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BANKING DEVELOPMENTS IN THE ELEVENTH FEDERAL RESERVE DISTRICT

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The movement of the principal asset and liability accounts of member banks in the Eleventh Federal Reserve District during 1949, aside from indicating the course of banking developments and the volume of banking business, reflected rather closely the ebb and flow of economic activity in the Southwest during the year.

The tempo of business activity and the levels of production, prices, employment, and income showed varying ranges of fluctuation—for the most part moderate, although in some instances more severe. Comparison of end-of-year rates of activity with the final figures for 1948 indicates very favorable performances for the year in most areas and near-record achievements in others.

The trend of business in 1949 was moderately downward during the first 5 or 6 months and moderately to strongly upward during the final 4 or 5 months of the year. Reaction from the high levels of activity reached late in 1948 and the subsequent movement to lower levels were not universal among different industries or among firms within the same industry. Nevertheless, the readjustment that took place was sufficiently widespread and continuous to exert a more or less general impact on the Nation's economic life, as inflationary forces were overcome in most areas.

As frequently occurs in the case of economic fluctuations, the deflationary movement of some of the major indexes such as production, inventories, and unemployment in the first half of 1949 extended somewhat farther than was justified by the immediate circumstances. Consequently, as the strength of consumer purchasing persisted and as seasonal forces strengthened, an upward movement developed—in some cases during August—and extended to almost all sectors of the economy by the end of the year. Prices of most commodities were lower at the end of the year than in January, and generally favorable levels of production and sales, income, employment, and consumption prevailed.

During the first 6 months of 1949 the shrinkage in the total resources of all member banks in the District amounted to more than \$480,000,000 and included declines of approximately \$100,000,000 in loans, \$330,000,000 in cash and balances, and about \$54,000,000 in holdings of United States Government securities.

Uncertainty among businessmen and diminished working capital requirements which accompanied the decline in business activity were among the factors which led to an accelerated liquidation of and a softening in the demand for loans at member banks in the District. In consequence, the liquidation of outstanding loans exceeded new loans and renewals by a substantial amount. The demand for loans to finance the carrying of inventories was particularly affected. In addition, other types of credit, such as loans to finance companies, loans for construction purposes, and loans based upon the marketing of agricultural commodities, also reflected some degree of restriction. Although country banks experienced a slight decline in commercial and industrial lending, the volume of agricultural and other

types of credit granted by these institutions held up fairly well during the first half of the year, largely in response to seasonal factors. Since country banks reported a slight increase in total loans during this period, the decline of \$100,000,000 in total loan volume at all member banks was confined to the Reserve city banks.

Contraction in the volume of cash items in process of collection, deposits with banks, and reserves with the Federal Reserve Bank were the principal factors contributing to the \$330,000,000 decline in cash and balances. Almost two-thirds of this shrinkage occurred at country banks, where heavy withdrawals were made during the first quarter against balances with other banks, to meet large customer deposit withdrawals which were made for the purpose of effecting income tax payments, and against reserves with the Federal Reserve Bank, particularly after the reduction in reserve requirements which became effective early in May. Reduction in the volume of outstanding collection items was confined largely to the Reserve city banks, although these banks also drew upon their reserve deposits during the first half of the year.

Holdings of United States Government securities at country banks showed a tendency to decline during the first 7 months of the year, while this trend was characteristic of Reserve city banks only in the first quarter. The upturn in investments in Government securities at Reserve city banks early in the second quarter resulted primarily from the funds made available through contraction in loans and reduction in reserve requirements on May 5. Although country bank reserve requirements were also reduced at that time, their holdings of Government securities continued to decline into the third quarter, since the strong demand for agricultural credit during the growing and harvesting seasons tended to limit additions to their holdings of Governments.

The decline in total resources of all the District's member banks during the first half of the year, amounting to nearly a half billion dollars, was accompanied by an almost equal decline in total deposits. Liquidation of outstanding loans, without the extension of a compensating amount of new loans, and the reduction of interbank demand deposits accounted for the greater part of deposit shrinkage. Demand deposits of individuals, partnerships, and corporations, which represent ready means of purchasing, declined by approximately \$212,000,000.

The course of the principal asset and liability accounts of all member banks in the Eleventh District during the first half of 1949 was downward. These trends were reversed, however, during the final 6 months of the year. Although temporary reversals of the subsequent upward movement occurred in some cases, the total of each major account was higher at the end of the year than at the end of 1948, despite the fact that figures reported in mid-1949 were substantially lower than December 1948 totals.

During the first part of the year deposits usually decline due to the withdrawal of funds for the payment of income taxes and for the purpose of settling adverse trade balances with other sections of the country. During the second half of the year, particularly in the late summer and fall months, deposits usually show a considerable growth due to seasonal influences. In 1949 these seasonal movements—downward in the first quarter and upward in the last 5 or 6 months of the year—were accentuated by other factors resulting directly or indirectly from readjustments in business and industry. Greater-than-usual seasonal contraction in deposits was caused partly by the substantial decline in loans and investments and partly by country banks making heavy withdrawals upon their balances with correspondents to adjust their reserve balances with the Federal Reserve Bank, which had been reduced in meeting customer withdrawals. During the second half of the year rapid recovery of deposits was due to the unusually sharp rise in member bank loans and investments, large receipts from the record volume of agricultural production, and a substantial increase in interbank balances.

A more favorable attitude among businessmen and others in the third quarter of 1949 and an improvement in the business outlook, due in part at least to seasonal factors such as the favorable agricultural situation and the strength shown by consumer purchasing in earlier months, created a demand for credit at member banks in this District which was sustained throughout the rest of the year. Loans of member banks rose from approximately \$1,738,000,000 at the end of June to more than \$2,000,000,000 by the end of the year. Increases in loans for commercial, industrial, and agricultural purposes, together with loans to consumers, constituted the greater portion of this growth, with Reserve city banks accounting for more than half of the increase. The growth in loans which arose out of price support operations of the Commodity Credit Corporation was the largest single

factor affecting total loan volume during the period. Member banks reported an increase of more than \$159,000,000 in loans to farmers directly guaranteed by the Government, with country banks accounting for approximately 82 percent of the increase. Increased lending activity created a growing volume of deposits, particularly demand deposits owned by individuals and businesses. Total deposits, which include both time and demand accounts, reached a level of almost \$6,450,000,000 by the end of December, after having fallen to almost \$5,600,000,000 at the end of June. Total deposits at the end of the year were almost evenly divided between country banks and Reserve city banks.

At the same time that they were expanding lending operations, banks in this District added to their holdings of United States Government securities, with Treasury bills accounting for more than half of total net purchases. Late in June aggregate holdings of Government securities of all member banks began to expand, and by the end of the year approximately \$173,000,000 had been added to investment portfolios. Although the upward movement at Reserve city banks preceded that at country banks by about a month, the former institutions permitted their holdings to decline slightly during the final 60 days of the year, while country banks were net purchasers of these obligations in each month from July through December. Reductions in reserve requirements on June 30—with the expiration of temporary authority given to the Board of Governors by Congress in 1948 to increase reserve requirements—on July 1, and then again at weekly intervals from August 1 through September 1 were the underlying causes of increased bank purchases of Government issues. Through this System action, which was designed to put banks in a position to meet the credit needs of business if the demand for additional funds arose, member banks were able to use funds, formerly employed as required reserves, to expand investments. As the demand for credit became stronger later in the year, banks expanded loan volume, in part, by reducing the rate at which Government securities were acquired or by permitting investments to decline.

Increased lending and investing activity and unusually large crops which gave the District a favorable balance of trade with other sections of the country, together with a net growth of approximately \$337,000,000 in cash and balances, contributed to uninterrupted monthly advances in total resources of all member banks in the District during the last half of the year. Although the trend was upward for all member banks, total resources at Reserve city banks showed a greater tendency to fluctuate than was true at country banks, with temporary declines which occurred in September at the former institutions being immediately reversed by an even stronger advance. Total resources of all member banks amounted to \$6,839,000,000 at the end of December, an increase of slightly more than \$816,000,000 during the 6-month period.

TABLE I
PRINCIPAL RESOURCES, DEPOSITS, AND CAPITAL

Member Banks — Eleventh Federal Reserve District

(Amounts in thousands of dollars)

	All member banks			Country banks			Reserve city banks		
	Amount	Percent + or -		Amount	Percent + or -		Amount	Percent + or -	
		12/31/49	1949		1948	12/31/49		1949	1948
Cash and balances	\$2,172,456	+ 0.4	+ 4.3	\$1,081,720	+ 2.6	- 0.9	\$1,090,736	- 1.7	+ 9.7
U. S. Government securities	2,233,643	+ 5.2	- 6.9	1,167,273	- 0.3	- 9.2	1,066,369	+12.0	- 3.9
Obligations — states and political subdivisions	261,632	+ 4.9	+11.2	183,406	+ 0.6	+11.8	78,226	+16.5	+ 9.6
Loans and discounts	2,030,411	+10.6	+16.2	900,595	+18.1	+27.5	1,129,816	+ 5.3	+ 9.3
Total resources	6,839,242	+ 5.1	+ 3.6	3,382,918	+ 5.0	+ 1.8	3,456,324	+ 5.2	+ 5.3
Demand deposits — individuals, partnerships, and corporations	4,141,289	+ 2.1	+ 2.1	2,429,145	+ 3.2	+ 0.6	1,712,145	+ 0.6	+ 4.4
Total deposits	6,438,780	+ 4.9	+ 3.3	3,196,657	+ 4.6	+ 1.4	3,242,123	+ 5.2	+ 5.2
Total capital accounts	371,606	+ 8.5	+ 7.3	180,322	+12.3	+ 1.4	191,284	+ 5.1	+ 5.1

Data presented in Table I show the percentage changes in these accounts during 1949, as compared with 1948 end-of-year figures. Although, as indicated in preceding paragraphs, there were moderately wide swings during the year in most important accounts, end-of-year figures were from less than 1 percent to as much as 10.6 percent above those at the end of 1948. On an annual basis, the rates of growth of investments in United States Government securities, total resources, total

deposits, and total capital accounts were greater than in 1948. On the other hand, there was a smaller rate of growth in cash and balances, obligations of states and political subdivisions, and loans and discounts, with almost no change in demand deposits of individuals, partnerships, and corporations. Country banks experienced an 18.1-percent increase in loans and discounts and a 12.3-percent increase in total capital accounts, as compared with increases of 5.3 percent and 5.1 percent, respectively, at Reserve city banks. Conversely, Reserve city banks increased their investments in obligations of states and local governments by 16.5 percent, while there was only a fractional increase at country banks.

TABLE II

PERCENTAGE INCREASE OR DECREASE IN PRINCIPAL CATEGORIES OF LOANS

Member Banks — Eleventh Federal Reserve District

	All member banks		Country banks		Reserve city banks	
	1949	1948	1949	1948	1949	1948
Commercial and industrial	+ 0.7	+ 7.4	+ 4.5	+10.1	- 0.6	+ 6.5
Agricultural*	+46.8	+73.9	+35.6	+77.4	+229.3	+31.7
Consumer	+27.4	+36.2	+29.8	+35.6	+ 24.9	+36.8
Real-estate	+ 4.6	+14.9	+ 2.0	+13.9	+ 8.1	+16.3
Other	- 5.7	- 4.1	+ 9.4	-14.2	- 9.7	- 1.0

* Includes CCC loans but excludes real-estate loans secured by farm land.

showed an even greater increase of 229.3 percent, but the percentage increase loses some of its significance because of the relatively small magnitudes involved. High costs incurred by farmers in producing, harvesting, and marketing the near-record crops of this District, together with the decline of farm prices to or below support levels, contributed to the increased demand for credit. The volume of loans to farmers outstanding at all member banks on December 31, 1949, amounted to approximately \$345,000,000, or more than 2½ times the volume outstanding at the end of 1947.

The expansion of consumer credit also continued in 1949, with a 27.4-percent increase in this type of lending. Percentagewise, country banks reported somewhat greater increases than Reserve city banks. The trend of consumer loans at banks in this District has been consistently upward in each postwar year, with \$389,379,000 outstanding on December 31, 1949, as compared with \$75,646,000 on the comparable date in 1945. Several factors have contributed importantly to this very substantial growth in consumer credit at commercial banks. A wide selection of consumer durable goods and sharply increased sales promotional activity have tended to increase the buying urge of consumers. As more and more consumers, however, have drawn upon their liquid assets, they have resorted to the use of consumer credit more frequently and in larger amounts than had been necessary during the earlier postwar years. Easier credit terms available in connection with the purchase of automobiles and other major durable goods also have broadened access to that field of credit. Finally, the maintenance of high levels of employment, favorable wage rates, and earnings have played a part in the growth of this form of lending.

TABLE III

PRINCIPAL CATEGORIES OF LOANS AS A PERCENTAGE OF TOTAL LOANS

Member Banks — Eleventh Federal Reserve District

	All member banks		Country banks		Reserve city banks	
	12/31/49	12/31/48	12/31/49	12/31/48	12/31/49	12/31/48
Commercial and industrial	48.1	53.0	28.9	32.7	63.4	67.3
Agricultural*	16.7	12.6	32.8	28.6	3.9	1.3
Consumer	19.0	16.5	22.3	20.4	16.4	13.9
Real-estate	9.9	10.5	12.6	14.6	7.8	7.6
Other	6.3	7.4	3.4	3.7	8.5	9.9
Total loans	100.0	100.0	100.0	100.0	100.0	100.0

* Includes CCC loans but excludes real-estate loans secured by farm land.

Loans for commercial and industrial purposes showed fractional growth in 1949, with a small decline being reported by Reserve city banks. Although banks in this District continued to increase their commercial and industrial loan portfolios, the rate of growth has declined in each year since 1946. Real-estate loans increased 4.6 percent in 1949, while other loans such as loans for trading in securities, loans to banks, and miscellaneous loans declined.

Among the various categories of asset and liability accounts, the greatest rate of growth in both 1948 and 1949 occurred in loans and discounts. The most significant factor contributing to this growth in 1949 was the expansion of agricultural credit, with an over-all increase of 46.8 percent. Country banks increased their participation in this type of lending by 35.6 percent; on the other hand, Reserve city banks

With an additional amount of growth in lending activity during 1949, the composition of total loans underwent changes in the same direction as those which occurred in 1948. Table III shows that the relative significance of agricultural and consumer loans increased in 1949, while commercial and industrial, real-estate, and other loans became relatively less important in the credit operations of banks in the Eleventh District. It should be emphasized, however, that these movements are relative—that is, the increased significance of agricultural and consumer loans is due to their greater rates of growth and not to declines in the other major categories. This internal shifting in importance within loan portfolios was similar at Reserve city and country banks, except in the case of real-estate loans which showed a relative increase at the larger banks and an opposite movement at country banks. Although commercial and industrial loans represented a smaller percentage of total loans at the end of 1949 than in the preceding year, they comprised 63.4 percent of all outstanding loans at Reserve city banks. On the other hand, agricultural loans, which became relatively more important, represented only 3.9 percent of all loans at these larger banks. From the point of view of balance or diversification in the type of credit granted, the assets of country banks represented by loans were more evenly spread over the various categories than were those of Reserve city banks. This development, however, appears to have been a reflection of loan demand rather than an effort consciously directed by the banks.

The increase of \$900,000,000 from December 31, 1945, to the end of 1949 in loans of member banks in the District, together with the fact that loans represent substantially the largest proportion of member bank risk assets, tends to focus interest on capital accounts and the various loan ratios. During 1949 total loans increased by 10.6 percent, while total capital accounts increased by 8.5 percent, indicating that banks maintained within narrow limits the relation between these two accounts that existed at the beginning of the year. Although there is not agreement among bankers and others as to which of the loan ratios is the most useful and the limits within which the various ratios can be permitted to fluctuate, some of the more common ratios for the years 1948 and 1949 are presented in Table IV. These ratios should not be interpreted as criteria in determining what is desirable or what is necessary for safety in the case of any particular bank. Each ratio is a composite and consists essentially of an average of the figures of many individual banks. The management of any particular bank, however, might find it desirable to appraise the significance of marked variations from these averages, keeping in mind the importance of local conditions affecting the bank, as well as internal bank policies.

These ratios indicate that the relationships of total loans to deposits, to total resources, and to capital funds at Reserve city banks remained somewhat more stable during 1949 than was the case at country banks. The latter institutions, however, have not increased their loans in relation to these accounts to as great an extent as have the larger city banks. Capital funds, the ultimate protection against losses in loan portfolios, represented 18.3 percent of total loans of all member banks, 20.0 percent of loans of country banks, and 16.9 percent of loans of Reserve city banks at the end of 1949.

Changes in the composition of United States Government securities portfolios at member banks in this District during 1949 reflect a tendency toward shorter maturities. The greatest relative change occurred in Treasury bonds maturing in 5 to 10 years. This type of obligation represented 20.0 percent of all Government securities holdings at the end of 1948 but only 7.3 percent at the end of 1949. The decline in relative importance was common to both Reserve city and country banks. At the

TABLE IV
LOAN RATIOS

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Member Banks — Eleventh Federal Reserve District

	All member banks		Country banks		Reserve city banks	
	12/31/49	12/31/48	12/31/49	12/31/48	12/31/49	12/31/48
<u>Total loans</u>	31.5	29.9	28.2	24.9	34.8	34.8
<u>Total deposits</u>						
<u>Total loans</u>	29.7	28.2	26.6	23.6	32.7	32.6
<u>Total assets</u>						
<u>Total capital funds</u>	18.3	18.6	20.0	21.0	16.9	16.9
<u>Total loans</u>						
Surplus, undivided profits, reserves	11.5	11.7	12.9	13.6	10.4	10.3
<u>Total loans</u>						
<u>Undivided profits & reserves</u>	4.25	4.28	5.06	5.36	3.61	3.51
<u>Total loans</u>						

Changes in the composition of United States Government securities portfolios at member banks in this District during 1949 reflect a tendency toward shorter maturities. The greatest relative change occurred in Treasury bonds maturing in 5 to 10 years. This type of obligation represented 20.0 percent of all Government securities holdings at the end of 1948 but only 7.3 percent at the end of 1949. The decline in relative importance was common to both Reserve city and country banks. At the

beginning of the year the former institutions held 26.8 percent and the latter, 14.4 percent of Government portfolios in this type of obligation. At the end of the year these percentages fell to 9.7 percent and 5.2 percent, respectively. Increases in the proportions of total holdings representing bonds maturing within 5 years—from 30.1 percent to 40.2 percent at Reserve city banks and from 31.8 percent to 36.3 percent at country banks—together with smaller increases in the proportions representing bills, Treasury certificates of indebtedness, and notes contributed further to the shortening of maturities. These shifts were largely responsible for increasing holdings of Government securities maturing within 5 years from 71.2 percent of total holdings to 86.3 percent at all member banks, from 77.9 percent to 88.9 percent at country banks, and from 63.1 percent to 83.3 percent at Reserve city banks. Further reflecting the pattern of investments in Government obligations, Treasury bonds maturing within 5 years constituted 76.2 percent of total Government bond portfolios of all member banks in the District at the end of 1949, while bonds of these maturities accounted for 67.1 percent of all bank-eligible Government bonds outstanding.

Shifts in the composition of Government securities portfolios in favor of shorter maturities and the maintenance of both Government securities and cash and balances as an almost constant percent of total assets tended to place banks in a more liquid position at the end of the year than at the beginning. Although Reserve city banks and country banks held almost the same proportions of total assets in Government securities and cash and balances at the end of the year, the latter institutions were in a somewhat more liquid position since a greater percent of their Government securities was of short maturities. The less liquid position of Reserve city banks with respect to holdings of Government securities and cash and balances was compensated for somewhat by the fact that country banks held a greater

TABLE V

COMPOSITION OF U. S. GOVERNMENT SECURITIES PORTFOLIO

Member Banks — Eleventh Federal Reserve District

	All member banks		Country banks		Reserve city banks	
	12/31/49	12/31/48	12/31/49	12/31/48	12/31/49	12/31/48
Treasury bills.....	9.8	5.8	11.0	7.2	8.5	4.0
Treasury certificates.....	29.9	27.4	32.6	30.6	26.9	23.5
Treasury notes.....	8.4	7.0	9.0	8.3	7.7	5.5
Bonds — within 5 years...	38.2	31.0	36.3	31.8	40.2	30.1
Bonds — 5 to 10 years....	7.3	20.0	5.2	14.4	9.7	26.8
Bonds — 10 to 20 years...	2.5	3.9	2.2	3.4	2.9	4.5
Bonds — over 20 years....	2.1	3.0	1.2	1.6	3.1	4.6
Other U. S. Gov't. securities	1.8	1.9	2.5	2.7	1.0	1.0
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

percent of their total assets in obligations of states and political subdivisions—5.4 percent as compared with 2.3 percent.

TABLE VI

PERCENTAGE DISTRIBUTION OF PRINCIPAL ASSETS

Member Banks — Eleventh Federal Reserve District

	All member banks		Country banks		Reserve city banks	
	12/31/49	12/31/48	12/31/49	12/31/48	12/31/49	12/31/48
Cash and balances.....	31.8	33.3	32.0	32.7	31.5	33.8
U. S. Governments.....	32.6	32.6	34.5	36.4	30.9	29.0
Loans and discounts.....	29.7	28.2	26.6	23.7	32.7	32.6
Other securities.....	4.6	4.8	6.1	6.5	3.2	3.1
Other assets.....	1.3	1.1	0.8	0.7	1.7	1.5
Total assets.....	100.0	100.0	100.0	100.0	100.0	100.0

Relatively little change occurred in the distribution of the principal assets of banks in the Eleventh District during 1949. At the end of the year cash and balances represented a slightly smaller and loans and discounts a slightly greater percent of total assets than was the case at the beginning of the year. Fractional changes occurred in the percentages representing other categories of assets. Cash and balances constituted 31.8 percent, United States Government securities 32.6 percent, and loans and discounts 29.7 percent of total assets at all member banks. Substantially the same percentages applied to both Reserve city and country banks.

Despite the declining trend of business in the first half of 1949, which contributed to a shrinkage in bank earning assets, and the very slight softening of interest rates in the latter half of the year, member banks of this District reported net profits after taxes amounting to 16 percent more than those reported in the preceding year. Interest earnings on loans increased 12.8 percent as compared with 26.4 percent in 1948, while earnings on Government securities increased 3.4 percent as compared

TABLE VII

PRINCIPAL SOURCES AND DISPOSITION OF EARNINGS

Member Banks — Eleventh Federal Reserve District

(Amounts in thousands of dollars)

	All member banks			Country banks			Reserve city banks		
	Amount	Percent + or -		Amount	Percent + or -		Amount	Percent + or -	
	1949	1949 1948	1948 1947	1949	1949 1948	1948 1947	1949	1949 1948	1948 1947
Interest — U. S. Governments.....	\$ 34,079	+ 3.4	+ 0.1	\$18,011	+ 3.0	+ 5.3	\$16,068	+ 3.8	- 5.0
Interest — loans.....	87,269	+12.8	+ 26.4	47,828	+16.0	+ 26.7	39,441	+ 9.2	+ 26.0
Total current operating earnings.....	152,804	+ 9.5	+ 16.2	82,980	+11.2	+ 17.5	69,823	+ 7.6	+ 14.9
Salaries and wages.....	46,067	+11.8	+ 14.4	26,228	+12.8	+ 16.2	19,839	+10.4	+ 12.0
Total current operating expenses.....	91,950	+10.3	+ 14.1	48,825	+10.9	+ 16.0	43,125	+ 9.7	+ 11.9
Net earnings — current operations.....	60,854	+ 8.4	+ 19.6	34,155	+11.7	+ 19.6	26,699	+ 4.5	+ 19.7
Net charge-offs.....	12,935	-12.0	+401.9	6,821	- 3.1	+207.7	6,114	-20.3	+1,095.6
Net profits.....	33,657	+16.0	- 6.5	20,164	+16.8	+ 1.7	13,493	+14.7	- 16.4
Total dividends.....	13,757	+ 6.1	+ 8.1	6,361	+ 6.8	+ 6.5	7,395	+ 5.5	+ 9.5

with a fractional upward movement in 1948. Contraction in loan volume during a part of the year largely accounted for the smaller rate of growth in earnings from this source, while increased earnings from Government securities arose from larger holdings. Indicating lower levels of interest rates, particularly on Government securities, the average rate of discount on new issues of Treasury bills offered in January was 1.160 percent, 0.990 percent on those offered in July, and 1.097 percent on those offered in December. Yields on 9- to 12-month certificates moved from 1.22 percent in January to 1.10 percent in December, while 3- to 5-year taxable Treasury issues yielded 1.59 percent in January, as compared with 1.37 percent in December. Bank rates on prime short-term business loans also tended to drift downward fractionally during the year, due in part perhaps to the influence of lower rates on Government securities. Despite these trends toward slightly lower levels of interest rates, average rates for 1949 were higher in most cases than for 1948.

Salaries and wages of officers and employees amounted to \$46,067,000 in 1949 and represented approximately 50 percent of total current operating expenses, which increased by 10.3 percent during the year. An increase of 9.5 percent in total current operating earnings, however, was more than enough to offset this increase in total current operating expenses, with the result that net earnings from current operations increased by 8.4 percent. Although the increase in net earnings from current operations was more than twice as great at country banks as at Reserve city banks, the increases in final net profits at these two types of banks more nearly approximated each other. Noncurrent charges and credits, such as recoveries, transfers, and charge-offs, account for this difference.

Member banks in this District paid out as cash dividends almost 41 percent of their net earnings in 1949, with country banks distributing approximately 31.5 percent and Reserve city banks almost 55 percent. In each case, these figures represent a smaller percentage distribution of profits than was made in 1948, indicating that member banks added to the strength of their capital positions by transferring a larger proportion of earnings to surplus and undivided profits. Total distribution in 1949 amounted, however, to \$13,757,000 as compared with \$12,968,000 in 1948.

As the preceding discussion shows, the trend of banking developments during 1949 followed very closely the pattern of business activity, with major banking items moving more or less in line with the business trends. Although figures are available only for the first few months of 1950, those figures that are available indicate a similar situation developing during the current year. For instance, business and economic activity during the January-April period in 1950 were transacted at rising levels and in some instances at levels higher than during the comparable months in 1949. Banking developments reflect these conditions, either in the form of contraseasonal increases in such important items as loans and investments or in the form of less than seasonal decreases in other items such as deposits.

Preliminary figures covering the period from December 31, 1949, to April 24, 1950, indicate that loans and investments increased by \$8,013,000 and \$31,524,000, respectively, while total deposits declined in the amount of \$247,671,000. The sale of additional shares of stock by some banks and generally favorable earnings during the period contributed to a growth of slightly more than \$18,030,000 in total capital accounts.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

Conditions in the agricultural and livestock industries are very spotty, reflecting chiefly the continuance of the severe drought in much of the western portion of the Eleventh District and excessive rains in the central and eastern sections. Nevertheless, generally good progress has been made during recent weeks with the planting and cultivation of summer crops, although such crops are later than usual this year. Wheat production in the principal wheat growing areas of the District is expected to be very small, with total production in Texas forecast at only 24 percent of last year's harvest. Ranges and pastures have made good to excellent growth over the eastern two-thirds of the District, but moisture is needed in other areas. Livestock generally are in good condition.

Construction activity in the District continued at a high level in April for the eleventh consecutive month. The value of construction contracts awarded during April, while 12 percent below the near-record total in March, was 74 percent above that in April last year. The extent of the building boom in the District is indicated by the fact that, as compared with a year earlier, awards during the first 4 months of 1950 showed gains of 127 percent in residential building, 29 percent in other types of construction, and 61 percent in total construction. Preliminary information indicates that awards in May are continuing at or near the high levels of other recent months.

The economic position of the petroleum industry has improved substantially during recent months. This strengthening reflects the continued heavy domestic demand for petroleum and its products and the resultant large withdrawals of crude petroleum and refined products from storage. Since this District provides the major flexibility in crude oil production, the heavy demand is being reflected in increased production in this area. On the basis of allowables that have been established, daily average production in the District during June is expected to be about 425,000 barrels above the rate in March this year and only about 200,000 barrels below the all-time peak rate attained in November 1948.

Consumer buying at department stores in the District during April continued at a higher level than in most other Federal Reserve districts or for the country as a whole. Sales were slightly larger than in March and exceeded those in April last year by 2 percent. After allowance is made for the fewer trading days this year, sales during April showed a larger gain over those a year earlier than the 5-percent increase registered for the first 4 months of 1950. During the first half of May, sales at weekly reporting stores were 6 percent larger than in the corresponding period of 1949. The favorable sales experience as compared with a year ago reflects primarily the high level of consumer incomes, the expanding use of consumer instalment credit, and consumer optimism.

As a consequence of the favorable business and industrial developments, debits to individual accounts at banks in 24 principal cities of the District were 7 percent higher in April this year than in that month of 1949. During the 4 weeks ended May 10, selected member banks in leading cities of the District increased their loans by \$2,320,000 but experienced decreases of \$16,867,000 in investments and \$60,053,000 in deposits. As compared with a year ago, deposits on May 10 were up \$255,000,000 and loans and investments, \$261,000,000.

BUSINESS

Department store sales in the Eleventh Federal Reserve District, under the impetus of the continued heavy demand for consumer durable goods, made a favorable showing in April. Despite the two fewer trading days, sales for the month were slightly higher than in March. Moreover, sales were 2 percent higher than a year earlier, although April this year had one less trading day and the earlier Easter this year resulted in a smaller proportion of Easter sales occurring in the month of April. Thus, District department store sales have shown gains over the corresponding months of the previous year for five consecutive months.

The year-to-year increases in the dollar volume of sales this year have been achieved despite somewhat lower prices. While dollar sales for the first 4 months of the year were slightly below the record 1948 level, the physical volume of sales was at a new high.

Unusual strength in hard goods and a weakness in soft goods—the pattern which has existed for almost a year—continued to be clearly evident during April in the sales of the individual departments. Reflecting chiefly the boom in television sales, the radio, television, and phonograph departments reported sales almost three times as large as in April of last year. Major appliance and furniture sales, although down moderately from the extremely high March levels, were 95 and 31 percent, respectively, higher than a year earlier. Moreover, domestic floor coverings showed a year-to-year gain of 16 percent, following small declines in the previous 2 months.

On the other hand, sales of women's and misses' accessories, coats and suits, and dresses were from 9 to 12 percent smaller than in April 1949. These declines, however, reflect in part the earlier date of Easter this year than last. In contrast, men's clothing departments reported a year-to-year gain in sales for the fifth consecutive month, with an increase for April of 3 percent. Basement store sales, however, continued their disappointing performance, dropping 13 percent below the volume of the same month of last year.

The heavy volume of instalment buying at District department stores continued in April with instalment sales 73 percent higher than a year ago, although falling moderately below the near-record level of March. Charge-account and cash sales, on the other hand, continued to lag behind year-earlier levels. Collections, particularly for charge accounts, dropped noticeably, in line with the April decline which had occurred during the past several years. The collection ratio of charge accounts outstanding stood at 50 percent in April, as compared with 54 percent in March and with 51 percent in April 1949. Moreover, the instalment account collection ratio, at 14 percent, was down 1 percentage point from March and 6 percentage points from April a year ago.

The greater use of instalment credit was a significant factor during the past several months contributing to the more favorable sales in the District as compared with the Nation as a whole. Instalment sales at District department stores in the first quarter of this year were 71 percent higher than in the corresponding period of 1949, as compared with an increase of only 34 percent for department stores in the Nation. A similar situation existed on April 1 with respect to the year-to-year increase in instalment accounts outstanding. Moreover, the ratio of collections to instalment accounts outstanding during the first

quarter ranged between 14 and 15 percent in the District, as compared with 17 to 20 percent in the Nation. The lower collection ratio in the District apparently reflects a more liberal credit policy in the form of smaller down payments and longer pay-out periods.

improved sales picture. It would appear that there has been no noticeable departure from the conservative inventory policy which has prevailed since the upturn in business conditions last fall.

WHOLESALE TRADE STATISTICS

Lines of trade:*	Percentage change in					
	Net sales			Stocks†		
	April 1949	1950 from March 1950	4 mo. comp. with 4 mo. 1949	April 1949	1950 from March 1950	
Automotive supplies.....	-15	0	-9	1	1	
Dry goods.....	-9	-26	-2	11	-2	
Grocery (full-line wholesalers not sponsoring groups).....	-5	-8	-4	-10	-2	
Hardware.....	3	-7	5	-16	-13	
Tobacco products.....	1	‡	2	22	-2	
Wiring supplies, construction materials distributors.....	-13	-1	-14	-18	0	

* Preliminary data. Compiled by United States Bureau of Census.
 † Stocks at end of month.
 ‡ Indicates change of less than one-half of 1 percent.

Furniture store sales in the District in April continued to make a favorable showing, although they were down moderately from the high March volume. Exceeding year-earlier levels for the seventh successive month, sales were 4 percent higher than in April 1949. Strength in instalment sales and a lagging in cash sales continued the pattern which has existed during most of the past year. Collections were off slightly from a month previous, with accounts receivable outstanding showing a mild increase. It will be noted, however, that during the first 4 months of this year receivables outstanding showed a small decline, in contrast with the appreciable rise which occurred in the last 9 months of 1949. While this recent decline in receivables is in part a seasonal phenomenon, a factor in the decline undoubtedly has been the use of veterans' insurance refunds to reduce personal debts. Inventories rose 4 percent during the month but were 1 percent higher than a year earlier.

RETAIL TRADE STATISTICS

Department stores:	Percentage change in					
	Net sales			Stocks†		
	April 1949	1950 from March 1950	4 mo. comp. with 4 mo. 1949	April 1949	1950 from March 1950	
Total Eleventh District.....	2	1	4	4	1	
Corpus Christi.....	2	3	4	-3	2	
Dallas.....	-1	-8	4	4	1	
Fort Worth.....	1	6	6	-3	2	
Houston.....	-1	6	-3	7	-2	
San Antonio.....	9	-1	9	13	3	
Shreveport, La.....	-7	1	1	.....	.....
Other cities.....	8	11	10	3	4	
Furniture stores:						
Total Eleventh District.....	4	-5	.....	1	4	
Dallas.....	-7	-2	.....	-21	-4	
Houston.....	14	-6	.....	.....	.....
Port Arthur.....	-33	-12	.....	-2	15	
San Antonio.....	-1	-9	.....	.....	.....
Shreveport, La.....	3	-15	.....	13	7	
Wichita Falls.....	29	18	.....	-2	1	
Household appliance stores:						
Total Eleventh District.....	83	1	.....	.....	.....
Dallas.....	67	-3	.....	.....	.....

† Stocks at end of month.

AGRICULTURE

Good progress was made during the past few weeks in planting, replanting, and cultivation of summer crops in south-central, eastern, and Upper Coastal counties of the District, but field operations in central and northern sections of Texas were delayed by excessive rains. Light rains in the Low Rolling Plains were beneficial to growing crops and for germination of planted cotton and grain sorghums, but the High Plains and the extreme southern counties of Texas were still too dry at mid-May for crop development. In the District as a whole, planting operations and crop cultivation are progressing much more slowly than usual at this season. Open weather is urgently needed for harvest of flax, hay, and small grains and to permit cultivation of growing crops and completion of spring planting. Ranges and livestock generally are in satisfactory condition.

The winter wheat crop in northwest Texas and New Mexico has continued to deteriorate, for no rain of consequence has fallen over most of the north High Plains since last August. The combination of drought and green bugs has reduced production prospects in that area to the lowest level in many years. The major portion of seeded wheat has died, and much seeded

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales — (1935-39=100)							
	Unadjusted*				Adjusted			
	April 1950	Mar. 1950	Feb. 1950	April 1949	April 1950	Mar. 1950	Feb. 1950	April 1949
Eleventh District.....	393	362	327	378r	401	389	409	374
Dallas.....	326	344	318	335	343	366	331	353
Houston.....	428	374	342	422r	432	435	389	426r

	Stocks — (1935-39=100)							
	Unadjusted*				Adjusted			
	April 1950	Mar. 1950	Feb. 1950	April 1949	April 1950	Mar. 1950	Feb. 1950	April 1949
Eleventh District.....	393	384	357	388	375	362	364	369r

r—Revised.
 * Unadjusted for seasonal variation.

ESTIMATED WHEAT PRODUCTION IN TEXAS IN 1950 BY CROP REPORTING DISTRICTS

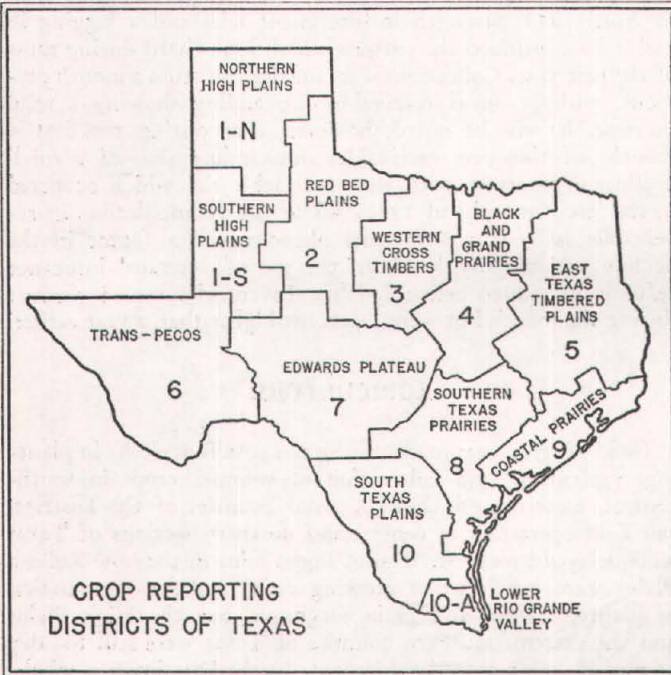
Crop reporting district	Acres harvested (Thousands)			Yield per harvested acre (Bushels)			Production (Thousand bushels)		
	1950*	1949	1948	1950*	1949	1948	1950*	1949	1948
1-N.....	900	4,436	3,431	5.5	16.4	10.3	4,950	72,621	35,250
1-S.....	80	192	130	8.0	15.8	8.7	640	3,041	1,131
2.....	1,010	1,505	1,299	11.0	11.8	10.8	11,110	17,801	13,998
3.....	300	402	343	9.5	10.1	10.6	2,850	4,066	3,626
4.....	315	378	326	12.0	9.1	13.0	3,775	3,426	4,237
7.....	120	150	84	10.0	10.7	8.3	1,200	1,598	695
Other.....	18	30	16	9.0	9.9	10.1	162	296	167
Total.....	2,743	7,093	5,629	9.0	14.5	10.5	24,687	102,848	59,104

* Indicated May 1.
 SOURCE: United States Department of Agriculture.

Stocks at District department stores showed a small contra-seasonal increase during April and at the end of the month were 4 percent higher than on the same date of the previous year. Meanwhile, orders outstanding were down seasonally but were 19 percent higher than a year ago, at which time attempts were being made to reduce inventories in view of the unfavorable sales trend. While merchants have shown a tendency to build up stocks slightly during the past few months, this action reflects merely the need for increased stocks associated with the

acreage has been plowed out. Consequently, the quantity of wheat harvested in that area will be negligible. In other wheat producing sections, the prospects for production improved during recent weeks in response to additional moisture supplies. Reflecting the generally unsatisfactory growing conditions this season, the United States Department of Agriculture forecast on May 1 a Texas wheat crop of 24,687,000 bushels, fraction-

ally below the April 1 forecast. This estimate is only about 24 percent as large as the crop harvested in 1949 and the smallest wheat production in Texas since 1936. The acreage of wheat for harvest is estimated at 2,743,000 acres, about 61 percent below the 1949 acreage. The estimated yield of 9 bushels per acre compares with 14.5 bushels last year and a 10-year (1939-48) average of 12.4 bushels per acre.



The United States winter wheat crop is estimated at 689,595,000 bushels, or about one-fourth below last year's harvest. Seeding of spring wheat has been seriously delayed in several northern Great Plains states, and farmers there may find it impractical to seed their full intended acreage. Total wheat production in the United States this year may fall below 1,000,000,000 bushels for the first time in 7 years. However, such a crop, together with probable carry-over this year, will provide a supply adequate for domestic demand and probable export and for carry-over at the end of the 1950-51 season.

The Texas oat crop on May 1 was in the poorest condition reported for that date in recent years and reflects the widespread damage done to the crop by drought, insects, and freezes. Rains during the last half of April came too late to be of maximum benefit but were helpful in northcentral and some west-central areas, and fair yields are in prospect. The prolonged spring drought also damaged fall-sown barley severely and prevented normal spring seeding.

The condition of the Texas corn crop is very spotty. The crop has made improvement in some of the southern sections of the State, but much of the crop is late and more warm weather is needed. Many stands in the northcentral and eastern counties are poor, and at mid-May much of the crop remained to be planted. The corn crop in Louisiana is making very good progress, although stands are poor in some areas. Meanwhile, planting of sorghums had made good progress in the Low Rolling Plains, but moisture was inadequate for planting in the High Plains. Continued rain and wet fields also delayed seeding of late crops in northern and eastern counties. Sorghums were heading out in the Coastal Bend in early May. Hay crops were also materially improved by recent rains, although more mois-

ture was needed in western areas. Stocks of hay in Texas at the first of May were estimated at 355,000 tons, compared with 170,000 tons a year earlier.

Cotton made fair to good development in the southern part of Texas and in northern Louisiana during early May, but considerable acreage was planted late and a few farmers were still planting at midmonth. Meanwhile, poisoning for insects in the Lower Rio Grande Valley and Coastal areas was being continued. Additional rains have further delayed cotton planting in northern and eastern parts of the State. Planting is under way in the High Plains, where some early planted fields were damaged by high winds and had to be replanted.

Rice seeding in Texas has progressed satisfactorily. Flax harvest has been under way, but yields are light. The first forecast of the season placed peach production in Texas at 1,247,000 bushels, compared with 2,400,000 bushels last year. The peach crop is very short in all of the 10 southern states for which production estimates have been made, running well below both the 1949 production and the 1939-48 average.

PRODUCTION OF SELECTED SPRING VEGETABLES IN TEXAS IN 1950

Crop	Unit	(In thousands of units)		
		1950	1949	10-year (1939-48) average
Snap beans, early.....	Bushel	270	325	300
Cucumbers, early.....	Bushel	147	240	216
Garlic.....	Sack	8	5	10
Onions, early.....	Sack	3,976	2,672	3,844
Onions, late.....	Sack	546	972	1,114
Irish potatoes, early*.....	Bushel	350	1,050	880
Irish potatoes, late.....	Bushel	502	584	553
Strawberries, early.....	Crate	42	55	62
Tomatoes, early*.....	Bushel	2,275	2,295	2,520
Tomatoes, late.....	Bushel	1,950	2,190	2,241

* Lower Rio Grande Valley only.

SOURCE: United States Department of Agriculture.

Weather conditions in the commercial vegetable areas of Texas during early May were favorable for active harvest of early spring vegetables, and most of the later plantings made good progress except in the early cucumber areas where needed moisture failed to materialize. Harvest of early spring tomatoes has been under way in the Lower Rio Grande Valley and in sections to the north, while most east Texas tomatoes are late and in need of warm, open weather. At mid-May, onions were being harvested in all south Texas districts, while most north Texas onion areas were still wet and, because of the cool weather, the crop was developing slowly. Onions in the Panhandle section have made very good growth. Cantaloupes and watermelons generally are in good condition in all areas, and harvest was begun in southern sections during May.

Summer range and pasture feed prospects at mid-May were very good over the eastern half of the District. Light to heavy rains as far west as the Low Rolling Plains added further to moisture supplies. However, moisture is urgently needed in the High Plains, Trans-Pecos, and extreme southern counties of Texas and in southern New Mexico and Arizona to stimulate growth of new feed. Despite supplemental feed, cattle have shown some shrinkage in the drier areas, although they are in good condition in other parts of the District. Yearling and spring lambs were marketed in large volume during May, with a substantial percentage of the yearlings carrying feeder flesh. Country demand for replacement ewes and ewe lambs continued very strong in early May.

Combined receipts of livestock at the Fort Worth and San Antonio markets in April were up 10 percent from March, due principally to an increase of 61 percent in marketings of spring lambs which, with some increase in receipts of cattle,

more than offset declines for cattle and hogs. As compared with the same month last year, April marketings of all classes of meat animals were at higher levels, with receipts of cattle and calves up 1 percent and 31 percent, respectively. Receipts of sheep and lambs were up 87 percent, largely because of the earlier-than-usual marketing of yearling and spring lambs, and receipts of hogs were 17 percent larger.

LIVESTOCK RECEIPTS

(Number)

Class	Fort Worth market			San Antonio market		
	April 1950	April 1949	March 1950	April 1950	April 1949	March 1950
Cattle.....	34,623	37,906	30,503	27,587	23,404	27,308
Calves.....	9,766	8,151	11,226	12,802	9,118	14,482
Hogs.....	58,556	49,495	76,554	5,493	5,026	7,382
Sheep.....	128,884	61,200	79,512	24,098*	20,753*	15,624*

* Includes goats.

TOP LIVESTOCK PRICES

(Dollars per hundredweight)

Class	Fort Worth market			San Antonio market		
	April 1950	April 1949	March 1950	April 1950	April 1949	March 1950
Slaughter steers.....	\$28.50	\$28.00	\$27.00	.....	\$26.00	\$25.50
Stocker steers.....	27.00	25.50	26.00	.....	.....	.....
Slaughter cows.....	21.00	20.25	20.00	.....	20.50	20.50
Slaughter heifers and yearlings.....	30.00	28.00	28.00	.....	28.00	26.50
Slaughter calves.....	29.00	28.00	27.00	.....	27.50	27.50
Stocker calves.....	28.50	27.00	28.00	.....	27.00	27.00
Slaughter lambs.....	28.50	33.50	29.00	.....	30.00	27.50
Hogs.....	17.50	20.00	17.50	.....	20.00	16.75

The index of prices received by Texas farmers for agricultural commodities on April 15 was at 274 percent of the 1910-14 base, or the same as a month earlier, but was 14 points below the level of a year ago. Increases in prices received for most staple crops and cattle and calves were offset by decreases for truck crops, dairy products, poultry, eggs, sheep, and hogs. Reports from spot commodity markets indicate that from April 15 to mid-May, the prices of cotton, corn, barley, and most classes of meat animals increased, while prices of wheat, oats, grain sorghums, poultry, and eggs declined.

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

State	March 1950			March 1949 Total	Cumulative receipts Jan. 1 to Mar. 31 1950	1949
	Crops	Livestock	Total			
Arizona.....	\$ 6,273	\$ 7,532	\$ 13,805	\$ 18,213	\$ 57,642	\$ 59,571
Louisiana.....	3,493	7,629	11,122	18,038	47,651	56,852
New Mexico.....	911	4,300	5,211	6,887	26,981	25,263
Oklahoma.....	5,768	22,096	27,864	32,053	111,578	97,792
Texas.....	24,175	60,831	85,006	89,538	381,446	262,551
Total.....	\$40,620	\$102,388	\$143,008	\$164,729	\$625,298	\$502,029

SOURCE: United States Department of Agriculture.

FINANCE

Between April 12 and May 10, total loans of selected member banks in leading cities in the District showed an increase of about \$2,320,000, as commercial, industrial, and agricultural loans and loans to brokers and dealers in securities declined, while other major categories of loans showed varying amounts of increase. Investments of these banks in Government securities declined by about \$15,161,000, and other major accounts, such as reserves and balances with banks and total deposits, also showed reductions.

Commercial, industrial, and agricultural loans were somewhat lower at banks in most of the leading cities in the District,

with the result that the net decline during the 4-week period amounted to \$6,264,000. Although detailed figures showing fluctuations of different types of loans are not available, it appears that a considerable part of the decline that occurred in this major category of bank credit was the result of proration payments of certificates of interest of the Commodity Credit Corporation. For several weeks the premium in the market price of cotton above the support price has induced a withdrawal and sale in the market of cotton held under the support program and the liquidation of loans against the commodity. This development has led to the proration payments on the certificates of interest. Payments on grain loans also were rather substantial during the 4-week period ended May 10.

The high level of activity in the security market and in real estate has been a contributing factor to an increase in loans of these types, while "all other" loans, a category including various types of consumer credit financing, showed an increase during the 4-week period amounting to \$6,170,000. While that increase was not entirely due to an expansion of consumer credit, it is in line with the steady and sustained growth that has been taking place in the consumer credit field. Figures show clearly the very substantial increase that is taking place in instalment credit, and most reports indicate that an increasing number of banks are attempting to enlarge their share of the consumer credit market.

Principal changes in holdings of Government securities by these selected member banks include a reduction in holdings of Treasury certificates of indebtedness by \$12,210,000 and a decline in holdings of United States Government bonds by approximately \$10,391,000, with a partially offsetting increase occurring as banks added about \$7,893,000 to their holdings of United States Treasury notes.

Total deposits of these banks in the larger cities in the District declined by \$60,053,000 during the 4-week period, with all classes of demand deposits participating in the downward movement. United States Government deposits showed a reduction of \$11,384,000, while demand deposits other than Government and interbank deposits declined \$27,649,000. As deposits declined in the face of a continuing comparatively firm loan demand, banks obtained funds by reducing their investments in Government securities, drawing upon their reserves with the Federal Reserve Bank, and reducing interbank demand deposits substantially.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS

IN LEADING CITIES — Eleventh Federal Reserve District

(In thousands of dollars)

Item	May 10, 1950	May 11, 1949	April 12, 1950
Total loans (gross) and investments.....	\$2,517,148	\$2,256,647	\$2,531,695
Total loans—net.....	1,175,825	1,046,705	1,173,585
Total loans—gross.....	1,189,250	1,056,845	1,186,930
Commercial, industrial, and agricultural loans.....	819,967	716,228	826,231
Loans to brokers and dealers in securities.....	6,805	6,671	7,313
Other loans for purchasing or carrying securities.....	49,365	53,066	48,046
Real-estate loans.....	98,857	86,736	97,504
Loans to banks.....	329	442	79
All other loans.....	213,927	193,702	207,757
Total investments.....	1,327,898	1,199,802	1,344,765
U. S. Treasury bills.....	94,596	60,173	95,049
U. S. Treasury certificates of indebtedness.....	250,060	255,872	262,270
U. S. Treasury notes.....	198,939	40,832	191,046
U. S. Government bonds (inc. gtd. obligations).....	650,498	722,316	660,889
Other securities.....	133,805	120,609	135,511
Reserves with Federal Reserve Bank.....	448,273	483,273	455,856
Balances with domestic banks.....	317,960	283,036	320,877
Demand deposits—adjusted*.....	2,008,135	1,898,759	2,005,688
Time deposits except Government.....	446,260	442,586	439,183
United States Government deposits.....	51,476	33,072	62,860
Interbank demand deposits.....	624,419	506,680	652,516
Borrowings from Federal Reserve Bank.....	0	0	0

* After deductions for reserves and unallocated charge-offs.

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

Gross demand deposits of all member banks in the District continued to decline during April, although the decline this year to date has been substantially less than the decline experienced during the comparable months of last year. Between January and April 1949, gross demand deposits of the District's member banks showed a shrinkage of about \$431,000,000, whereas this year through April the decline totaled only \$212,000,000. The loss of deposits was not confined to any major category of banks in the District, as Reserve city banks reported a shrinkage of about \$119,000,000 and country banks, a reduction of approximately \$93,000,000. Time deposits at the District's member banks rose by approximately \$10,000,000 during April, reflecting some recovery from the rather sharp seasonal decline that was reported during March. As was the case with the movement of gross demand deposits, changes were roughly equal at the Reserve city and country banks of the District. Steady economic growth of this southwestern district is mirrored, to some extent, in the year-to-year growth that has occurred in the gross demand deposits of the member banks. For instance, in April 1950 this major class of deposits averaged about \$5,522,000,000, as compared with \$5,001,000,000 during April 1949 and \$4,988,000,000 during April 1948.

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
April 1948.....	\$4,987,656	\$574,507	\$2,354,485	\$362,306	\$2,633,171	\$212,201
April 1949.....	5,000,682	621,486	2,388,424	400,555	2,612,258	220,931
December 1949.....	5,612,558	648,676	2,712,547	417,067	2,900,011	231,609
January 1950.....	5,733,218	659,140	2,752,603	423,289	2,980,615	235,851
February 1950.....	5,617,162	681,292	2,660,793	420,111	2,956,369	241,181
March 1950.....	5,566,562	646,645	2,643,667	405,065	2,922,895	241,580
April 1950.....	5,521,595	656,387	2,634,090	410,645	2,887,505	245,742

SAVINGS DEPOSITS

City	Number of reporting banks	April 29, 1950		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	April 30, 1949	Mar. 31, 1950
Louisiana:					
Shreveport.....	3	43,696	\$ 25,197,568	- 6.6	1.6
Texas:					
Beaumont.....	3	12,254	6,003,581	- 4.3	1.9
Dallas.....	8	143,989	78,246,242	- 0.5	0.4
El Paso.....	2	32,602	23,018,557	0.6	0.2
Fort Worth.....	4	44,379	35,697,672	1.1	2.8
Galveston.....	2	22,637	21,121,776	- 0.6	-0.4
Houston.....	4	95,443	75,591,637	1.8	0.5
Lubbock.....	2	2,082	3,964,747	25.2	2.9
Port Arthur.....	2	6,007	4,383,645	- 5.7	-1.1
San Antonio.....	5	41,930	43,932,004	- 2.4	0.3
Waco.....	3	10,407	10,401,453	2.7	0.3
Wichita Falls.....	3	8,291	4,568,598	0.3	1.4
All other.....	55	67,271	56,457,723	3.5	0.5
Total.....	102	530,988	\$388,585,203	0.2	0.7

In the Southwest, business activity, incomes, and retail trade have been running at levels somewhat higher than national averages, relatively speaking, and these developments are reflected, at least in some measure, by the increase in bank debits reported by banks in 24 cities scattered throughout the District. During April bank debits were approximately 7 percent above the total for that month in 1949, while the annual rate of turnover of deposits was approximately the same in the 2 months. As compared with debit and turnover figures for March, a decline of 7 percent in bank debits and a reduction from 13.4 times per year to 12.5 times per year in turnover of deposits were reported in April. Tax payments during March, however, involving substantial bank debits and use of bank deposits, largely account for the higher volume of debits and the somewhat more rapid rate of turnover.

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

(Amounts in thousands of dollars)

City	Debits*			April 30, 1950	Deposits*		
	April 1950	April 1949	Mar. 1950		April 1950	April 1949	Mar. 1950
Arizona:							
Tucson.....	\$ 57,084	- 3	- 9	\$ 87,238	7.9	8.3	8.6
Louisiana:							
Monroe.....	34,694	3	-11	44,933	9.4	9.7	10.3
Shreveport.....	135,758	2	- 7	177,635	9.2	9.8	9.8
New Mexico:							
Roswell.....	16,078	15	-11	22,475	8.6	9.1	9.6
Texas:							
Abilene.....	40,775	29	- 6	43,186	11.4	10.0	12.1
Amarillo.....	97,698	10	- 7	92,024	12.7	13.0	13.4
Austin.....	122,392	3	-15	113,367	12.8	13.7	15.2
Beaumont.....	94,647	3	- 3	90,402	12.6	11.2	12.7
Corpus Christi.....	88,480	24	- 8	83,753	12.0	10.9	12.8
Corsicana.....	9,492	2	- 7	20,789	5.4	5.6	5.8
Dallas.....	1,087,779	9	- 6	785,954	16.6	16.2	17.4
El Paso.....	134,593	1	-13	123,602	12.5	13.7	14.2
Fort Worth.....	334,091	14	- 7	307,576	13.1	12.2	14.2
Galveston.....	55,875	- 5	- 9	93,045	8.4	8.6	9.1
Houston.....	1,061,537	- 8	-10	975,562	13.2	14.2	14.2
Laredo.....	15,962	25	-11	24,649	8.2	9.5	9.6
Lubbock.....	71,051	-12	-12	81,153	10.2	10.8	11.2
Port Arthur.....	29,659	-12	-12	38,338	9.0	10.2	10.0
San Angelo.....	30,659	17	- 9	43,614	8.4	8.4	9.2
San Antonio.....	289,881	16	-10	344,806	10.1	9.6	11.2
Texarkana**.....	15,379	10	- 1	23,413	7.8	7.3	7.8
Tyler.....	43,346	14	- 4	51,212	10.1	9.1	10.3
Waco.....	68,231	44	11	70,139	11.4	8.6	10.2
Wichita Falls.....	61,431	11	- 7	89,527	8.2	8.3	8.8
Total—24 cities.....	\$4,006,582	7	- 7	\$3,838,247	12.5	12.6	13.4

* Debits to deposit accounts except interbank accounts.

* Demand and time deposits, including certified and officers' checks outstanding but excluding 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 \$26,435.

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

Between April 15 and May 15, the condition statement of the Federal Reserve Bank of Dallas showed a decline, with declines in total gold certificate reserves amounting to more than \$29,000,000 and in member bank reserve balances to almost \$14,000,000. Other major asset and liability accounts of the bank, such as United States Government securities, total earning assets, and Federal Reserve notes in actual circulation, showed no significant changes.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	May 15, 1950	May 15, 1949	April 15, 1950
Total gold certificate reserves.....	\$688,398	\$686,982	\$717,795
Discounts for member banks.....	0	5,220	2,000
Foreign loans on gold.....	1,393	4,742	1,363
U. S. Government securities.....	796,420	846,549	796,456
Total earning assets.....	797,813	856,511	799,909
Member bank reserve deposits.....	796,687	858,680	810,373
Federal Reserve notes in actual circulation.....	608,537	591,706	608,808

Recently the Secretary of the Treasury announced an exchange offering of a new 13-month 1¼-percent Treasury note for the 1¼-percent certificates of indebtedness maturing June 1 and July 1, issues which amount to \$5,000,000,000 and \$5,600,000,000, respectively. On May 12, the Secretary called the 2½-percent Treasury bonds of 1950-52 dated September 15, 1938, and the 2-percent Treasury bonds of 1950-52 dated April 15, 1943, for redemption on September 15, 1950.

INDUSTRY

Building activity in the District continued at a very high level in April, with the value of construction contracts awarded being \$97,000,000. This is 74 percent higher than the level of a year ago but 12 percent less than the near-record total of March 1950. During the first 4 months of this year contract awards in the District totaled about \$339,000,000, showing an increase of 61 percent over the corresponding period of last

year. While substantial gains have occurred in both the Nation and the District, they have been more pronounced in the District.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	April	April	March	January 1 to April 30	
	1950p	1949	1950	1950p	1949
Eleventh District—total..	\$ 97,389	\$ 56,093	\$ 110,447	\$ 338,627	\$ 209,899
Residential	44,229	21,318	47,878	157,167	69,302
All other	53,160	34,775	62,569	181,460	140,597
United States*—total.....	1,350,496	842,586	1,300,201	4,161,082	2,641,656
Residential	674,836	303,825	574,681	1,954,470	907,796
All other	675,660	538,761	725,520	2,206,612	1,733,860

*37 states east of the Rocky Mountains.

p—preliminary.

SOURCE: F. W. Dodge Corporation.

Residential construction awards for April amounted to about \$44,000,000 in the Eleventh District, or more than twice those of a year earlier and only 8 percent less than the near-record total for March 1950. During the first 4 months of 1950, residential awards totaled approximately \$157,000,000, or 127 percent more than during the same period last year. April marks the eleventh consecutive month of high-level residential building activity.

The current boom in housing has been particularly pronounced in the case of single-family dwellings built for sale or rent, which accounted for nearly two-thirds of all residential awards during the first quarter of 1950. Such contracts were awarded at 2.5 times the rate of the corresponding period of last year. Awards for dwellings for owner occupancy were up by a much smaller proportion, 81 percent. A greater percentage gain was made in awards for apartment buildings, which were made at more than three times the year-earlier rate, and awards for 2-family dwellings, which were running at more than four times the rate of a year earlier. Most of the single-family dwellings have been in the \$6,000-\$10,000 class and represent the response of the construction industry to the very large demand for so-called low-cost housing. Thus far this year, the average cost per dwelling unit has been slightly over \$8,000, or about \$500 less than in the same period last year. The decrease reflects chiefly a reduction in the average size of the dwelling units, together with a moderate decline in building costs.

BUILDING PERMITS

City	April 1950		Percentage change valuation from		Jan. 1 to Apr. 30, 1950		Percentage change
	Number	Valuation	valuation from		Number	Valuation	from 1949
			April 1949	Mar. 1950			
Louisiana:							
Shreveport.....	385	\$ 1,506,518	6	- 29	1,547	\$ 8,269,443	95
Texas:							
Abilene.....	149	1,133,057	94	- 40	696	4,968,167	163
Amarillo.....	448	2,706,370	189	66	1,347	6,997,252	60
Austin.....	304	2,515,175	- 20	6	1,443	11,297,112	43
Beaumont.....	342	1,507,392	246	231	1,369	4,431,437	34
Corpus Christi.	400	2,169,572	94	- 7	1,593	7,740,527	98
Dallas.....	1,787	7,531,421	16	- 33	7,413	33,788,654	49
El Paso.....	335	924,684	5	- 69	1,466	7,161,958	133
Fort Worth.....	807	2,634,819	37	- 40	3,406	13,247,811	72
Galveston.....	128	698,124	481	103	575	1,788,396	- 19
Houston.....	1,171	10,972,023	23	1	4,233	45,798,995	98
Lubbock.....	267	3,526,994	324	70	1,209	8,473,230	194
Port Arthur.....	217	398,944	41	- 26	815	1,890,307	67
San Antonio.....	1,780	3,608,048	93	- 9	6,809	16,674,748	75
Waco.....	291	1,125,105	35	- 55	1,180	8,039,145	195
Wichita Falls..	142	904,815	228	159	442	1,725,019	60
Total.....	8,953	\$43,860,051	46	- 12	35,523	\$182,289,201	79

Other factors contributing to the housing boom have been the availability of large amounts of mortgage credit from banks and insurance companies, both within and outside of the area; the availability of FHA and VA mortgage insurance and, hence, of low interest rates and down payments; and the generally high levels of business activity, employment, and

income. Real-estate activity increased during the past 12 months and, generally speaking, there is no great overhang of new houses on the market. Vacancy rates are still below what might be considered normal.

The construction boom has now become definitely evident, also, in the nonresidential sector of the industry. In this District during April such awards totaled about \$53,000,000, or 53 percent above the same month a year ago though 15 percent below the March 1950 peacetime record. During the first 4 months of 1950, nonresidential awards in this District totaled \$181,000,000, a gain of 29 percent from the year-earlier level.

Much of the stimulus to nonresidential construction reflects the residential building boom, since the development of new residential areas necessitates the building of shopping centers, stores, schools, churches, and sewer and water facilities. During the first quarter of 1950, awards for store construction in Texas were 174 percent above the level of a year earlier, with this gain accounting for most of the increase in commercial construction awards. Educational building awards were up 47 percent, and hospital and institutional were up 60 percent. Public works showed a moderate gain of 23 percent and utilities 33 percent.

On the other hand, manufacturing and a number of other types of construction have failed to participate in the current boom. While awards for commercial warehouses increased by over \$5,000,000 during the first quarter of the year, the gain was due chiefly to a single large project. Substantial backlogs of demand exist for a number of types of nonresidential construction, including the above-mentioned shopping centers, stores, schools, and other community facilities, as well as utility, highway, water development, and some other types of projects. Farm construction has recently been at a high level but is expected to decline moderately as farm incomes decrease. There has been a considerable volume of construction by the oil and gas industry, with pipe lines, natural gasoline plants, and cycling plants, as well as some refinery expansion, accounting for most of the construction activity in this field.

Within the Eleventh District the upsurge in construction activity has been distributed somewhat unevenly, with construction contract awards for the first quarter of 1950 showing a gain from a year earlier of only 5 percent in Shreveport but of 148 percent in San Antonio. Fort Worth gained 117 percent, Houston 65 percent, Dallas 59 percent, and Austin 20 percent. All of these cities showed large increases in residential construction awards, San Antonio leading with a 223-percent increase, followed by Dallas with a 165-percent gain and Shreveport with a 100-percent gain. Fort Worth showed an increase of 86 percent, Austin 49 percent, and Houston 42 percent. In nonresidential construction, Fort Worth showed the largest increase, 228 percent, with Houston and San Antonio making smaller gains. On the other hand, Dallas, Fort Worth, and Shreveport showed decreases in this type of construction. In dollar volume, Dallas led the other cities in residential construction, while Houston led in nonresidential and in total construction.

The petroleum industry has improved its economic position quite markedly since the first of the year as the result of rising demand and a firm control over new supplies. This improvement is reflected in expanding crude oil production both in the Nation and in this District, with the daily average output being up in April from the previous month by 134,000 barrels in the District and slightly more in the Nation. Increased allowables in Texas and Louisiana should permit a May production in the District of about 100,000 barrels per day more

than in April. Since this District is responsible for most of the elasticity in the domestic supply of petroleum, any further improvement in demand is likely to be reflected here.

CRUDE OIL PRODUCTION

Texas: District	Area	(Barrels)		Increase or decrease in daily average production from	
		April 1950		April 1949	March 1950
		Total production	Daily avg. production		
1	South Central	796,700	26,557	1,284	651
2	Middle Gulf	3,626,750	120,891	-939	5,341
3	Upper Gulf	10,997,850	366,595	1,358	32,916
4	Lower Gulf	5,708,950	190,298	4,135	6,148
5	East Central	918,600	30,620	-5,240	6,810
6	Northeast	10,292,150	343,072	3,379	13,794
	East Texas	7,735,850	257,862	3,339	10,323
	Other fields	2,556,300	85,210	40	3,471
7b	North Central	1,898,250	63,275	4,575	885
7c	West Central	1,591,550	53,052	10,289	3,207
8	West	18,034,000	601,133	61,566	64,417
9	North	3,924,800	130,827	11,970	816
10	Panhandle	2,680,800	89,360	1,687	123
	Total Texas	60,470,400	2,015,680	94,064	135,108
	New Mexico	3,723,350	124,111	-6,106	-3,470
	North Louisiana	3,843,050	123,102	10,305	2,525
	Total Eleventh District	68,036,800	2,267,893	98,263	134,163
	Outside Eleventh District	82,149,750	2,738,325	-18,857	16,957
	United States	150,186,550	5,006,218	79,406	151,120

SOURCE: Estimated from American Petroleum Institute weekly reports.

Indicative of the improvement that occurred during the first 4 months of this year was the 10-percent increase in indicated demand over the corresponding period of 1949. While exports of crude petroleum and refined products were down about 34 percent, the domestic demand increased approximately 13 percent. Since new supplies of crude petroleum during the 4 months were about the same this year as last, the increase in demand resulted in a decrease in stocks at a rate of about 500,000 barrels per day, which contrasts with an increase of

about 110,000 barrels daily during the same period last year. At the end of April, stocks of crude oil and major refined products were about 66,000,000 barrels less than at the close of 1949 and 63,000,000 barrels lower than a year ago.

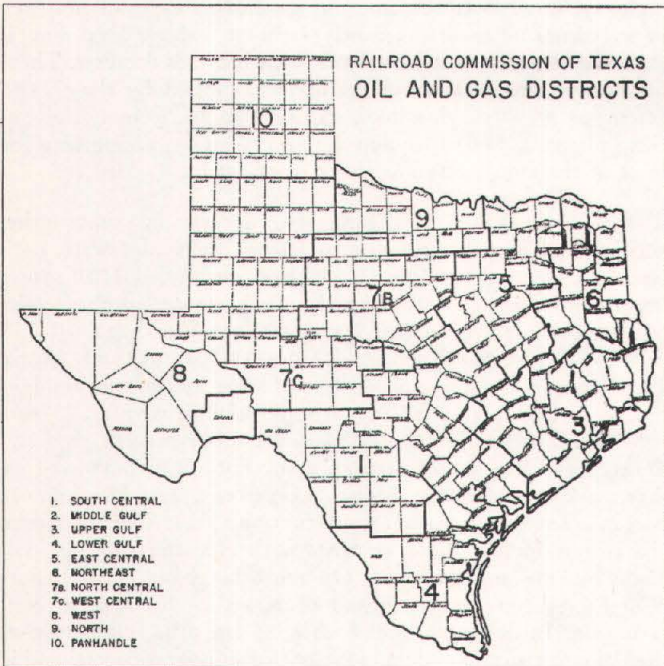
Reflecting the tighter demand-supply situation, prices of gasoline and of some of the other refined products have increased, strengthening the position of the crude oil market.

Refinery activity increased toward the latter part of April, partly offsetting the effects of The Texas Company strike. In this District, crude runs to refinery stills were reduced from the previous month by 159,000 barrels daily, but in the Nation a gain of 4,000 barrels per day was achieved. The April rate of activity in the Nation was about 224,000 barrels per day higher than a year ago, but in the District runs to stills were 177,000 barrels daily under the year-earlier rate.

Despite the increase in crude oil production, stocks of crude oil increased only moderately during April, while stocks of most petroleum products declined. Gasoline stocks fell nearly 7,000,000 barrels to 128,655,000 barrels, reaching a level only 3,540,000 barrels higher than a year ago, thus removing the earlier threat of excessive inventories of motor fuel. In view of the prospectively greater demand for gasoline this year, the level of gasoline stocks may be considered generally favorable from the viewpoint of the industry. The decline of stocks of light fuel oil by nearly 2,000,000 barrels and a decline of similar magnitude in heavy fuel oil stocks indicate adjustment to the seasonal decline in demand. Stocks of the four major petroleum products were reduced by 10,158,000 barrels during April; since crude oil stocks were up 1,637,000 barrels, the decrease for the four products plus crude oil amounted to about 8,521,000 barrels.

Drilling activity has been running at close to record rates both in the District and in the Nation. During the first quarter of 1950 well completions were up 27 percent over a year earlier in the District and 11 percent in the Nation.

The daily average rate of consumption of cotton at the United States mills during April was 1 percent higher than in the previous month and 25 percent above the level of a year earlier. Total consumption during the first 9 months of the 1949-50 season was 9 percent more than during the previous season.



DOMESTIC CONSUMPTION AND STOCKS OF COTTON

	(Bales)				
	April* 1950	April 1949	March† 1950	August 1 to April 30	
				This season	Last season
Consumption at:					
Texas mills	12,080	10,748	15,090	115,395	112,884
United States mills	711,511	598,502	898,228	6,688,902	6,159,851
U.S. Stocks — end of month:					
In consuming establm'ts..	1,759,305	1,440,180	1,881,498		
Public storage and com- presses	7,369,348	5,869,427	8,302,175		

*Four weeks ended April 29.
†Five weeks ended April 1.