting a decrease of 4 percent from those in August but a gain of 51 percent over those in September of last year. Residential awards in September and the third quarter were unusually large and exceeded greatly those for the corresponding periods of last year.

Production estimates of some major crops have been increased substantially, reflecting largely the favorable weather and moisture conditions during the past 2 months. Record or near-record production and per acre yields are in prospect for several crops, and present indications are that southwestern agriculture will experience one of its most productive years in 1949. Ranges and pastures are providing an abundance of feed, and an expansion in breeding herds is taking place. Good to excellent wheat pasturage is in prospect for the winter. Cattle and sheep are entering the winter in good flesh, and there is an abundance of cured range feed, as well as of roughage and grains.

During the 4-week period ended October 12, the loans of weekly reporting member banks in leading cities of the District increased further by about \$45,000,000, with the gain concentrated in commercial, industrial, and agricultural loans. On the other hand, investments were decreased by approximately \$21,000,000 after having been increased sharply during the preceding 4 weeks. Total deposits of these banks declined by \$16,000,000 as the result of a decline of almost \$36,000,000 in demand deposits, exclusive of Government and interbank deposits which showed an offsetting increase of about \$22,000,000.

BUSINESS

Consumer buying in department stores in the Eleventh Federal Reserve District, continuing the upward trend noted in August, showed a substantial, greater-than-seasonal increase in September. Dollar sales were 17 percent higher than in August but 9 percent lower than in September a year ago, when heavy sales of consumer durable goods—prior to reimposition of Regulation W—raised the total to an exceptionally high level for that month. Reflecting the greater-than-seasonal increase, the adjusted sales index rose from 366 in August to 378 in September but was still below the 386 average of the first 7 months of this year.

Department store stocks showed a moderately greater-than-seasonal increase in September, with stocks at the end of the month up 5 percent from August but 10 percent below the same date a year ago. New orders were up 11 percent in September but were 12 percent smaller than in September a year ago. The year-to-year decline has decreased steadily since the peak decline of 51 percent in June.

The proportion of cash sales in September declined for the second successive month, in line with the usual seasonal pattern. Nevertheless, it should be noted that the cash-to-total sales ratio of 29 percent was the lowest for any month since before the war. Moreover, the ratio of collections to instalment accounts was down from 18 percent in August to 16 percent in September, also the lowest for any month since December 1940. Collections of regular accounts, averaging 50 percent in September, continued to run at about the same rate as in earlier months of the year.

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in			Stocks †	
		Sept. 1949 from Sept. 1948	Net sales August 1949	9 mo. 1949 comp. with 9 mo. 1948	Sept. 1949 from Sept. 1948	from August 1949
Retail trade:						
Department stores:						
Total Eleventh District..	48	-9	17	-6	-10	5
Corpus Christi.....	4	-6	8	-1	4	15
Dallas.....	7	-7	24	-8	-8	2
Fort Worth.....	4	-4	12	-4	-10	8
Houston.....	7	-17	17	-8	-13	4
San Antonio.....	5	-6	5	-7	-11	5
Shreveport, La.....	3	-1	24	-1	.....	.....
Other cities.....	18	-7	20	-5	-11	8
Furniture stores:						
Total Eleventh District..	49	-25	-5	.....	-13	4
Dallas.....	3	-30	-10	.....	-18	11
Houston.....	4	-32	-5	.....	.....	.....
Port Arthur.....	4	-36	-13	.....	-32	4
San Antonio.....	3	-23	6	.....	.....	.....
Shreveport, La.....	5	-25	-#	.....	-2	8
Wichita Falls.....	6	-7	7	.....	-4	2
Wholesale trade:*						
Automotive supplies....	5	16	75	.....	-33	-3
Drugs and sundries.....	3	13	7	5	.....	.....
Dry goods.....	4	-34	-2	-23	-36	-2
Grocery (full-line whole- salers not sponsoring groups).....	27	-4	-4	-5	5	4
Hardware.....	5	-11	18	-16	-13	-5
Tobacco.....	10	-3	-6	3	-1	3
Wiring supplies, constr. materials distributors...	5	-28	-6	.....	9	#

*Preliminary data. Compiled by United States Bureau of Census.

#Indicates change of less than one-half of 1 per cent.

†Stocks at end of month.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales—(1935-39=100)							
	Unadjusted*				Adjusted			
	Sept. 1949	August 1949	July 1949	Sept. 1948	Sept. 1949	August 1949	July 1949	Sept. 1948
Eleventh District.	404	333	310	443r	378	366	387	418r
Dallas.....	385	299	263	416	347	352	365	375
Houston.....	451	371	364	542r	421	422	450	506r

Stocks—(1935-39=100)

	Unadjusted*				Adjusted			
	Sept. 1949	August 1949	July 1949	Sept. 1948	Sept. 1949	August 1949	July 1949	Sept. 1948
Eleventh District.	367p	346	333	411r	359p	342	347	403r

p—Preliminary.

*Unadjusted for seasonal variation.

r—Revised.

Furniture store sales this fall have not shown the upturn which usually occurs at this time of year. In September, furniture store sales registered a moderate contraseasonal decline of 5 percent and fell 25 percent below the high level of the corresponding month of 1948, which preceded the reimposition of Regulation W. While cash sales were practically unchanged from the previous month, credit sales were down 6 percent. Both cash and credit sales were about one-fourth lower than in September a year ago.

The uninterrupted decline in furniture store stocks which began in May was halted at least temporarily in September, with stocks at the end of that month about 4 percent higher than a month earlier. The stock position in relation to year earlier levels, however, continued to show an appreciable decline in September, dropping 13 percent below the same date last year.

Accounts receivable of furniture stores in September showed a small rise for the sixth successive month. Accounts receivable were 2 percent higher than in August and 13 percent higher than in September 1948. Collections, on the other hand, appeared to slow somewhat, showing a 4-percent decrease from August to September and falling about 5 percent below collections in September last year.

AGRICULTURE

Near-record production of wheat, grain sorghums, rice, and hay; a record crop of flaxseed; a cotton crop estimated to be one of the largest produced in the last half century; and unusually productive ranges and pastures are expected to raise total agricultural production in the District in 1949 to record or near-record levels. In fact, 1949 gives promise of being one of the most productive years in the history of southwestern agriculture, largely as a result of abundant rainfall, near-record acreage, and the use of improved seed, increased amounts of fertilizers, and improved cultural practices, including widespread use of machinery.

A Texas cotton crop of 5,500,000 bales, second only to the record 5,628,000-bale crop harvested in 1926, is forecast by the Bureau of Agricultural Economics, based on conditions as of October 1. This estimate is 500,000 bales, or 10 percent, above that made on September 1, 1949, and 1,050,000 bales above the initial estimate of August 1. The indicated yield per acre of 256 pounds of lint compares with 176 pounds last year and the 10-year (1938-47) average of 170 pounds and, if achieved, will be by far the highest per acre yield obtained during the present century. About 45 percent of the increase in the estimate of the crop came as a result of unusually favorable conditions in the High Plains and Low Rolling Plains counties. The favorable weather conditions prevailed into late October, giving further assurance of a bumper crop in these areas. Cotton yields in the Blacklands also have exceeded earlier expectations. Harvest has been completed as far north as central Texas, with rapid progress being made in other sections, although showers have delayed picking and lowered grade of the crop in some localities. Total ginnings prior to October 1 were reported by the Bureau of the Census at 2,088,000 running bales, compared with 1,561,000 bales at the same date last year and 1,263,000 bales in 1947. The October 1 forecast also indicates cotton crops of 480,000 bales in Oklahoma, 70,000 bales above the September 1 estimate; 630,000 bales in Louisiana, an increase of 5,000; 460,000 bales in Arizona, an increase of 10,000; and 286,000 bales in New Mexico, a decline of 24,000 bales.

TEXAS COTTON PRODUCTION BY CROP REPORTING DISTRICTS

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

Crop reporting district	1946	1947	1948	Indicated 1949		1949 as per cent of 1948
				Sept. 1	Oct. 1	
1-N.....	35	105	115	175	190	165
1-S.....	198	946	558	1,400	1,500	269
2.....	270	494	495	790	900	182
3.....	14	15	22	60	50	227
4.....	482	810	773	900	1,025	133
5.....	96	185	226	245	310	137
6.....	99	113	140	190	190	136
7.....	15	32	20	45	55	275
8.....	185	315	280	435	480	171
9.....	46	129	170	175	190	112
10.....	229	287	351	585	610	174
State.....	1,869	3,431	3,150	5,000	5,500	175

SOURCE: United States Department of Agriculture.

The estimate of the United States cotton crop, based on conditions as of October 1, was placed at 15,446,000 bales, an increase of 503,000 bales over the September 1 forecast. While reductions are indicated for all eastern belt states except Georgia, larger production is in prospect for most central and western states. Ginnings prior to October 1 for the United States were reported by the Bureau of Census at 5,309,000 running bales,

compared with 5,305,456 and 3,907,801 as of the same date in 1948 and 1947, respectively.

Texas production of sorghums for grain in 1949 was estimated on October 1 at 78,518,000 bushels by the Department of Agriculture. This is an increase of about 7,000,000 bushels over the September 1 forecast and would make this year's production second only to the 96,724,000 bushels produced in 1944. The estimated yield per acre, 22 bushels, is 5½ bushels above last year's yield, more than 5 bushels above the average, and, if obtained, would be the highest since 1928. Early September rains were timely in assuring an excellent crop in the northwestern areas, and favorable weather conditions well into October have been important factors in this year's near-record production. Harvest of the crop is well past the peak except in the High Plains. Texas 1949 corn production was estimated on October 1 at 52,332,000 bushels, a decline of about 2,500,000 bushels from the estimate a month earlier but still substantially above production in 1948.

Based on conditions as of October 1, Texas rice production was estimated at 23,782,000 bushels, the same as the September 1 estimate. This figure, however, does not allow for any loss as the result of the tropical storm on October 4 and subsequent rains which struck the center of the Texas Rice Belt. Standing rice in the eastern half of the area, where only about 15 to 20 percent had been harvested, was damaged severely. In the western half of the rice area about one-half of the crop had been harvested, and as a result, damage was not so extensive. Rains since the storm have hindered salvage and harvest operations. The extent of the loss of Texas rice growers will not be known until harvest of the damaged rice is completed; however, it now appears that yields per acre may average at least 5 bushels below the October 1 estimate of 46 bushels, which would reduce the total crop by approximately 2,500,000 bushels.

CROP PRODUCTION (In thousands of bushels)

	Texas			States in Eleventh District*		
	Estimated October 1, 1949	1948	Average 1938-47	Estimated October 1, 1949	1948	Average 1938-47
Winter wheat.....	105,006	56,290	53,044	200,358†	159,127‡	125,580‡
Corn.....	52,332	44,698	67,694	101,646	96,178	119,200
Oats.....	31,300	14,240	33,977	52,539	36,560	65,418
Barley.....	2,489	1,891	4,125	10,134‡	10,563‡	12,546‡
Cotton.....	5,500	3,150	2,722	7,356	4,844	4,064
All hay.....	1,467	1,311	1,423	4,857	4,726	4,421
Potatoes, Irish.....	3,686	4,356	4,410	7,364	8,813	9,978
Potatoes, sweet.....	5,500	3,250	5,229	13,350#	10,973#	14,484#
Rice.....	23,782	23,040	16,416	47,782*	46,562*	37,955*

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

†In thousands of bales.

‡Arizona, New Mexico, Oklahoma, and Texas.

#Louisiana, Oklahoma, and Texas.

*Louisiana and Texas.

*In thousands of tons.

SOURCE: United States Department of Agriculture.

The Department of Agriculture's initial forecast of 1949-50 Texas grapefruit production is placed at only 4,800,000 boxes, compared with 11,300,000 boxes in 1948-49, 23,200,000 boxes in 1947-48, and a 1943-47 average of 22,300,000 boxes. This year's very small crop is largely the result of damage to trees by the severe freeze of last January. Production of Texas oranges for the current season is estimated at 1,400,000 boxes, compared with 3,400,000 boxes in 1948-49, 5,200,000 boxes in 1947-48, and the 1943-47 average of 4,600,000 boxes. United States production of grapefruit in 1949-50 is estimated at 32,200,000 boxes, 27 percent less than the 1948 crop and 47 percent below the crop in 1947. The lower estimate of production in the 1949-50 season is largely the result of greatly reduced crop prospects in Texas and extensive damage to the Florida crop by the late August hurricane. Total production of early and midseason oranges for the United States is estimated at

50,600,000 boxes, based on conditions as of October 1. This is 7 percent above last year's crop but 6 percent below the 1947-48 crop.

Seeding of wheat under very favorable conditions has been virtually completed throughout the District. Much of the wheat crop is up to a good stand, and early fields were providing some grazing by mid-October. Surface and subsoil moisture supplies are generally adequate and the most favorable in several years, although showers would be helpful in assuring a good stand in a few communities.

Sweet potato production in Texas, estimated on October 1 at 5,500,000 bushels, is unchanged from the September 1 estimate. Harvest of the crop is nearing completion, with good to excellent yields obtained. The Texas pecan crop is forecast at 36,000,000 pounds, compared with 57,000,000 pounds in 1948 and the average of 26,215,000 pounds. Harvest of this year's crop is well under way. Rains during October in many sections of Texas interrupted peanut harvest and caused some damage to the crop. As of October 1, production was estimated at about 309,000,000 pounds, compared with the estimate of 315,000,000 pounds on September 1.

Fall-crop commercial vegetables continue to make good progress in all areas, and conditions have been favorable for planting of hardy-type crops for early winter harvest. Eggplant, peppers, and squash are being harvested in increasing quantities in all sections, and harvest of the fall-crop lettuce in the Panhandle section is virtually completed. The tomato crop continues to show prospects of good yields in all areas. The generally favorable moisture conditions in the nonirrigated areas have been favorable to earlier than usual planting operations.

Winter range feed supplies throughout the District are generally more plentiful than they have been for several years. As a result, most ranchmen expect to carry their cattle and sheep through the winter without any supplemental feeding except cake. However, if needed, there is an abundant supply of roughage and grain available for winter feeding. Wheat pasture prospects are very favorable, with early fields providing pasturage by mid-October, although most fields were not ready for grazing until late October. The condition of all ranges was reported at 88 percent on October 1. This is the highest reported for this season of the year since 1942 and is 7 points above the 10-year average.

LIVESTOCK RECEIPTS

(Number)

Class	Fort Worth market			San Antonio market		
	Sept. 1949	Sept. 1948	August 1949	Sept. 1949	Sept. 1948	August 1949
Cattle.....	52,846	75,140	61,912	25,329	29,133	29,388
Calves.....	27,002	37,811	20,164	13,934	23,607	13,339
Hogs.....	33,881	33,675	37,781	6,900	9,055	8,147
Sheep.....	58,343	102,898	66,421	51,507	87,148	56,557

TOP LIVESTOCK PRICES

(Dollars per hundredweight)

Class	Fort Worth market			San Antonio market		
	Sept. 1949	Sept. 1948	August 1949	Sept. 1949	Sept. 1948	August 1949
Slaughter steers.....	\$24.50	\$31.00	\$24.50	\$22.00	\$27.50	\$22.50
Stocker steers.....	21.50	28.00	22.25	.....	.....	.....
Slaughter cows.....	18.00	22.50	17.25	17.00	22.00	16.25
Slaughter heifers and yearlings.....	26.00	31.00	25.00	.....	27.50	.....
Slaughter calves.....	24.50	28.00	25.00	24.00	29.00	24.50
Stocker calves.....	24.50	29.00	24.00	23.50	28.00	23.50
Slaughter lambs.....	23.00	25.50	23.50	22.00	24.00	22.00
Hogs.....	22.50	29.50	22.25	21.50	28.00	22.00

Cattle, calves, sheep, and lambs are going into the winter in very good condition. Ranchmen continue to hold back young heifer calves, solid-mouth ewes, and ewe lambs for replacement

purposes. Most of the feeder calf crop has moved to Corn Belt feed lots, and available lambs have moved to feed lots or wheat pastures. Delivery weights are heavier than usual because of the abundant range feed that has been available during the spring, summer, and fall.

As indicated above, many ranchmen are withholding cattle and lambs from the market in order to increase their herds and flocks and thus more effectively utilize the abundant range feed. As the result, marketings of cattle at the Fort Worth and San Antonio markets during the month of September were 14 percent below those of August and 25 percent below those in September 1948. Marketings of calves increased seasonally during September but were 33 percent below the volume marketed in September a year ago. Receipts of sheep were sharply lower, dropping 11 percent below August and 42 percent below September 1948. Marketings of hogs were also below those of August and a year ago. Combined receipts of all classes of livestock at the two markets were 8 percent below August and 32 percent below September 1948.

Prices received by Texas farmers for all agricultural products continue to decline, with the mid-September price index one point below the mid-August figure and 15 percent below that for September 15, 1948. Declines were reported for corn, grain sorghums, rice, sweet potatoes, cotton lint, cottonseed, hogs, veal calves, and sheep, while increases occurred in the prices of wheat, oats, barley, Irish potatoes, lambs, all poultry, eggs, butterfat, and milk. Reports from spot markets indicate substantially lower prices for hogs and slightly lower prices for other classes of livestock and for livestock products between mid-September and mid-October. Cottonseed has continued to decline in spite of the price-support program. Spot cotton prices have remained very near the loan level, although declining slightly since the mid-September report.

Cattle Feeding Situation

Developments in the cattle feeding situation in the United States through September indicate a volume of cattle feeding this season that may be as large as, or slightly larger than, the record number fed last year, according to the October 1 report of the Bureau of Agricultural Economics. Feed grain supplies are abundant as a result of a new corn crop estimated to be the second largest on record and a record carry-over of corn from last year's crop. The movement of feeder cattle into the Corn Belt since July 1 has been the largest since 1939, when records of this movement began. This early movement into the Corn Belt has been greatly accelerated by heavy movement of feeder cattle from Montana and the Dakotas, where dry weather and below average feed conditions forced early sales. Furthermore, there has been a marked tendency in the more favored areas to market feeders earlier. In the west, California probably will feed nearly as many cattle as the record number fed last year. In the Pacific Northwest, cattle feeding will be on a lower level, due chiefly to a reduced feed supply. Colorado will probably feed slightly more cattle than were fed last season. Due to greatly improved feed conditions, Texas is expected to show an increase in the number of cattle fed.

The price of feeder cattle at four large feeder markets for the week ended September 29 was about \$4.60 per hundred pounds lower than for the same date last year. Feeder cattle prices were very steady during the 2½ months ended October 1; however, the seasonal drop in feeder cattle prices from the high point last spring has been greater than a year ago.

FINANCE

Principal changes in the condition of selected member banks in leading cities in the District during the 4-week period ended

October 12 included a continuation of the increase in loans, a decline in holdings of investments, and a decline in deposits.

The increase in total loans at these selected member banks was very largely due to a further expansion in loans for commercial, industrial, and agricultural purposes. Total loans increased from \$1,035,000,000 on September 14 to \$1,080,000,000 on October 12, an increase of approximately \$45,000,000. Almost \$38,000,000 of this increase was due to the further expansion of commercial, industrial, and agricultural loans, which rose from \$693,000,000 to \$731,000,000. All other classifications of loans—with the exception of loans to banks, which were unchanged—showed slight to moderate increases during the month. The classification "all other" loans, including a substantial amount of loans to consumers, increased about \$5,700,000 during the period, bringing the total for such loans to more than \$202,000,000.

Reasons underlying the increase in loans continue to include a reflection of seasonal requirements, together with some tendency on the part of businesses to counteract the effects of the sharp reduction in inventories which occurred earlier in the year by rebuilding stocks to a level more nearly approaching that which seems consistent with consumer demand. In other words, although consumer demand, as such, has not increased markedly, it has continued at a relatively stable, very high level; and since businesses cut back inventories very sharply during the past few months, the squeeze on inadequate stocks has become more apparent, especially during this period that marks the initiation of the holiday seasonal demand. Another factor contributing importantly to the increase in this category of loans is the movement of the unusually large agricultural production in this District. Crop-moving loans and loans involving the guarantee of the Commodity Credit Corporation have added to the loan volume of the period.

The decline in holdings of investments by selected member banks in the District was entirely due to a reduction in holdings of Government securities. Investments in United States Government bonds declined by almost \$21,000,000 during the 4 weeks ended October 12, with at least part of the decline due to the redemption of the 2-percent bonds which were called on September 15 and which, for the most part, were converted into an issue of 1½-percent 12-month certificates of indebtedness. Partly reflecting this conversion is the increase in reported holdings of certificates of indebtedness by almost \$9,000,000. During the period these banks also reduced their holdings of United States Treasury bills by about \$9,700,000 and their holdings of United States Treasury notes by about \$1,700,000. As a result of these changes, total holdings of United States Government securities on October 12 amounted to \$1,229,000,000, as compared with \$1,252,000,000 on September 14. Despite the decline that occurred during this latest month, holdings of Government securities on the latest reporting date were \$158,000,000 in excess of holdings on the comparable date a year ago. A minor offsetting increase of about \$2,000,000 in holdings of other stocks and bonds occurred to bring the total decline in security investments to almost \$21,500,000.

During the first 2 weeks of the period the decline in demand deposits of individuals, partnerships, and corporations was especially heavy, amounting to about \$89,000,000 and reflecting largely the payment of third-quarter income taxes by individuals and businesses. During the following 2 weeks, however, these demand deposits increased by about \$61,000,000, as the return flow of funds began to make itself felt. It seems very likely, in view of developing business trends, together with the seasonal strength which may be expected at this time of year, that demand deposits will continue to increase during the remaining months of the fourth quarter. Partly offsetting the

decrease in demand deposits of individuals, partnerships, and corporations which occurred during the 4-week period ended October 12 were an increase of almost \$8,000,000 in United States Government deposits and an increase in interbank demand deposits of approximately \$15,000,000.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN
LEADING CITIES—Eleventh Federal Reserve District
(In thousands of dollars)

Item	October 12, 1949	October 13, 1948	Sept. 14, 1949
Total loans and investments	\$2,434,535	\$2,260,804	\$2,410,532
Total loans—Net	1,070,215	1,063,896	1,024,791
Total loans—Gross	1,080,147	1,070,070	1,034,689
Commercial, industrial, and agricultural loans	731,144	742,256 ^r	693,465
Loans to brokers and dealers in securities	6,962	6,890	6,879
Other loans for purchasing or carrying securities	50,546	58,093	48,941
Real-estate loans	89,001	88,654	88,597
Loans to banks	409	456	409
All other loans	202,085	173,721 ^r	199,398
Total investments	1,354,388	1,190,734	1,375,843
U. S. Treasury bills	116,009	28,722	125,728
U. S. Treasury certificates of indebtedness	339,043	210,106	330,091
U. S. Treasury notes	44,101	79,551	45,788
U. S. Government bonds (inc. gtd. obligations)	729,742	752,440	750,740
Other securities	125,493	119,115	123,496
Reserves with Federal Reserve Bank	469,377	545,233	451,203
Balances with domestic banks	298,607	296,792	336,507
Demand deposits—adjusted*	1,942,356	1,914,202	1,993,893
Time deposits except Government	449,705	408,242 ^r	452,479
United States Government deposits	51,026	46,347 ^r	43,202
Interbank demand deposits	614,267	509,264	599,426
Borrowings from Federal Reserve Bank	0	0	0

*Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.
†After deductions for reserves and unallocated charge-offs.

r—Revised.

The deposit pattern for all member banks in the District during the month of September was somewhat different from that outlined above for the selected member banks in leading cities of the District during the period extending from mid-September to mid-October. All member banks in the District reported an increase in gross demand deposits (on a basis of averages of daily figures) from \$5,020,000,000 in August to \$5,147,000,000 in September. This increase of approximately \$127,000,000 was shared about equally between the Reserve city banks and the country banks of the District, as the former reported an increase of \$60,000,000 while the latter reported a \$66,000,000 gain. Total time deposits of all member banks in the District also continued the upward trend that has been characteristic of preceding months and rose by about \$13,000,000 to total \$648,000,000. In contrast with the relatively even distribution of the increase in demand deposits, the expansion of time deposits occurred primarily at the Reserve city banks, as this class of banks accounted for almost \$11,000,000 of the \$13,000,000 increase.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS
Eleventh Federal Reserve District

Date	(Averages of daily figures. In thousands of dollars)					
	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
September 1947	\$4,925,009	\$540,511	\$2,360,755	\$337,863	\$2,564,254	\$202,648
September 1948	5,203,768	589,519	2,508,252	378,943	2,695,516	210,576
May 1949	4,942,647	631,531	2,385,633	411,889	2,557,014	219,642
June 1949	4,948,074	635,740	2,379,108	413,072	2,568,966	222,668
July 1949	4,977,743	629,655	2,417,780	402,930	2,559,963	226,725
August 1949	5,020,379	635,371	2,443,350	410,782	2,577,029	224,589
September 1949	5,146,942	648,045	2,503,549	421,452	2,643,393	226,593

Indicative of the more rapid pace of business activity during recent weeks, bank debits reported by banks in 24 cities in the District showed an increase of 4 percent during September. Only two of the reporting cities showed minor decreases, while several of the cities reported substantial increases, running up to as much as 20 percent in Waco, 26 percent in Austin, 27 percent in Roswell, New Mexico, and 46 percent in Corsicana. The increase in bank debits was accompanied by a more rapid turnover of deposits at banks in these reporting cities, with the turnover rate on an annual basis for September being reported as 12.6, as compared with 12.2 in August. Both with respect to bank debits and the turnover of deposits, however, recent figures are slightly under those of a year ago, for bank debits in Sep-

tember were 1 percent below those of a year ago, with most of the reporting cities showing declines, while the annual rate of turnover during September last year was about 13.9.

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

(Amounts in thousands of dollars)

City	Debits*			End-of-month deposits*	Annual rate of turnover		
	Sept. 1949	Sept. 1948	Aug. 1949	Sept. 30, 1949	Sept. 1949	Sept. 1948	Aug. 1949
Arizona: Tucson.....	\$ 50,857	-12	11	\$ 76,419	7.8	8.2	6.8
Louisiana:							
Monroe.....	39,007	-3	17	42,964	10.9	11.6	9.5
Shreveport.....	137,180	-8	15	196,361	10.0	10.9	8.8
New Mexico: Roswell.....	14,902	13	27	17,357	10.1	8.8	7.9
Texas:							
Abilene.....	31,282	-13	4	37,269	10.2	10.3	9.7
Amarillo.....	90,855	-1	#	86,448	12.5	13.1	12.5
Austin.....	141,721	18	26	104,336	16.2	13.8	13.1
Beaumont.....	90,999	-10	1	89,522	12.1	12.5	11.9
Corpus Christi.....	84,789	6	-5	78,826	12.8	12.0	13.6
Corsicana.....	14,765	15	46	20,057	9.0	7.9	6.4
Dallas.....	1,056,400	3	2	778,260	16.3	16.8	16.3
El Paso.....	114,494	-#	3	116,515	11.9	12.4	11.5
Fort Worth.....	310,388	-5	-1	300,320	12.4	13.9	12.7
Galveston.....	67,235	-#	3	94,672	8.5	8.4	8.3
Houston.....	1,028,040	-5	4	913,882	13.4	14.4	13.1
Laredo.....	15,104	-1	2	20,851	8.6	8.0	8.4
Lubbock.....	54,933	-8	6	62,031	10.6	11.3	10.0
Port Arthur.....	34,174	-#	4	38,198	10.6	10.6	10.1
San Angelo.....	29,917	-5	10	35,396	9.4	9.8	8.6
San Antonio.....	248,319	4	2	314,916	9.5	9.0	9.4
Texarkana**.....	14,290	-10	14	22,505	7.7	8.3	6.7
Tyler.....	41,041	-3	6	50,061	9.8	9.4	9.2
Waco.....	57,037	-5	20	69,932	10.1	10.2	8.8
Wichita Falls.....	52,958	-7	3	81,249	7.8	8.3	7.7
Total—24 cities.....	\$3,820,687	-1	4	\$3,621,317	12.6	13.9	12.2

#Indicates change of less than one-half of 1 percent.

*Debits to deposit accounts except interbank accounts.

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

**This figure includes only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including two banks located in the Eighth District, amounted to \$24,862.

SAVINGS DEPOSITS

City	Number of reporting banks	September 30, 1949		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Sept. 30, 1948	Aug. 31, 1949
Louisiana:					
Shreveport.....	3	41,591	\$ 25,215,101	1.5	-0.2
Texas:					
Beaumont.....	3	12,136	6,123,562	-0.8	-1.2
Dallas.....	8	142,129	77,648,779	-0.1	-0.2
El Paso.....	2	31,594	22,199,762	0.8	0.1
Fort Worth.....	4	43,948	35,528,529	4.6	-0.2
Galveston.....	4	22,379	21,278,838	-2.7	-0.2
Houston.....	8	97,259	74,078,867	1.7	-0.3
Lubbock.....	2	1,776	3,216,174	-11.9	0.9
Port Arthur.....	2	5,918	4,557,724	-5.2	0.8
San Antonio.....	5	40,408	43,793,646	-3.1	-0.7
Waco.....	3	9,720	10,123,010	3.0	0.2
Wichita Falls.....	3	7,608	4,593,154	-0.01	0.3
All other.....	55	64,563	54,636,075	1.7	-0.1
Total.....	102	521,029	\$383,042,721	0.5	-0.2

Principal changes in the condition of the Federal Reserve Bank of Dallas during the month ended October 15 included an increase of about \$30,000,000 in holdings of gold certificates; an increase of about \$24,000,000 in total earning assets, all of which was accounted for by an expansion in the Government securities portfolio; and an increase of about \$11,000,000 in the circulation of Federal Reserve notes of this bank.

Sales and redemptions of savings bonds in this District during September continued to show the improvement that has been apparent throughout most of this year when figures are compared with those of the comparable months in 1948. During September, redemptions were 113 percent of sales, whereas during the same month in 1948 they amounted to 131 percent of sales. Looking back upon the trend for the first 9 months of this year, figures show that sales of savings bonds in the District amounted to approximately \$165,000,000, or about \$1,000,000 in excess of redemptions.

On September 21 the Secretary of the Treasury announced an offering of 1-year 1½-percent certificates of indebtedness in exchange for the 1¼-percent certificates which matured

October 1 in the amount of \$6,535,000,000. Preliminary reports indicate that the allotment of the new issue amounted to \$6,247,000,000, leaving a balance of approximately \$288,000,000 of the maturing certificates to be redeemed by cash. No announcement had been received from the Treasury up to October 20 regarding the maturity or the rate on the Treasury notes which the Secretary has indicated will be offered in connection with the refunding of three issues of Treasury bonds which have been called for redemption on December 15 and which amount to about \$4,375,000,000.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	October 15, 1949	October 15, 1948	September 15, 1949
Total gold certificate reserves.....	\$674,629	\$ 623,033	\$644,691
Discounts for member banks.....	327	2,418	645
Foreign loans on gold.....	3,220	8,373	3,056
U. S. Government securities.....	767,306	1,058,756	742,934
Total earning assets.....	770,853	1,069,547	746,635
Member bank reserve deposits.....	757,985	962,218	766,222
Federal Reserve notes in actual circulation.....	623,395	625,206	612,943

INDUSTRY

Activity in several important industries of the Eleventh Federal Reserve District has moved closely in line with recent national changes in industrial production. Both nationally and in the District, July marked a low point for petroleum production and for textile mill activity, but substantial increases occurred in August and September. Construction activity likewise has been high in recent months, with a particularly large increase in residential construction contract awards in the District in September.

In addition to the gain in petroleum production, refining activity continued to increase moderately during September. There was a corresponding increase in the demand for petroleum and its products, with the result that an over-all balance between supply and demand continued throughout the month. The expansion in crude oil production in the Nation during the past 2 months resulted chiefly from increased allowables in this District. In view of the heavier current and prospective demand for petroleum, production allowables were increased for both October and November. A further increase may be made for December. The approach of the winter season has stimulated the demand for fuel oils, and the heavier buying has been accompanied by moderate price increases. Prices of other products and of crude oil have remained steady to firm.

The production of crude petroleum in the Eleventh District during September was 130,000 barrels more than in August, an increase of 6 percent; however, this amount was 499,000 barrels less than production in September a year ago. Crude runs to refinery stills increased 3 percent in September of this year

CRUDE OIL PRODUCTION

(Barrels)

Area	September 1949		Increase or decrease in daily average production from	
	Total production	Daily average production	Sept. 1948	August 1949
Texas:				
District 1.....	813,450	27,115	-1,651	1,288
2.....	3,665,100	122,170	-57,397	9,576
3.....	11,136,900	371,230	-123,378	30,490
4.....	5,662,950	188,765	-61,818	10,513
5.....	1,031,400	34,380	-14,870	2,151
6.....	7,300,650	243,355	-65,787	19,736
Other 6.....	2,493,000	83,100	-37,000	3,861
7b.....	1,835,250	61,175	5,592	3,368
7c.....	1,496,550	49,885	5,043	7,140
8.....	16,831,150	561,038	-146,737	39,690
9.....	4,202,850	140,095	95	2,634
10.....	2,777,550	92,585	5,843	-1,518
Total Texas.....	59,246,800	1,974,893	-489,065	128,899
New Mexico.....	3,672,600	122,420	-9,513	-728
North Louisiana.....	3,418,550	113,952	-85	2,005
Total Eleventh District.....	66,337,950	2,211,265	-498,663	130,176
Outside Eleventh District.....	79,290,100	2,643,003	-22,870	7,761
United States.....	145,628,050	4,854,268	-521,533	137,937

SOURCE: Estimated from American Petroleum Institute weekly reports

but were 10 percent less than in September 1948. In line with seasonal changes in demand, gasoline production declined 6 percent during this September, while the production of other petroleum products increased somewhat.

Similar developments occurred in the Nation, with crude petroleum production in September rising by 138,000 barrels daily or 3 percent, runs to refinery stills increasing 2 percent, and the production of gasoline decreasing 4 percent, while output of other petroleum products rose.

As the result of increasing demand, crude oil stocks in the District declined by 3,721,000 barrels or 3 percent during September but were still 7,637,000 barrels or 6 percent higher than a year earlier. Stocks of gasoline were drawn down in line with seasonal requirements, decreasing during September by 560,000 barrels or 3 percent, with the end-of-month figure being 1,277,000 barrels or 6 percent above the level of a year earlier. Stocks of other petroleum products rose as refiners increased their yields of these products in anticipation of seasonal increases in demand. Total stocks of the four leading products—gasoline, kerosene, gas and distillate fuel oil, and residual fuel oil—increased by 2,023,000 barrels or 4 percent during September, with the figure at the end of the month being 3 percent under year earlier levels. Total stocks of crude petroleum and these four products declined 1 percent during September but were 5 percent higher than a year earlier.

Similar changes took place in stocks in the Nation, with crude oil stocks decreasing 2 percent in September though remaining 11 percent more than a year ago. National stocks of the four leading petroleum products at the end of September were 14 percent more than a year earlier.

Further increases in petroleum production and consumption are in prospect in both the District and the Nation during the remainder of 1949. Allowable production in Texas was increased by 32,000 barrels daily for October and an additional 138,000 barrels daily for November, with a further increase generally expected for December. Louisiana increased allowable production for October by 48,000 barrels daily. These increases in allowable production reflect the continued improvement of the industry's economic position since midyear. Except in Cali-

fornia, where an oversupply situation exists, adequate markets for prospective production seem likely, at least through the coming heating season. From the supply side, the increase of allowables and the larger stocks of crude petroleum and products, as well as the possibility of increasing imports of foreign oil when necessary, suggest that a shortage of petroleum or its products during the 1949-50 heating season is unlikely. However, some local shortages may occur, due to strains upon the storage and distribution system.

A 7.6-percent increase in domestic and export demand for petroleum products during the next 6 months as compared to year earlier levels was forecast recently in a report to the Independent Petroleum Association of America. This estimate places the requirements during the October 1949-March 1950 period at 6,710,000 barrels per day, or 472,000 barrels more than during the corresponding period of a year earlier. Domestic production of crude oil and natural gas liquids is expected to average 6,310,000 barrels daily, leaving a balance of 400,000 barrels daily to be met by drawing upon stocks and by imports.

Despite these generally favorable prospects for the petroleum industry, a few problems remain. Thus, refinery yields need to be adjusted further so that more fuel oil and less gasoline are produced. Progress in making such adjustments has been slowed by the fact that gasoline prices have been relatively high compared to prices of fuel oil. Recent moderate advances in fuel oil prices could be regarded as at least partially corrective. Failure to increase refinery yields of heating oils so as to build up sufficient stocks might accentuate the problems of distribution and maintenance of adequate local storage in consuming areas.

The value of construction contracts awarded in the District during September, which amounted to \$65,000,000, was 4 percent lower than in August but 51 percent larger than in September last year. Residential awards during September, as in the 2 preceding months, constituted a very large percentage of total awards. In fact, residential awards during the third quarter were so high that the total for the first 9 months of the year was 6 percent larger than in the corresponding period last year despite a decline of 18 percent in the first 6 months of this year. The recent heavy awards represent in large part contracts for apartment buildings, for one-family dwellings in the lower price range for sale or rent, for low-rent public housing construction, and for housing near military installations and industrial plants. Awards also have been heavy for highways, streets, water works and sewer projects, and institutional buildings of all types. On the other hand, awards for commercial buildings and manufacturing plants have shown a marked decline from a year ago since about May. Despite the large volume of construction placed under contract in this District during the third quarter, the total of awards for the first 9 months is still 5 percent smaller than in the corresponding period last year.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	September 1949	September 1948	August 1949	Jan. 1 to Sept. 30 1949	1948
Eleventh District—total...	\$ 65,255	\$ 43,123	\$ 67,877	\$ 558,734	\$ 586,341
Residential.....	38,465	17,360	25,406	207,671	195,515
All other.....	26,790	25,763	42,381	351,063	390,826
United States*—total.....	1,071,674	762,192	910,908	7,393,908	7,345,773
Residential.....	503,522	279,658	308,684	2,887,598	2,790,476
All other.....	568,152	482,534	512,314	4,506,310	4,555,297

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

City	September 1949		Percentage change — valuation from Sept. 1948		Jan. 1 to Sept. 30, 1949		Percentage change valuation from 1948	
	Number	Valuation	1948	1949	Number	Valuation	1948	1949
Louisiana:								
Shreveport.....	489	\$ 1,670,705	13	—16	3,200	\$ 18,075,073	—27	
Texas:								
Abilene.....	100	385,495	—6	—22	992	4,969,046	23	
Amarillo.....	336	2,155,036	137	68	2,467	12,855,708	50	
Austin.....	239	2,271,487	63	10	2,193	16,711,917	—11	
Beaumont.....	414	616,398	8	—46	3,174	7,256,305	—4	
Corpus Christi.....	290	1,016,701	11	—72	2,607	11,978,235	—8	
Dallas.....	1,762	6,081,139	—12	—3	12,898	56,973,273	—20	
El Paso.....	572	1,850,566	48	74	2,518	8,612,209	8	
Fort Worth.....	823	3,324,785	63	—4	5,890	21,476,339	—2	
Galveston.....	145	209,651	—43	—24	1,441	7,769,353	146	
Houston.....	643	6,090,146	—22	—35	5,599	62,283,425	—19	
Lubbock.....	285	976,257	—52	—12	1,824	8,377,054	—27	
Port Arthur.....	190	454,512	142	—14	1,537	3,259,668	28	
San Antonio.....	1,571	3,258,651	6	5	10,668	25,058,599	—10	
Waco.....	236	1,209,526	46	—46	1,608	8,218,863	—15	
Wichita Falls.....	52	951,615	211	185	819	4,263,060	33	
Total.....	8,147	\$32,572,682	7	—15	59,335	\$278,138,127	—11	

Cotton consumption in both the District and the Nation increased again in September to add further to the rise since the July low. Cotton textile mill activity during the remainder of the year should be sustained to meet consumption requirements for textile products and to replenish inventories. The consumption of textile products has held up well in recent months, and prices in some lines have increased slightly.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

	Sept.		August		August 1 to Sept. 30	
	1949	1948	1949	1948	This season	Last season
Consumption at:						
Texas mills.....	12,898	15,309	12,237	25,135	27,399	
United States mills.....	709,958	738,794	664,133	1,374,091	1,467,657	
U. S. Stocks—end of month:						
In consuming establishments...	744,802	1,281,890	679,983			
Public storage and compresses...	6,136,997	4,147,278	3,954,662			