

# MONTHLY BUSINESS REVIEW



of the FEDERAL RESERVE BANK of Dallas

Vol. 35

Dallas, Texas, August 1, 1950

Number 8

## DEPARTMENT STORE TRENDS IN THE ELEVENTH DISTRICT DURING THE PAST DECADE

JACK D. COLCLOUGH, *Business Economist, Federal Reserve Bank of Dallas*

The growth in department store sales in the Eleventh Federal Reserve District during the past decade reflects the rapid development of the economy of the Southwest. Since department store sales are largely dependent on the level of consumer income and since consumer income is largely dependent on the fortunes of the basic industries in the District, such as agriculture, oil, and manufacturing, it is only natural that the expansion in these basic industries would be mirrored in department store trends. Indicative of this situation, department store sales in 1949 were almost three and one-half times as large as in 1939, while income payments to individuals in the District showed almost the same relative increase. Meanwhile, the value of petroleum production in 1949 was more than three and one-half times the 1939 level and the values of manufacturing production and of agricultural production were roughly four times as large.<sup>1</sup> It should be pointed out, however, that the sharp increase in prices during the past decade was a very important factor, not only in the increase in department store sales but also in income and the value of production of the basic industries.

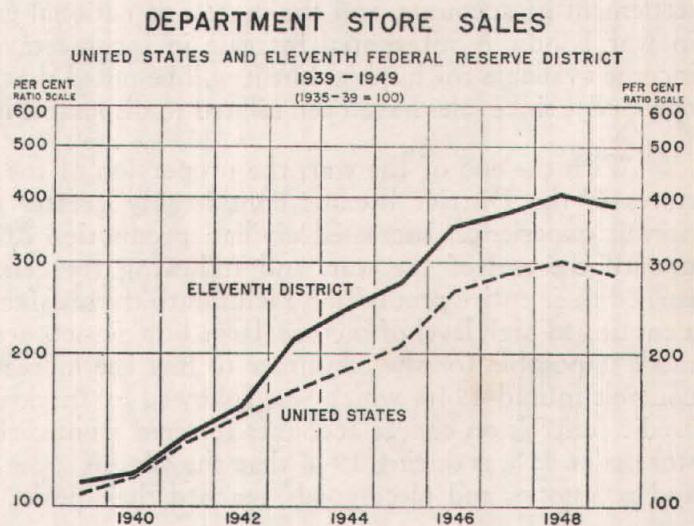
Sales at district department stores showed an uninterrupted growth from 1933 to 1948. Although sales declined moderately in 1949 when the District and the Nation experienced a mild readjustment in business activity, sales during the first half of 1950 moved noticeably higher, approaching the record level of 1948. The years of most rapid growth in sales were those of the war period, but a substantial rate of growth occurred in the postwar years.

The growth in department store sales in the Eleventh District during the past decade was substantially greater than the national average. In this connection, it will be noted that during this period agriculture and industry in the District experienced a relatively larger expansion than in the Nation. Whereas, sales at district department stores rose 244 percent from 1939 to 1949, the average sales increase in the Nation was only 169 percent, or a little over two-thirds as much. The disparity between the increases in district sales and in national sales was greater during the war years, but even in the postwar years district stores have shown a somewhat larger increase.

The growth in department store sales in the Eleventh District during the past decade was substantially greater than the national average. In this connection, it will be noted that during this period agriculture and industry in the District experienced a relatively larger expansion than in the Nation. Whereas, sales at district department stores rose 244 percent from 1939 to 1949, the average sales increase in the Nation was only 169 percent, or a little over two-thirds as much. The disparity between the increases in district sales and in national sales was greater during the war years, but even in the postwar years district stores have shown a somewhat larger increase.

<sup>1</sup>See "A Decade of Economic Growth in the Southwest," *Monthly Business Review*, Federal Reserve Bank of Dallas, February, 1950.

CHART I



The relationship between the growth of department store sales in the District and of personal disposable income (income less personal taxes) is clearly portrayed in Chart II. In the 1930's, this relationship was very close, as shown by the proximity of the dots to the sloping line on the chart.

With this country's entrance into the war, department store sales in the District began to fall below what might have been normally expected in terms of the level of disposable income. As the District and the Nation turned to all-out war production, employment and wage rates increased sharply, with a resulting large expansion in consumer incomes. The building and later staffing of war plants, the construction of military cantonments and the expansion in military forces, the increase in agricultural production, together with the increase in prices—all these factors tended to boost income in the District. At the same time, many durable goods items, such as refrigerators, ironers, radios, etc., disappeared from the stores as production facilities were diverted to the manufacture of war goods. Even many soft goods items were in sharply reduced supply, since a substantial part of their production was needed for the Armed Forces. Moreover, the establishment of price controls on a large proportion of all goods sold by stores prevented the rise in income from being dissipated in a corresponding rise in price of the reduced supply of civilian goods and, consequently, held down the dollar volume of sales. Other factors which tended to restrict the rise in sales in relation to the sharp increase in income were the imposition of consumer credit controls, which tightened credit terms and required the prompt settlement of accounts, and the success of national campaigns to induce increased saving, particularly in war bonds. A substantial increase in income taxes also reduced the amount of consumers' gross income available for buying, but it will be noted that the effect of this factor has been eliminated from our study, since sales have been related to disposable income rather than to gross income.

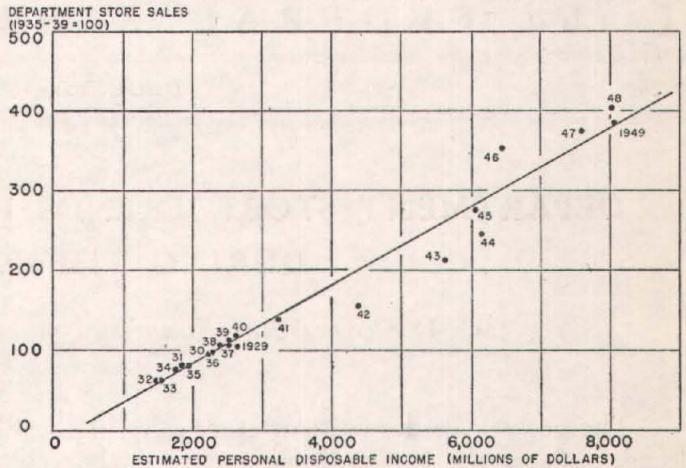
With the end of the war, the proportion of the aggregate consumer income spent in department stores in the District became considerably greater than might have been expected on the basis of prewar experience. Increased civilian production of many consumer soft goods had been permitted toward the end of the war, and following the cessation of hostilities, soft goods industries rapidly turned their entire production facilities to the satisfaction of the pent-up consumer demand. Moreover, a continued high level of income, large liquid assets accumulated during the war, and a low indebtedness made it possible for the consumer to buy the increasing supply of goods. The abandonment of price controls in mid-1946, which was followed by markedly higher prices, and the relaxation of consumer credit controls on charge accounts fostered a noticeable expansion in the dollar volume of department store sales. It was during 1946 that the sales of some soft goods departments, such as women's apparel and accessories and piece goods, reached their peaks.

Although department store sales in 1946 were higher in relation to disposable income than in any of the preceding 20 years, they continued to be noticeably higher in 1947 and 1948. A substantial portion of the war-deferred demand for soft goods was satisfied during 1946, but little progress was made during that year in meeting the pent-up demand for hard goods. In the hard goods categories the conversion from war to peacetime production was more difficult; consequently, not until 1947 and 1948 were many hard goods items available in sufficient quantities to begin reducing the wartime backlog of demand. During those years, sales in general were buoyed by the deferred consumer buying of refrigerators, stoves, washing machines, and other hard goods, as well as by the satisfaction of the postponed demand for some soft goods.

By 1949, the war-deferred demand for both soft and hard goods carried by department stores appears to have been satisfied. Although department store sales in the District declined moderately

CHART II

RELATIONSHIP BETWEEN DEPARTMENT STORE SALES, ELEVENTH DISTRICT, AND PERSONAL DISPOSABLE INCOME, TEXAS, 1929-1949



appears to have been satisfied. Although department store sales in the District declined moderately

in 1949, it will be noted that sales had returned only to the level that might have been expected on the basis of the prewar relationship to income.

It may be asked whether the prewar relationship of department store sales to disposable income has any validity in the postwar period. Can we expect the relationship between these two series to continue in the future? Some changes have occurred and are occurring which may have some influence on the relationship of sales to disposable income. The sharp increase in the progressive federal income tax during the past 10 years undoubtedly has tended to produce a more even distribution of disposable income among the population of the country. Moreover, a substantial increase has occurred in the per capita income in the District—not only in terms of dollars but also in terms of the goods and services present income will buy. Per capita income in district states in terms of 1939 dollars increased over 70 percent from 1939 to 1948. The more even distribution in income and the higher per capita income may be changing the proportion of income being saved versus the proportion being spent and, also, may be influencing the proportion of income being spent on automobiles as compared with the proportion being spent on clothing and other items sold in department stores. Insofar as changes in the level and distribution of income produce changes in the use of this income, the relationship between department store sales and disposable income may be affected. Moreover, changes in the share that department store sales comprise of total retail sales may influence the relationship of department store sales to disposable income. If other types of retail outlets obtain an increased proportion of sales which had previously been made by department stores, or if consumers shift their demands to items not ordinarily carried by department stores, the relationship of department store sales to disposable income will change.

While the aforementioned factors must be watched closely for their effect on the sales-income relationship, nevertheless, a relationship established over a long period tends to change slowly. Moreover, variations from an established relationship are to be expected and should not, over a few years, be considered necessarily as the beginning of a new relationship. In fact, these variations are frequently signposts of abnormal situations which are not likely to persist for any length of time. For instance, the low volume of sales in relation to income during the war years and the high sales-to-income relationship in the immediately postwar years were indicative of situations which probably would not continue.

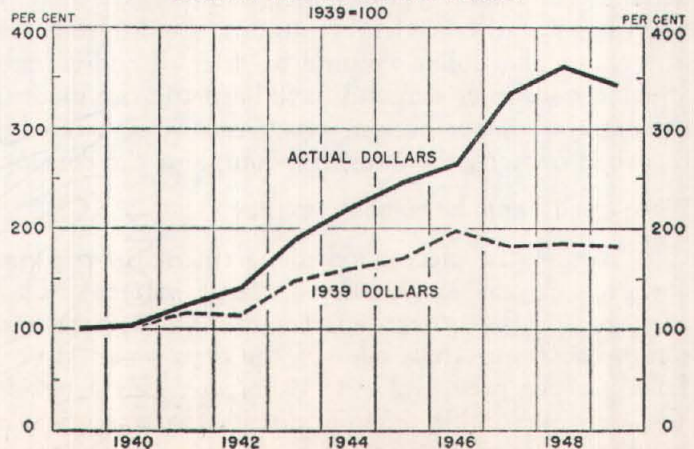
### Physical Volume of Sales

Although, as previously mentioned, the rise in prices was a very important factor in the increase in the dollar volume of department store sales during the past decade, sales—adjusted to eliminate the effects of higher prices—still showed a very substantial gain. A rough approximation of the increase in the physical volume of sales can be obtained by applying the apparel and house furnishing components of the United States Bureau of Labor Statistics' Index of Consumers' Prices to the dollar volume of sales to obtain sales in terms of 1939 prices. Thus, sales at district department stores in terms of 1939 prices appear to have risen approximately 83 percent between 1939 and 1949, as compared with an increase in the actual dollar volume of sales of 244 percent. In other words, about two-thirds of the increase in dollar sales at department stores during the past 10 years appears to be accounted for by higher prices.

Chart III reveals that sales at district department stores, in terms of 1939 dollars, rose substantially during the war period to reach a peak in the first postwar year 1946 and then declined moderately in 1947, leveling out in the two succeeding years. This pattern is in sharp contrast with that of the actual dollar sales volume, which did not reach its peak until

CHART III

### DEPARTMENT STORE SALES IN TERMS OF ACTUAL AND 1939 DOLLARS ELEVENTH FEDERAL RESERVE DISTRICT 1939=100



1948 and showed a noticeable decline in 1949. Both the actual dollar sales and sales in terms of 1939 dollars have risen noticeably in the current year.

The increase in the population of the District and the movement of the farm population to large cities during the past decade undoubtedly have been important factors contributing to the expansion in department store sales. Nevertheless, the importance of these factors has been greatly overshadowed by the substantial increase in the purchasing power of the average person. Indicative of the relatively greater importance of the increased purchasing power, sales in terms of 1939 dollars showed an increase more than five times greater than the increase in the civilian population during the past 10 years. The average person bought 59 percent more merchandise from district department stores in 1949 than in 1939. This increase appears to be only slightly less than the increase in the real per capita disposable income (disposable income per capita, adjusted for changes in the purchasing power of the dollar) in Texas during the past decade.

### Sales of Individual Departments

Sales in all major departments experienced a very large expansion during the period 1939-49, but the magnitude and pattern of growth varied considerably among the different departments. This variation is reflected in the changes in the distribution of total sales among the departments. One of the most pronounced changes occurred in the house furnishings department, in which the proportion of total sales declined from 9.3 percent in 1939 to 6.0 percent in 1944 and then rose to 14.7 percent in 1949. The proportion of total sales occurring in the women's and misses' ready-to-wear apparel department also showed a substantial change, rising from 19.1 percent in 1939 to 23.9 percent in 1944 and then falling to 22.1 percent in 1949. Meanwhile, the basement store department had a progressively smaller proportion of total sales, declining from 9.9 percent in 1939 to 9.3 percent in 1944 and then to 8.6 percent in 1949.

PERCENTAGE DISTRIBUTION OF SALES AT DEPARTMENT STORES  
BY MAJOR DEPARTMENTS  
ELEVENTH FEDERAL RESERVE DISTRICT-1949, 1944, 1939

Department	1949	1944	1939
Piece goods.....	5.7	7.7	6.6
Small wares.....	8.3	8.8	8.2
Women's and misses' ready-to-wear accessories.....	21.1	23.9	20.6
Women's and misses' ready-to-wear apparel.....	22.1	23.9	19.1
Men's and boys' wear.....	12.1	11.3	11.5
Housefurnishings.....	14.7	6.0	9.3
Basement.....	8.6	9.3	9.9
Miscellaneous merchandise and nonmerchandise.....	7.4	3.6	3.8
Not reported separately.....	....	5.5	11.0
Total.....	100.0	100.0	100.0

Numerous factors were responsible for the changes in the distribution of sales, some of a temporary nature and others perhaps having more or less permanent influence. One of the most obvious factors was the variation in the availability of goods in the different departments, depending upon the degree to which the facilities for producing these goods had been diverted to war purposes and, subsequently, upon the difficulty in reconversion to peacetime production. Another factor of importance in wartime, which has carried over to some extent into the postwar years, has been changes in demand occasioned by the increase in the number of women working. Moreover, during the war years, removal of a large number of men from civilian life for service in the military forces had an important influence on the demand for many types of merchandise. The magnitude of the increase in prices during the past 10 years has varied considerably among the different goods sold by department stores, and this factor has influenced the dollar volume of sales of individual departments. Among other factors which have affected consumer demand have been the rise in consumer purchasing power, changes in the habits of the population, the high marriage rate, an increase in the birth rate, the movement of rural population to urban centers, the housing boom, and the development of new products, such as television.

### Piece goods and household textiles

Sales in the piece goods departments in the main store in 1949 were 170 percent higher than in the prewar year 1939, but this large increase was noticeably smaller than the gains registered by a majority of the other departments. During the war years sales in the piece goods department rose somewhat faster than sales of the department store as a whole, but in the early postwar years they failed to keep pace, and in 1949, experienced a considerably larger decline than most other departments. The more favorable showing during the war was a reflection of a better supply situation; piece goods production was not affected as severely by the conversion of plants to war production as were many

other department store items. Moreover, no appreciable backlog of demand for piece goods developed during the war. The rise in piece goods sales during the past decade was due largely to higher prices, increased consumer incomes, and the growth in population.

Relating sales of the piece goods department to disposable income, it is evident that in the past decade consumers tended to spend a progressively smaller proportion of their income on piece goods, in continuation of a trend apparent throughout the 1930's. This downward trend reflects the decrease in home sewing and, conversely, the increase in consumer purchasing of ready-made clothing and household items.

Sales of household textiles—towels, sheeting, etc.—showed a large increase during the war years, reached a peak in 1946, and then declined steadily in subsequent years. As in the case of piece goods, supplies of household textiles were more adequate during the war than those of many other department store items. This situation was mainly responsible for the larger increase in the wartime sales of household textiles and the more rapid satisfaction of war-deferred demands in the postwar period. The high level of sales in 1946 reflected not only pent-up demand but also the large increase in the establishment of new households, with the return of servicemen. Although sales of household textiles declined 29 percent from 1946 to 1949, in the latter year they were still almost three times as high as in 1939.

SALES AT DEPARTMENT STORES BY MAJOR DEPARTMENTS, 1939-49  
ELEVENTH FEDERAL RESERVE DISTRICT (1939=100)

Year	Piece goods and household textiles	Small wares	Women's and misses' apparel and accessories	Men's and boys' wear	Housefurnishings	Basement	Total sales
1939	100	100	100	100	100	100	100
1940	102	103	106	106	117	103	104
1941	119	119	122	122	145	120	123
1942	146	134	148	132	135	143	140
1943	225	192	218	178	154	184	189
1944	266	216	260	194	166	209	219
1945	284	264	307	219	199	239	246
1946	348	285	362	294	401	282	314
1947	324	276	351	302	489	279	334
1948	327	283	358	302	533	298	361
1949	273	284	329	296	522	298	344

**Small wares**

In the past decade sales in the small wares department, like those of piece goods, showed a more moderate increase than most other major departments. After a relatively small increase during the early war years, sales of this department rose rapidly to reach a peak in 1946 and then showed a considerable degree of stability in the succeeding years. This stability, however, tends to conceal the marked variation in trends of the diverse items sold in the small wares department. For instance, sales of lace, embroideries, and ribbons showed a pronounced downward trend after 1944; and sales of toilet articles and drugs, although steady during the past 3 years, were noticeably below the 1945 peak. On the other hand, sales of silverware and clocks and of books and stationery increased steadily throughout the 10-year period. Moreover, jewelry sales, after declining in 1947, rose in 1948 and 1949 to within striking distance of the peak volume of 1946.

The higher level of income enjoyed by the people of the District during the past 10 years undoubtedly has been an important factor in the favorable sales trends of such items as silverware, jewelry, and books.

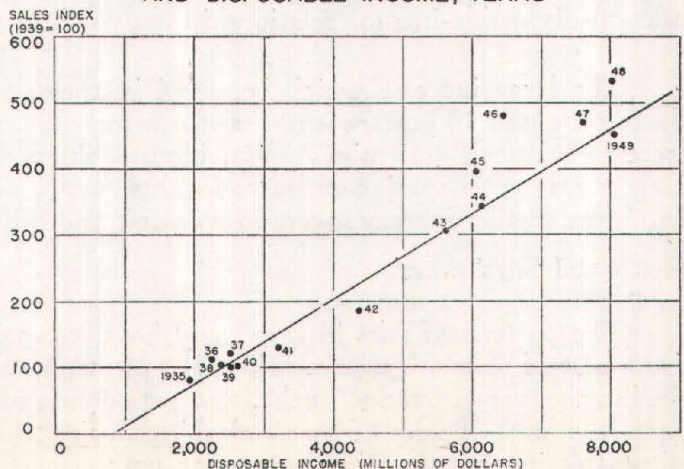
**Women's and misses' ready-to-wear apparel and accessories**

Women's and misses' apparel and accessories sales during the war years showed a greater increase than those of other major departments. The combination of more adequate supplies and increased needs and incomes associated with the larger number of women in industry stimulated sales.

It is interesting to note that sales of women's and misses' coats and suits did not deviate greatly from the level that might have been expected in terms of the prewar relation

CHART IV

RELATIONSHIP BETWEEN SALES OF WOMEN'S AND MISSES' COATS AND SUITS, ELEVENTH DISTRICT, AND DISPOSABLE INCOME, TEXAS



of sales to disposable income (see Chart IV). Although in 1942 consumers spent a smaller proportion of their disposable income on women's coats and suits than in previous years, in 1943 and 1944 the proportion spent was about the same as prewar. This situation is strikingly different, as shown in Chart II, from total department store sales, which during all of the war years were considerably below the level expected on the basis of the prewar relationship to disposable income.

Toward the end of the war and in the first postwar year 1946, sales of women's apparel and accessories rose substantially to reach a peak 262 percent above the 1939 level. However, with sales already at a high level, the increase during 1946 was relatively smaller than in such lines as men's wear and housefurnishings. Naturally, during that year war-deferred demand was of less consequence in women's apparel sales than in sales of these other items. Nevertheless, indicative of the high level of women's apparel sales, Chart IV shows that sales of women's and misses' coats were sharply higher than would have been expected on the basis of the prewar sales-to-disposable-income relationship. This abnormally high level of sales continued in 1947 and 1948 as sales were buoyed by a major style change. The decline in coat sales in 1949 reflected the general weakness in women's apparel sales, which began in the second quarter of that year and has continued up to the present. Despite the decline, sales of women's and misses' coats in 1949 were only slightly below the established relationship of sales to income. During the past 10 years the deviations in the sales of women's and misses' dresses from the prewar sales-to-disposable-income relationship have been similar to those of women's and misses' coat sales.

In connection with the apparent return of sales of women's and misses' coats, suits, and dresses to levels approximately in line with the prewar sales-to-disposable-income relationship, it should be noted that a permanent change in this relationship may have occurred during the past 10 years. The prewar relationship may no longer be the normal relationship. The sharp increase in the proportion of women in industry now as compared to prewar may have resulted in establishing a new sales-to-disposable-income relationship. Thus in 1949, sales of women's coats, suits, and dresses may not have been as near normal as the charts would indicate. It is too soon to make any precise determination as to the development of a new relationship between sales and income; we must have additional postwar experience. However, in view of the fact that even before the war—during the period in which the relationship was established—the proportion of women in industry was growing, it is likely that any change in the sales-to-disposable-income relationship has not been of substantial proportions.

The large increase which occurred in the sales of women's and misses' apparel and accessories during the past 10 years was not uniform for all items sold in these departments. The larger sales gains were in women's and misses' suits; blouses, skirts, and sportswear; juniors' coats, suits, and dresses; girls' wear; scarfs and neckwear; infants' wear; and underwear, slips, and negligees. On the other hand, the smaller increases were in women's and misses' gloves, hosiery, and furs.

**Men's and boys' wear**

The pattern of sales in men's and boys' wear during the past decade was considerably different from that of women's apparel sales. Sales of men's and boys' wear showed considerably smaller increases during the war years, due to the large proportion of men in the Armed Services. As one might anticipate, the level of sales of men's clothing during the war years was substantially lower in relation to disposable income than in the prewar years (see Chart VI). Moreover, in the early postwar years,

CHART V

RELATIONSHIP BETWEEN SALES OF WOMEN'S AND MISSES' DRESSES, ELEVENTH DISTRICT, AND DISPOSABLE INCOME, TEXAS

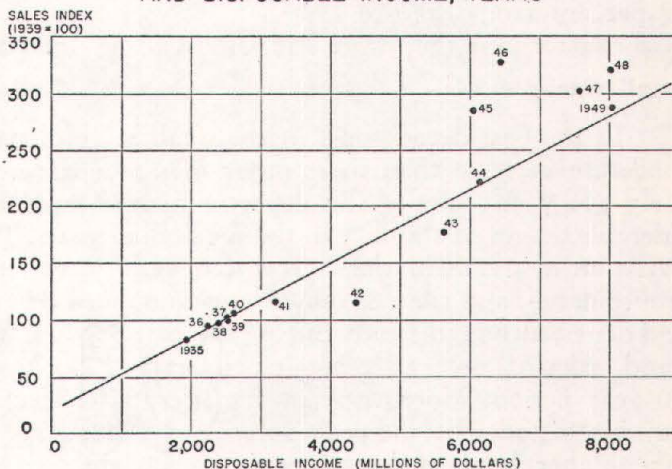
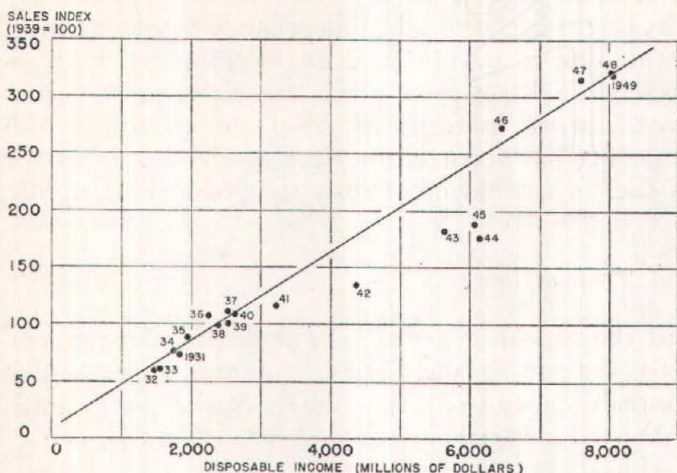


CHART VI

RELATIONSHIP BETWEEN SALES OF MEN'S CLOTHING, ELEVENTH DISTRICT, AND DISPOSABLE INCOME, TEXAS



although sales of men's wear increased sharply with the return of men from the Services, sales did not reach the unusually high volume evident in women's apparel sales. Men's clothing sales were only moderately higher in relation to income than in the prewar period. Sales were affected adversely by distinct shortages of men's clothing during 1946 and 1947, particularly in the medium-priced brackets.

During the past 3 years, men's wear sales maintained a high degree of stability—even during the past year when women's apparel sales were weak. Furthermore, it will be noted that in 1948 and 1949 sales of men's clothing were at about the level that might have been expected on the basis of the prewar relationship of sales to disposable income. This situation is not surprising, since the war-deferred demand for men's clothing had been largely satisfied.

**Housefurnishings**

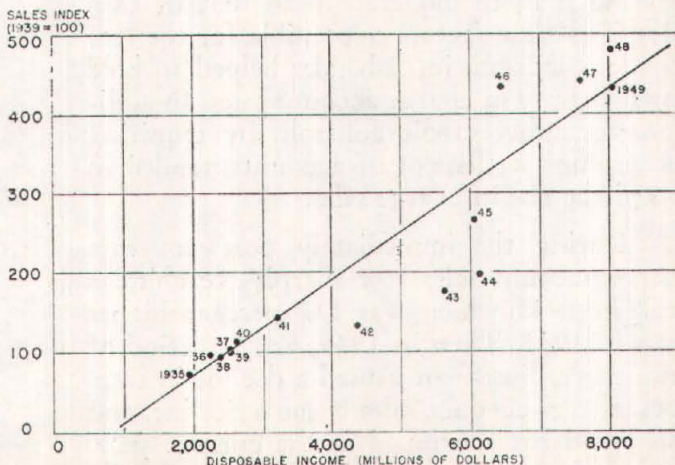
Sales of many housefurnishing items were considerably restricted during the war as a result of the diversion of civilian production to war purposes. Even in items in which production was not discontinued, such as furniture, the quality tended to deteriorate as substitute materials were used, and this factor had a discouraging effect on sales. With the resumption of civilian production after the war, sales of housefurnishings began to show sensational increases. It was not until 1948 that supplies began to catch up with the backlog of demand. Although sales weakened considerably near the end of 1948 and during the first several months of 1949, they then resumed their rising trend and during the first half of the current year reached an all-time peak. Sales of major appliances in recent months have been running around 1,400 percent higher than the 1939 average, while furniture and bedding sales have been over 400 percent higher. On the other hand, sales of some housefurnishing items have shown considerably more modest increases, with sales of domestic floor coverings and china and glassware only 225 to 250 percent greater than in 1939.

The high level of housefurnishing sales in the postwar period has been due to the tremendous war-deferred and replacement demand, the housing boom, and the rapid rate of family formation. Of course, the high levels of employment and income and accumulated wartime savings, as well as the expansion of credit and the liberalization of credit terms, particularly during the past year, have been vital factors enabling consumers to translate their needs and desires for these items into actual purchases.

The low level of furniture sales in relation to disposable income during the war years and the high level in the first few postwar years are clearly shown in Chart VII. Following the 1949 decline, sales were again about in line with the prewar sales-to-disposable-income relationship. Although data are not available to permit a similar study of major appliance sales at district department stores, the variation in sales in relation to income would probably show a substantially similar picture to that of furniture sales. Major appliance sales in 1946 would perhaps have been somewhat lower in relation to disposable income, while sales in 1947, 1948, and 1949 would have been higher.

CHART VII

RELATIONSHIP BETWEEN SALES OF FURNITURE, ELEVENTH DISTRICT, AND DISPOSABLE INCOME, TEXAS



## Basement store

Basement store sales showed a more moderate increase than most main store departments during the past decade. This development was a reflection, in large part, of the high level of business activity and consumer income, which tended to promote sales of the higher quality merchandise. Sales of most items in the basement department showed increases of but 50 to 150 percent, as compared with an average increase of main store sales exceeding 200 percent. Sales of piece goods and girls', juniors', and infants' wear in the basement department, however, showed increases of from 300 to almost 500 percent in the past 10 years. It appears likely that a shift has occurred in piece goods sales from the main store to the basement store, since piece goods sales in the basement store showed a substantially larger increase than those in the main store.

## Sales by Type of Transaction

Sharp differences have occurred in the trends of the various types of sales at district department stores during the war and the booming postwar years of the past decade. Cash sales showed a spectacular rise during the war years. The imposition of price controls tended to prevent the sharp rise in consumer incomes from being dissipated in higher prices for the reduced supply of goods available and, consequently, the consumer was in a better financial position during the war to pay cash for what he purchased. Another factor promoting the large increase in cash sales was the growth in transient trade, consisting of servicemen and industrial workers, who, at their new locations, did not establish accounts with the stores.

Cash sales, after rising in 1946 to a peak 269 percent above the 1941 level, showed a declining trend in the succeeding years and in 1949 were only about 170 percent higher than in 1941. This declining trend reflects the attempts of the consumer to stretch his income to pay for the enlarged volume of merchandise which has become available. Moreover, the tendency for small items, which are frequently purchased on a cash basis, to comprise a smaller proportion of total department store sales also has been responsible for this declining trend.

Although charge account sales rose substantially during the war years, the increase was much more moderate than that of cash sales. The same factors responsible for the tremendous increase in cash sales helped to hold down the rise in charge account sales. In addition, consumer credit controls, by requiring the prompt settlement of accounts, tended to retard the rise in charge sales.

During the immediately postwar years charge account sales rose sharply, reaching a peak in 1948 which was 177 percent higher than in 1941. Then in 1949, as the period of business readjustment caused a decline in total sales, charge account sales began a decline, and this trend has continued in the current year. The weakness in soft goods sales undoubtedly has influenced the decline in charge sales.

Unlike cash or charge account sales, in-

CHART VIII

### SALES BY TYPE OF TRANSACTION

ELEVENTH FEDERAL RESERVE DISTRICT  
1941 = 100

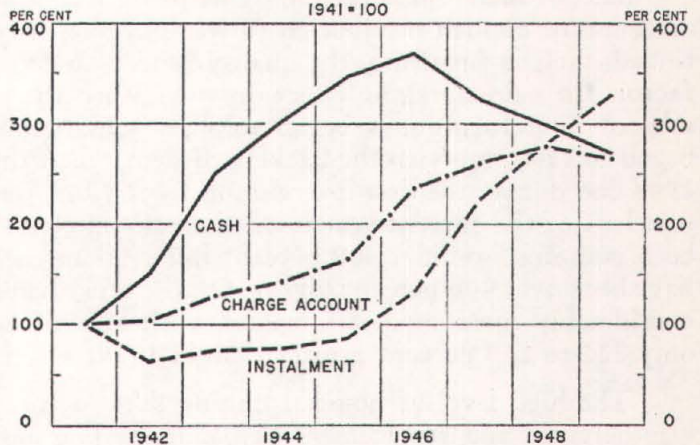
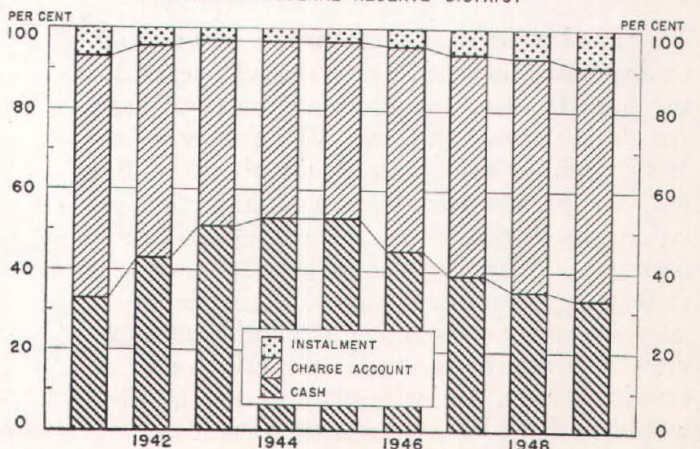


CHART IX

### DISTRIBUTION OF SALES BY TYPE OF TRANSACTION

ELEVENTH FEDERAL RESERVE DISTRICT





**PERCENTAGE DISTRIBUTION OF SALES AT DEPARTMENT STORES  
BY TYPE OF TRANSACTION  
ELEVENTH FEDERAL RESERVE DISTRICT AND UNITED STATES, 1941-49**

Year	Cash sales		Instalment sales		Charge account sales	
	Eleventh District	United States	Eleventh District	United States	Eleventh District	United States
1941	33	48	7	9	60	43
1942	43	56	4	6	53	38
1943	51	61	3	5	46	34
1944	53	64	3	4	44	32
1945	53	64	3	4	44	32
1946	45	59	4	4	51	37
1947	39	55	6	6	55	39
1948	35	52	7	7	58	41
1949	33	50	9	8	58	42

stalment sales were significantly lower during the war years than in the immediately prewar years. The principal factor causing this decline was the unavailability of many consumer durable goods, which are normally sold on a deferred-payment basis. In the postwar period instalment sales showed an extremely rapid increase as refrigerators, radios, washing machines, and other durable goods became increasingly obtainable. Even in 1949 when total sales declined moderately, instalment sales continued to rise sharply, and this increase has continued up to the present time.

The divergent trends in the types of sales naturally produced substantial variations in the proportion that each type of sale constituted of the total sales. The proportion of cash sales to total sales rose from 33 percent in 1941 to 53 percent in 1944 and 1945 but then declined noticeably to the 1941 level. In fact, during the early months of the current year the proportion of cash sales was only 32 percent, or slightly higher than in 1940.

Credit sales showed an inverse pattern. The proportion of charge account sales to total sales declined from 60 percent in 1941 to 44 percent in 1944 and 1945 and then rose to 58 percent during the past 2 years. Meanwhile, instalment sales, constituting 7 percent of total sales in 1941, declined to 3 percent during the years 1943-45 and then rose steadily to 9 percent in 1949. In recent months the proportion of instalment sales reached an all-time high for the District, about 12 percent of total sales.

Trends of the various types of sales at department stores in this District during the past 10 years were very similar to those at department stores throughout the Nation. The proportion of cash to total sales in the District rose more pronouncedly during the war than the national average and declined more substantially in the postwar years. The proportion of cash sales in district department stores at the present time is only about two-thirds as large as the average for the Nation—a difference which is about the same as existed before the war. The proportion of charge account sales to total sales in the District showed a larger decline during the war years than the national average but has shown a larger increase since the war's end. In the past 10 years, district stores have consistently shown a considerably higher proportion of charge account sales than the Nation's department stores. While the trend in the proportion of instalment sales in the District has been similar to that of department stores throughout the Nation, the decline was smaller during the war years and the increase has been larger in the postwar years. Whereas instalment sales in the District constituted only 7 percent of total sales in 1941 as compared with 9 percent for stores in the Nation, in 1949 district instalment sales amounted to 9 percent as compared with only 8 percent for the United States. This deviation appears to have widened during the first half of this year.

#### Accounts Receivable and Collections

Charge accounts outstanding at district department stores, after showing a moderate decline during the war years, rose rapidly in the postwar years to record heights more than double the immediately prewar level. During the past 12 months, however, charge accounts outstanding tended to decline. In view of the substantial increase in charge sales during the war, the wartime decline in receivables outstanding reflected the marked speed-up in collections, resulting from the consumer's improved financial position and the imposition of consumer credit controls. The collection ratio of charge accounts outstanding rose from 40 percent in 1940 to a high of 65 percent in 1944. The subsequent rise in charge accounts outstanding during the postwar years was due to the increase in charge sales and the slowing in collections. The consumer found it increasingly difficult to spread his income over his increased purchases, and this factor, together with the suspension of charge account credit controls on December 1, 1946, resulted in his taking longer to pay up his accounts. The declining

trend in collections, however, has leveled out in recent months, with the collection ratio—at 51 percent—being considerably higher than prewar.

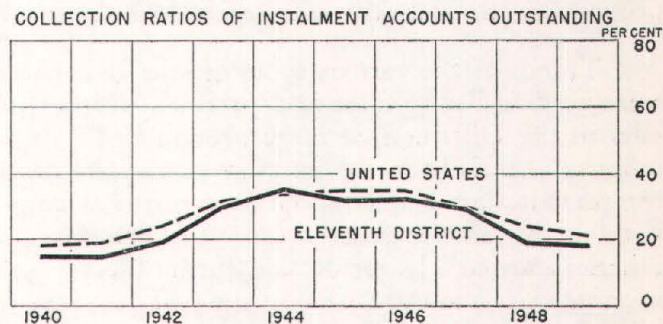
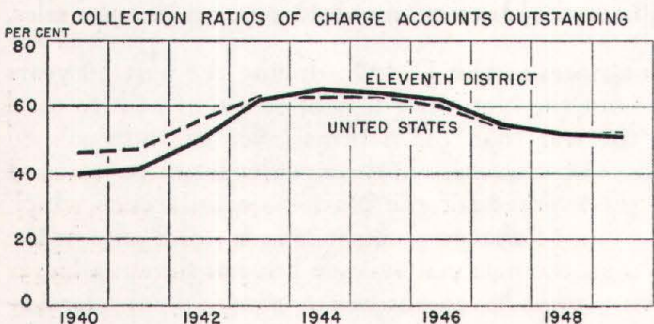
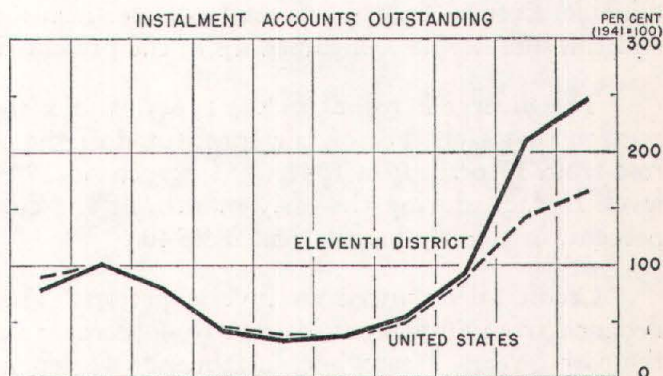
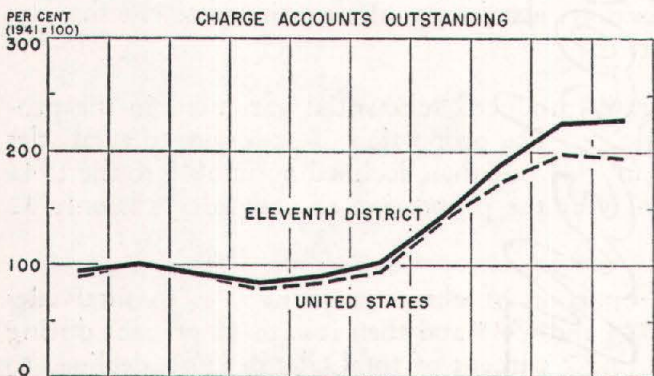
Trends in charge accounts outstanding and collections at department stores in this District during the past 10 years were similar to those at department stores throughout the Nation. Because of the greater expansion in district sales, however, charge accounts outstanding showed a greater rise than the national average. Moreover, although collections in relation to accounts outstanding were slightly lower during the past 18 months than in the Nation as a whole, this disparity was considerably less than prevailed in prewar years.

CHART X

DEPARTMENT STORE ACCOUNTS RECEIVABLE AND COLLECTION RATIOS

UNITED STATES AND ELEVENTH FEDERAL RESERVE DISTRICT

1940-1949



The decline in instalment sales during the war, as well as the marked rise in the collection ratio, reduced instalment accounts outstanding at district department stores to a level in 1944 which was only about one-third as large as in 1941. With the sharp increase in consumer durable sales in the postwar years, instalment accounts outstanding rose rapidly. Collections slowed as down payments were reduced and the payout period extended, particularly since the expiration of consumer instalment credit controls on June 30, 1949. The collection ratio, which reached a high of 35 percent in 1944, has declined steadily and in recent months has averaged 15 percent, or about the same as the level prevailing in 1940 and 1941.

The increase in instalment accounts outstanding at district department stores in the postwar years has been twice as large as that of the average of department stores throughout the Nation. Moreover, the ratio of collections to instalment accounts outstanding in the District has declined more sharply than the national average. The district collection ratio in recent months has been three percentage points lower than the average ratio prevailing in the Nation's department stores. It will be noted, however, that this same difference existed in the prewar comparison. Nevertheless, it would appear that district department stores have been more liberal in their credit extension, allowing easier credit terms—lower down payments and longer payout periods—than the average department store in the Nation.

## Department Store Stocks

While stocks of district department stores during the past 10 years showed a large increase in conformance with the rise in sales, the long-term trend toward faster inventory turnover continued. The average ratio of stocks at the end of the month to sales during the month, which indicates the number of months' supply on hand in terms of the monthly sales volume, was 2.81 in 1949, as compared with 2.95 in 1940. Moreover, during the war years stocks were considerably smaller in relation to sales than in the past 2 years. This abnormally low stock-sales relationship, however, reflected the inability of merchants to obtain goods because of a diversion in facilities and supplies to war production. On the other hand, the 1948 level of stocks was probably too high in relation to sales, since merchants during the first 9 months of that year were building stocks in expectation of the continued rise in prices and sales—developments which failed to occur. Taking 1949 as a whole, stocks were probably more nearly normal than in any of the war or postwar years.

The downward trend in stocks in relation to sales during the past 30 years, which is revealed by Chart XI, was caused by a number of factors, operating throughout the Nation as well as in this District. Among the more important national factors were (1) the development of faster transportation, including faster rail freight, truck, and air transportation; (2) improved inventory controls; (3) greater standardization of products; and (4) the development of branch suburban stores which utilize central warehouses. In addition, stores in this District have been assisted in their efforts to operate with smaller stocks through the trend of manufacturing concerns to decentralize, which has placed district stores

closer to the sources of supply of many items.

The greater distance of district stores from the sources of supply is one of the dominant reasons why the stocks-to-sales ratio prevailing in district department stores is higher than the average of stores in the Nation as a whole. The monthly average stocks-to-sales ratio of district stores in 1949 was 2.81, as compared with a national average of 2.58. Nevertheless, the spread between the district and the national average stock-sales ratio has narrowed, with the ratio of district stores 14 percent

## Outlook and Problems

Department store sales in this District may be expected to increase in the coming years as the economy of the area expands and its population and income become larger. The growth in sales probably will not be continuous, just as the development of the economy of this area will have setbacks. Nevertheless, department stores in this District and in the Nation are facing problems which, in accordance with the

CHART XI

## DEPARTMENT STORE SALES AND STOCKS

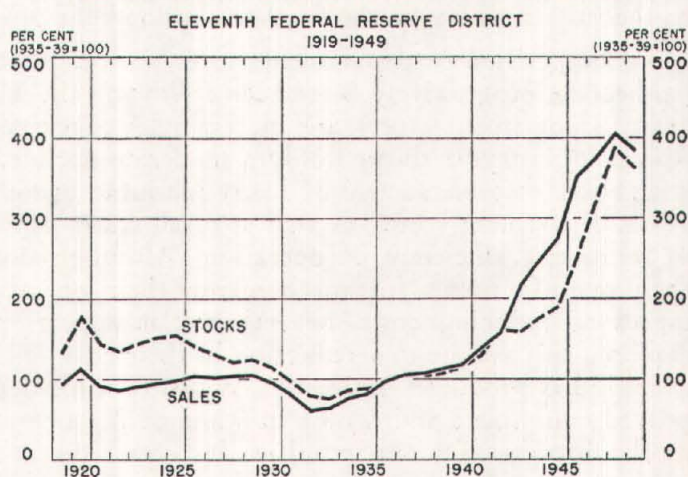
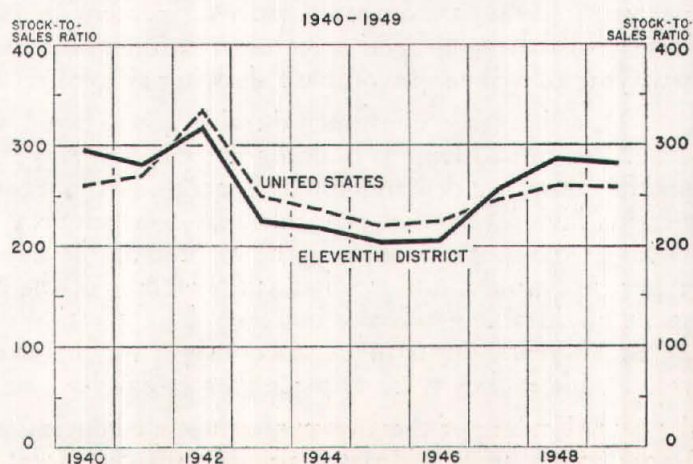


CHART XII

## DEPARTMENT STORE STOCK-TO-SALES RATIO



in accordance with the

success of their solution, may affect their share of retail trade and the validity of their sales trends as an indicator of economic growth.

With increases in the size of cities and the use of automobiles, traffic congestion has become a greater deterrent to downtown department stores. The United States Census of Business for 1948 reveals that an increasingly large proportion of retail trade of metropolitan areas is being transacted by suburban stores. To meet this problem, department stores have been establishing suburban branches. While such action has frequently resulted in an over-all increase in the sales of the department store operator, the establishment of suburban branches in itself poses many problems. Poor locations and limited stock handled by branches have sometimes produced disappointing results. Moreover, management is confronted with new problems of control in the operation of branch stores, since the enterprise becomes, in effect, a chain store rather than a single store operation. Thus, while the operation of branch suburban stores may be at least a partial solution to the traffic congestion faced by the downtown department stores, exhaustive investigation and careful planning are undoubtedly necessary to achieve beneficial results from suburban store operations. Another approach to the problem may be the further development of downtown parking centers.

Competition of department stores with each other, as well as with other types of retail outlets, has become progressively more keen following the sellers' market of the war and immediately postwar years. Department stores are increasingly concerned with reducing their costs. While department store sales last year showed only a moderate decline, net profits were substantially lower. In contrast with the noticeable success of many manufacturing enterprises in reducing costs during the past few years, department stores, as well as retail stores generally, appear to have made rather small advances in increasing efficiency of operation. Although distributive enterprises may have less opportunity than manufacturers for mechanizing their operations and introducing improved machinery as a means of reducing costs, nevertheless, it appears probable that department stores have not fully explored this avenue to a reduction in their costs. The greater use of labor-saving equipment in record keeping has produced noticeable savings to some department stores. Moreover, the institution of improved equipment and layout in warehousing operations also has provided cost savings. Can further mechanization offer opportunities for cost reduction in other areas of department store operations?

The major element of selling costs is probably one which requires the most concerted attention of department store management. The reduction in selling cost which has been achieved in a few types of stores through the introduction of self-service operations perhaps suggests possibilities for department stores. Although the providing of "service," which has been a dominant characteristic of department stores, may be necessary in the selling of many department store items, the use of self-service methods would appear to be worth careful study and experimentation. Department stores are not alone among retail outlets facing the problem of reducing operating costs, but in the years to come, their success in achieving cost reductions may determine their share of total retail trade.

Department store sales during the past few years have been buoyed by the heavy consumer demand for durable goods—refrigerators, stoves, television sets, etc. It has been noted that the proportion of total sales of district department stores comprised by housefurnishing sales increased to 14.7 percent in 1949, as compared with 9.3 percent in 1939. Of course, department store sales still consist largely of soft goods, and it is this situation which explains the failure of department stores during the past year to make as favorable a showing as total retail sales.

How long the consumer durable goods boom will last cannot be predicted with any degree of exactness, but so long as building activity remains at high levels, a powerful stimulant will be exerted on the consumer demand for hard goods. Although the demand for hard goods may decline from the present high levels, it is probable that a larger proportion of consumer income will be spent on hard goods in the years to come as the income of the population of the Southwest improves. At least, past experience would indicate that as the income of the population increases, the proportion of the income spent on durable goods also increases. The question may be asked whether, over the course of the next 20 or 30 years, department stores might not be more likely to retain or expand their share of total retail trade if they were to place greater emphasis on their hard goods departments.

The finding of the answers to these challenging problems, together with other problems which will undoubtedly arise, will determine the share of total retail trade that department stores will obtain—and will determine how accurately department store sales will mirror the growth in the economy of the Southwest.

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

## DISTRICT SUMMARY

Department store sales in the Eleventh District declined 11 percent from May to June, which is less than the usual seasonal amount, and were 9 percent higher than in June of last year. Consumer demand for durable goods remained strong and was accentuated by war-scare buying in the last week of the month, following the Korean crisis. Buying continued at an unusually high level during the first 2 weeks of July. Sales at district furniture stores during June showed only a small seasonal decline from the heavy volume of other recent months and dropped below the unusually high level of a year earlier.

The acreage of major crops for harvest in Texas and the Southwest during 1950 is sharply below that in 1949 and the smallest in about two decades, due to the severe drought that prevailed earlier this year in much of the southwestern area and the effect of government control programs. In consequence of the reduced acreage and yields, lower production of wheat, hay, cotton, commercial vegetables, and oil-bearing crops is in prospect. Production of feed grains and citrus fruits may be sharply higher. Ranges and pastures are providing good grazing in the eastern two-thirds of the District, but drought conditions prevail in some south Texas counties and parts of the western portion of the District. The condition of livestock generally is very satisfactory except in the drier areas. Prices of some farm commodities have advanced sharply in recent weeks.

The value of construction contract awards in June declined 13 percent from the high May total but was 35 percent more than in June of last year. Residential building awards, which fell 27 percent below the May peak, were 55 percent above a year earlier. Awards during the first half of 1950 showed gains of 124 percent for residential building, 29 percent for other construction, and 62 percent for total construction. Effective July 19, a series of credit restrictions affecting housing was announced by the President to combat inflation and to increase the availability of materials for national defense purposes.

Crude petroleum production expanded again in June in response to strong demand and the need to build up stocks of fuel oils for requirements next winter. Further expansion in July and August should bring crude oil production to about the peak rate of 2,771,000 barrels per day attained in November 1948.

The deposits, loans, and investments of weekly reporting member banks in leading cities increased substantially between June 14 and July 12, extending the sharply upward trend in evidence during the preceding 5-week period.

## BUSINESS

Consumer buying in the Eleventh Federal Reserve District in June continued at a high level, with evidence that war-scare buying following the Korean crisis caused a spurt in sales during the last week of the month. Department store sales showed a smaller decline than usually occurs at this time of year, and the sales index, adjusted for seasonal variations, climbed to the highest level in 21 months. Although department store sales were 11 percent lower than in May, due in part to one less trading day, they were 9 percent higher than in June a year ago. Sales continued at an unusually high level during the first 2 weeks of July.

Heavy buying of consumer durables continued to feature department store sales, but the slightly improved picture for the soft goods departments, which became apparent in May, carried over into June. Sales of major appliances were slightly

## WHOLESALE TRADE STATISTICS

Lines of trade:*	Net sales			Percentage change in			Stocks†		
	June 1949	June 1950	from May 1950	6 mo. 1950 comp. with 6 mo. 1949	June 1949	June 1950	from May 1950		
Drugs and sundries.....	6	— 5	...	...	1	5			
Dry goods.....	—14	—13	...	—3	31	1			
Grocery (full-line wholesalers not sponsoring groups).....	2	5	...	—2	— 8	—12			
Hardware.....	9	3	...	8	8	—#			
Industrial supplies.....	14	—11	...	...	— 9	— 1			
Machinery equipment and supplies except electrical.....	11	22	...	...	30	— 3			
Surgical, medical, equip., supplies	13	1	...	...	...	...			
Tobacco products.....	6	— 2	...	4	21	— 8			
Wines and liquors.....	—13	—10	...	...	15	1			
Wiring supplies, construction materials distributors.....	24	18	...	— 2	—19	—14			

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

† Stocks at end of month.

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

## RETAIL TRADE STATISTICS

	Net sales			Percentage change in			Stocks**		
	June 1949	June 1950	from May 1950	6 mo. 1950 comp. with 6 mo. 1949	June 1949	June 1950	from May 1950		
<b>Department stores:</b>									
Total Eleventh District.....	8	—11	...	6	8	— 7			
Corpus Christi.....	12	— 7	...	7	— 8	— 9			
Dallas.....	13	—16	...	6	4	— 9			
Fort Worth.....	— 3	—13	...	7	14	— 6			
Houston.....	— 4	— 7	...	— 1	9	—10			
San Antonio.....	13	—14	...	11	18	— 7			
Shreveport, La.....	5	—11	...	3	...	...			
Other cities.....	11	— 7	...	10	7	— 3			
<b>Furniture stores:</b>									
Total Eleventh District.....	— 6	— 4	...	...	2	— 6			
Dallas.....	—12	2	...	...	—14	— 8			
Houston.....	— 6	— 8	...	...	...	...			
Port Arthur.....	—37	—39	...	...	4	6			
San Antonio.....	—18	—13	...	...	...	...			
Shreveport, La.....	— 8	1	...	...	21	7			
Wichita Falls.....	2	—21	...	...	— 1	— 2			
<b>Household appliance stores:</b>									
Total Eleventh District.....	146	44	...	...	...	...			
Dallas.....	252	90	...	...	...	...			

\*\*Stocks at end of month.

## INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Daily average sales—(1935-39=100)

	Unadjusted*				Adjusted			
	June 1950	May 1950	April 1950	June 1949	June 1950	May 1950	April 1950	June 1949
Eleventh District.....	353	391	393	330r	410	403	401	384r
Dallas.....	302	352	326	266	369	375	343	324
Houston.....	400	424	428	391	460	442	432	440r

Stocks—(1935-39=100)

	Unadjusted*				Adjusted			
	June 1950	May 1950	April 1950	June 1949	June 1950	May 1950	April 1950	June 1949
Eleventh District.....	353p	380	393	336	375p	380	375	357r

\* Unadjusted for seasonal variation.

r—Revised.

p—Preliminary.

above the record levels of the previous month and exceeded by 52 percent the substantial volume of a year earlier. Moreover, sales of furniture and bedding, although moderately

lower than in May, were 29 percent higher than in June of last year. While television sales, for the second successive month, experienced some seasonal decline, sales of the radio, television, phonograph department were still 74 percent higher than a year earlier. Domestic floor covering sales, which had been lagging noticeably behind the very strong showing of the major appliance, furniture, and radio-television departments, showed a contraseasonal increase in June and were 27 percent higher than the depressed level of the same month a year ago.

Sales of women's apparel and accessories declined seasonally in June but for the second consecutive month registered a year-to-year increase. Women's and misses' coat and suit sales were 14 percent higher than in June a year ago, sales of women's and misses' dresses were 1 percent higher, and women's accessories sales were 5 percent higher. Men's clothing sales continued the favorable showing which has been evident throughout the first half of this year and exceeded year-earlier levels by 11 percent. An unusually large year-to-year gain of 46 percent was registered by silverware and jewelry sales, but sales in the basement stores continued their unimpressive record this year with a decline of 4 percent from the year-earlier level.

The proportion of cash to total sales in June continued to fall below the proportion prevailing last year, with cash sales comprising 32 percent of total sales as compared with 34 percent a year ago. Charge account sales constituted the same proportion of total sales as a year earlier—56 percent—but the ratio of instalment-to-total sales increased, amounting to 13 percent in June this year as against 10 percent in the same month last year. Collections fell off noticeably, but this development is in line with the May to June decline apparent in most earlier years. However, the collection ratio of instalment accounts outstanding, at 12 percent, was the lowest in the 16 years of record. Meanwhile, instalment accounts outstanding on June 30 were almost double the amount outstanding on the same date a year ago.

Department store stocks declined slightly more than seasonally in June but at the end of the month were 8 percent higher than on the corresponding date of last year. Meanwhile, heavy ordering of fall merchandise caused orders outstanding to increase 95 percent during the month, and on June 30, orders outstanding were 35 percent higher than on the corresponding date of last year. In view of the improvement in sales this year in contrast with the declining trend evident in the first 6 months of last year, the higher levels of inventories and orders outstanding are natural developments. Nevertheless, the firming of prices which has occurred in the last few months, as well as the tightening in the supply situation of some items, has tended to promote an earlier placing of orders and an enlargement of commitments. Although reports indicate that the Korean situation has fostered attempts by some merchants to increase their stock position, data are not yet available to determine the importance of such action.

Sales at district furniture stores showed a small seasonal decline in June and for the second consecutive month fell below year-earlier levels, with a decline of 7 percent. It will be noted, however, that sales in May and June of last year were at very high levels. A small seasonal decline occurred in collections. Following a slight rise during the month, accounts receivable were 21 percent higher than a year previous. Meanwhile, furniture store inventories showed a seasonal decline in June but at the end of the month were 7 percent more than the year before, as compared with a 2-percent year-to-year increase in May.

## AGRICULTURE

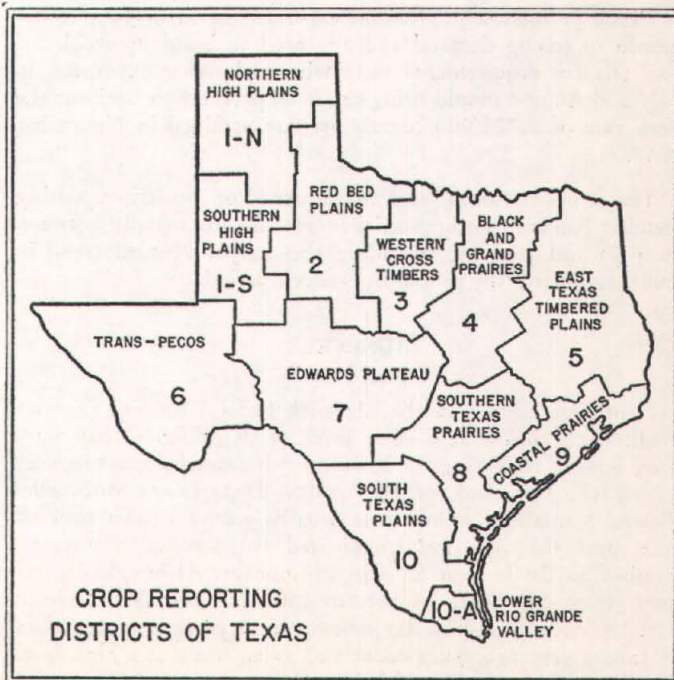
The total volume of crops produced in Texas and in the five states of the Eleventh Federal Reserve District in 1950 will be substantially below levels of 1949 but probably near the average of the past 6 to 8 years. As compared with last year, smaller harvests of winter wheat, oats, barley, Irish potatoes, flaxseed, cotton, peanuts, and rice in both Texas and the Southwest are indicated in Department of Agriculture reports, based on July 1 conditions. These reductions may be partially offset by larger crops of corn, sorghums, and cowpeas. The 5-state total acreage of all major crops for harvest in 1950 will be substantially below last year; the total acreage of Texas crops, estimated at 24,800,000 acres, will be 18 percent below the acreage harvested in 1949 and the smallest since 1922. The smaller acreage of crops in the Southwest this year is the result of extremely heavy abandonment of planted wheat acreage, reduction of cotton acreage because of marketing quota allotments, and other government programs which resulted in smaller acreages of flaxseed, rice, peanuts, and potatoes. Total crop production in the United States will be considerably less than in 1948 and 1949; nevertheless, it may exceed that in 5 out of the past 8 years of high production and will be much larger than in any year prior to 1942.

The Department of Agriculture estimates cotton acreage in cultivation in the Nation on July 1 this year at 19,032,000

PLANTED COTTON ACREAGE IN TEXAS ON JULY 1 BY CROP REPORTING DISTRICTS

Crop reporting district	(In thousands of acres)			1950 as percent of 1949
	1950	1949	1948	
1-N.....	180	364	214	49
1-S.....	1,650	2,650	1,971	62
2.....	1,350	2,064	1,623	65
3.....	80	143	88	56
4.....	1,800	2,588	2,336	70
5.....	550	854	688	64
6.....	155	179	140	87
7.....	120	188	151	64
8.....	560	824	664	68
9.....	220	317	293	69
10.....	535	817	638	65
State.....	7,200	10,988	8,806	66

SOURCE: United States Department of Agriculture;



acres—a decrease of 31 percent from last year's total and 13 percent less than the 10-year (1939-48) average. All cotton states show substantial acreage decreases from last year, ranging from 21 percent in Virginia to 41 percent in New Mexico. The estimate of 7,200,000 acres in Texas is 34 percent below the acreage standing on July 1 last year and 9 percent below average. Except for the smaller acreages grown in the 3-year period 1944-46, when drought conditions and expanding sorghum acreage curtailed cotton acreage in the northwestern districts, the acreage for this year is the smallest for Texas since 1899.

All crop reporting districts in Texas have substantially smaller acreages of cotton than last year, as indicated in the accompanying table. American Egyptian cotton—practically all of which is in the Trans-Pecos area—was planted on a much larger scale than ever before, and this acreage partially offsets the decrease in short staple cotton acreage in that area. American Egyptian and other long staple cotton is not subject to acreage allotments or price support this year but is included in the state estimates. Conditions during the spring generally favored planting operations in most of the State, although farmers were hampered by dry conditions in early spring and by excessive moisture later in the eastern third of the State. The cotton crop was making fair to good progress in most areas on July 1; insects were numerous, but early season poisoning was more general than usual.

WINTER WHEAT ACREAGE, YIELDS, AND PRODUCTION IN TEXAS BY CROP REPORTING DISTRICTS

District	Acres harvested		Yield per harvested acre		Production	
	(1000 acres)		(Bushels)		(1000 bushels)	
	1950p	1949	1950p	1949	1950p	1949
1-N.....	770	4,436	5.0	16.4	3,850	72,621
1-S.....	112	192	8.0	15.8	896	3,041
2.....	1,075	1,505	9.3	11.8	9,996	17,801
3.....	290	402	8.5	10.1	2,465	4,066
4.....	310	378	10.5	9.1	3,255	3,425
7.....	120	150	7.5	10.7	900	1,598
Other.....	18	30	11.0	9.9	198	296
State.....	2,895	7,093	8.0	14.5	21,560	102,848

p—Preliminary.  
SOURCE: United States Department of Agriculture.

The 1950 Texas wheat crop is estimated at 21,560,000 bushels, which is about one-fifth of the crop harvested in 1949 and the smallest since 1936. The unusually poor crop resulted from heavy infestations of green bugs and the severe and extended drought in major wheat producing areas. The 2,695,000 acres harvested was 62 percent less than that harvested last year and 40 percent below average. The estimated acreage abandonment of 56.8 percent has been exceeded only in the drought year of 1935. The yield of 8 bushels per harvested acre compares with 14.5 bushels in 1949 and an average of 12.4 bushels. The production of wheat by crop reporting districts, which is shown in an accompanying table, indicates that yields in the important North High Plains wheat area averaged only 5 bushels per acre. Last year this area produced 70 percent of the State's large wheat crop, but this year it accounted for only 17 percent of the small harvest. Below the Cap Rock and eastward, the drought was broken by mid-April rains and the wheat crop was generally much better. Except for a few localities, green bug infestations were not as severe as over most of the High Plains area.

After declining steadily since 1942 and falling in 1949 to the lowest level since 1879, corn acreage in Texas was increased this year to 3,130,000 acres, or 21 percent above last year. Fair to good yields are maturing in central and south Texas, and timely July rains assured very good yields in the important north and northeastern Texas areas. Production in the State

was estimated on July 1 at 65,730,000 bushels, or 13 percent above last year's crop. Prospective yields of 21 bushels per acre are slightly below those of last year but substantially above average.

CROP PRODUCTION

(In thousands of bushels)

	Texas			States in Eleventh District*		
	Estimated July 1, 1950	1949	Average 1939-48	Estimated July 1, 1950	1949	Average 1939-48
Winter wheat.....	21,560	102,848	56,350	63,767	196,845	131,754
Corn.....	65,730	58,208	64,272	114,274	108,626	114,406
Oats.....	31,000	34,020	31,195	50,556	55,882	61,458
Barley.....	1,750	2,774	4,069	9,853	10,550	12,822
All hay†.....	1,367	1,366	1,426	4,561	4,827	4,519
Irish potatoes.....	2,720	3,686	4,560	6,548	7,253	10,011
Sweet potatoes.....	5,060	5,775	5,119	14,910	14,555	14,326
Rice‡.....	9,815	10,178	7,873	20,119	21,229	17,755
Flaxseed.....	1,404	1,974	448	1,635	2,930	998

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

† In thousands of tons.

‡ In thousands of bags containing 100 pounds each.

SOURCE: United States Department of Agriculture.

The acreage of all sorghums in Texas in 1950 is estimated at 7,489,000 acres—up 36 percent from last year. The acreage of grain sorghums grown for all purposes is estimated at 6,940,000 acres, an increase of 41 percent over 1949. Reductions in cotton and wheat acreages for 1950, as a result of acreage allotments and heavy abandonment of wheat, made a large acreage available for sorghums. Sorghum grain yield prospects on July 1 generally were favorable. Combining of the Coastal Bend crop is well advanced, while adequate moisture is available in the northwestern part of the State to assure early development.

CROP ACREAGE

(In thousands of acres)

	Texas			States in Eleventh District*		
	For harvest 1950	Harvested 1949	Average 1939-48	For harvest 1950	Harvested 1949	Average 1939-48
Cotton.....	7,200	10,988	7,887	9,504	14,133	10,700
Corn.....	3,130	2,587	3,990	5,417	4,895	7,018
Winter wheat.....	2,695	7,093	4,463	7,649	14,327	9,887
Oats.....	1,550	1,260	1,388	2,606	2,286	2,852
Barley.....	140	146	238	442	407	680
Rye.....	32	38	21	81	75	113
Rice.....	473	526	353	1,030	1,125	952
Flaxseed.....	234	329	62	248	368	99
All hay.....	1,243	1,223	1,505	3,434	3,340	3,642
Irish potatoes (commercial).....	32	38	51	69	77	125
Sweet potatoes.....	55	55	61	160	146	169
All sorghums.....	7,489	5,512	6,924	9,882	7,399	9,307
Peanuts (alone).....	522	549	737	727	743	994
Cowpeas (alone).....	204	177	352	374	333	571

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

SOURCE: United States Department of Agriculture.

Estimates of this year's acreage and production of other important crops, such as peanuts, oats, barley, rice, hay, Irish potatoes, and sweet potatoes, are shown in accompanying tables. Oat production is 9 percent below last year's crop, despite the larger acreage seeded for harvest this year. Rice acreage allotments cut acres for harvest in Texas to 473,000 acres, or 10 percent below last year. The crop is in good condition and prospects point to yields slightly above those of last year. The flaxseed crop is 29 percent below the record production of 1949; acreage was reduced this year partly in response to the announcement of sharply lower support prices for flaxseed. The 32,000 acres of Irish potatoes for harvest this year is 16 percent below last year and the smallest since 1925, reflecting further curtailment of the commercial crop. Sweet potato acreage is unchanged from a year ago, although yields are expected to be below the high level of last year. The acreage of all hay is up only 2 percent from 1949, but the acreage in alfalfa hay is at a record high of 155,000 acres, a substantial part of which is in the High Plains and in newly developed

irrigation sections of the Trans-Pecos area. Total hay production in Texas this year is expected to equal approximately that of 1949.

Conditions in the commercial vegetable areas in Texas during late June and early July were favorable for active harvest of the remaining commercial vegetables and, with the exception of the Lower Valley, for preparation of seedbeds and transplanting of further crops. Harvest of tomatoes was nearly completed in the east Texas area at mid-July and was active in the Avery section. In the Texas Panhandle, potatoes moved actively under favorable conditions and a light movement of onions was under way. Watermelons were moving actively from central and eastern districts, although the estimate of early summer production in Texas is 17 percent below that of 1949. Harvest of early plantings of cantaloupes in the south was about over at mid-July, but all midseason sections were in production. Midsummer cantaloupe production in the State is expected to be about 20 percent above last year's harvest. A fairly large acreage of cantaloupes in the Panhandle for late August and early September harvest is making good progress.

Most citrus trees in the Lower Rio Grande Valley are in good condition, and fruit is more advanced than a year ago. The growth of both fruit and trees was stimulated by the heavy rains of late May and early June; more recently, however, some irrigation has been necessary.

Range and pasture feed in northwestern, northern, and most southern counties of Texas is making excellent growth, as generous rain added to moisture reserves in those areas. Beneficial rains have been received also in Trans-Pecos and Plateau counties. In most other areas of the District, particularly in New Mexico and Arizona, native grass is curing and rain is needed to check deterioration. The condition of all ranges in Texas on July 1 reflected some deterioration during June and was considerably below the condition of a year earlier, although above average for that date.

The condition of livestock is generally satisfactory except in the very dry areas. Cattle in the northwestern part of Texas are responding to the improving supply of green feed. Screw worm infestations, which have been heavy in southern and central counties this spring, have now spread over the entire State. The condition of Texas cattle and sheep on July 1 was less favorable than a month earlier but slightly above average for that date.

earlier and 6 percent above a year earlier. Prices have been advancing steadily since December, and the June 15 index of 288 (1910-14=100) reflects an increase of 11 percent during the first 6 months of 1950. During the month ended June 15, prices of truck crops, cotton, hogs, and wool made substantial gains and accounted for much of the increase in the index. Most grains, potatoes, poultry, and dairy products were unchanged or lower than at mid-May. Reports from spot commodity markets indicate that from June 15 to mid-July, prices of cotton, wheat, corn, grain sorghums, hogs, and eggs made notable advances, while prices of barley, oats, cattle, lambs, and poultry showed little net change.

FINANCE

Reports from selected member banks in leading cities of the District indicate that between June 14 and July 12 loans, investments, and reserve balances with the Federal Reserve Bank increased, while balances with correspondents and cash items in the process of collection declined by a somewhat smaller amount, with the net result that total assets increased by approximately \$32,600,000.

The growth in loans during the 4-week period, which represents an extension of trends in evidence during the current year, reflects partly seasonal factors and partly an intensification of credit demand in response to the increased activity of business and industry. During the first 5 months of the year credit demands were generated largely out of the high levels of activity in construction, the security market, and consumer purchasing, with loans for commercial, industrial, and agricultural purposes declining somewhat. Between June 14 and July 12, however, commercial, industrial, and agricultural loans increased by \$2,500,000. At the same time there were further substantial increases in real-estate loans, loans for security trading, and "all other" loans which brought about an increase of \$12,700,000 in total loans. Loans, which increased at an accelerating rate during the first 3 weeks of the period, declined by \$15,000,000 in the closing week; yet total loans outstanding on July 12, amounting to \$1,217,000,000, were \$201,000,000 in excess of those on the comparable date last year.

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

Item	July 12, 1950	July 14, 1949	June 14, 1950
Total loans (gross) and investments.....	\$2,553,453	\$2,260,130	\$2,538,364
Total loans—net†.....	1,203,275	1,005,855	1,190,934
Total loans—gross.....	1,216,638	1,015,902	1,203,943
Commercial, industrial, and agricultural loans.....	822,027	676,416	819,522
Loans to brokers and dealers in securities.....	6,254	6,034	6,805
Other loans for purchasing or carrying securities.....	54,221	52,132	51,466
Real-estate loans.....	102,033	87,927	100,044
Loans to banks.....	200	135	279
All other loans.....	231,903	193,258	225,327
Total investments.....	1,336,815	1,244,228	1,334,421
U. S. Treasury bills.....	120,536	63,550	103,678
U. S. Treasury certificates of indebtedness.....	114,591	288,181	179,153
U. S. Treasury notes.....	287,500	42,770	260,368
U. S. Government bonds (inc. gtd. obligations).....	673,878	725,107	655,109
Other securities.....	140,310	124,620	136,113
Reserves with Federal Reserve Bank.....	478,938	477,716	445,724
Balances with domestic banks.....	370,227	337,392	376,073
Demand deposits—adjusted*.....	2,067,659	1,943,299	2,050,565
Time deposits except Government.....	450,847	454,056	454,209
United States Government deposits.....	73,719	26,510	54,913
Interbank demand deposits.....	649,302	532,010	647,877
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.

Besides making substantial additions to their loan portfolios, reporting member banks also increased their investments. Holdings of United States Government securities decreased slightly, since the reduction of \$64,600,000 in certificates of indebted-

LIVESTOCK RECEIPTS (Number)

Class	Fort Worth market			San Antonio market		
	June 1950	June 1949	May 1950	June 1950	June 1949	May 1950
Cattle.....	57,926	56,562	55,252	26,701	32,282	35,481
Calves.....	19,786	13,784	15,236	12,084	11,699	14,044
Hogs.....	44,060	40,672	64,828	4,920	4,368	6,709
Sheep.....	174,429	179,308	366,832	28,992*	51,168*	56,382*

\* Includes goats.

TOP LIVESTOCK PRICES (Dollars per hundredweight)

	Fort Worth market		
	June 1950	June 1949	May 1950
Slaughter steers.....	\$32.00	\$27.00	\$30.00
Stocker steers.....	29.00	25.25	28.00
Slaughter cows.....	22.50	19.50	22.50
Slaughter heifers and yearlings.....	32.00	27.50	31.00
Slaughter calves.....	31.00	28.00	30.00
Stocker calves.....	31.00	27.00	30.00
Slaughter lambs.....	28.50	30.00	30.00
Hogs.....	20.85	21.75	20.00

The average of prices received by Texas farmers for all agricultural products at mid-June was up 4 percent from a month



ness—occasioned by the maturity of an issue on July 1—was only partially offset by increases of \$17,000,000 in Treasury bills, \$19,000,000 in Treasury bonds, and \$27,000,000 in Treasury notes. These banks increased by \$4,200,000 their holdings of other securities.

During the 4-week period member banks in the District received substantial amounts of funds from Treasury net disbursements, commercial transactions of businesses and individuals with other Federal Reserve districts, and the extension of a small amount of Federal Reserve Bank credit. A moderate increase in currency circulation partially offset the increased supply generated by other factors. Although these additional funds were available in varying degrees to all member banks, those in leading cities of the District received the major part. Besides increasing their loans and investments, these banks were also enabled to increase their reserve balance at the Federal Reserve Bank by \$33,000,000.

Demand deposits increased \$26,000,000 between June 14 and July 12 and on the latter day were the highest since January 18, reflecting the growth in demand deposits of individuals, partnerships, and corporations and of the United States Government. Demand deposits of individuals, partnerships, and corporations declined during each of the first 3 weeks of the period but rose sharply during the last week, while government deposits showed an upward trend until the final week. Each of these deposit accounts reached peaks for the current year during the first few days in July.

The downward trend of gross demand deposits of all member banks in the District which was in evidence from January to May was reversed in June, when these accounts averaged \$5,550,000,000, or \$69,000,000 higher than in the preceding month. Both Reserve city and country banks shared in the increase, but the former institutions accounted for almost 83 percent of the total growth. The average of total time deposits declined slightly during June to \$669,700,000 but represented a net increase of \$21,000,000 during the first half of the year.

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
June 1948.....	\$5,044,942	\$576,282	\$2,415,559	\$364,548	\$2,629,383	\$211,734
June 1949.....	4,948,074	635,740	2,379,108	413,072	2,568,966	222,668
February 1950.....	5,617,162	661,292	2,660,793	420,111	2,956,389	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
May 1950.....	5,481,505	670,514	2,627,316	423,428	2,854,189	247,086
June 1950.....	5,550,468	669,715	2,684,393	424,262	2,866,075	245,463

Debits to deposit accounts reported by banks in 24 cities of the District each month furnish a fairly reliable indicator of trends in business and industrial activity in the Southwest. Debits increased sharply in May and June this year and in the latter month were 25 percent larger than in June last year. The increase in June as compared with the preceding month, however, was not general in all reporting cities, since fluctuations ranged between a decrease of 17 percent and an increase of 19 percent. Banks in Abilene, Austin, Dallas, and Fort Worth, Texas, reported the larger increases, while banks in Monroe, Louisiana, and in Laredo and San Angelo, Texas, showed the greater decreases. The turnover of deposits, representing the average annual rate of use of deposit accounts, was 14.0 in June, as compared with 13.1 in May.

The principal accounts in the condition statement of the Federal Reserve Bank of Dallas increased from June 15 to July 15, with gains of \$48,100,000 in gold certificate reserves

and \$20,300,000 in member bank reserve deposits representing the major changes. Growth in holdings of United States Government securities accounted for almost all of the increase in total earning assets. Notes of this bank in actual circulation rose to \$609,000,000 on July 15, representing increases of \$1,700,000 during the month and of \$9,100,000 over that on the comparable date last year.

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

(Amounts in thousands of dollars)

City	Debits*			Deposits*		
	June 1950	June 1949	May 1950	June 1950	June 1949	May 1950
Arizona:						
Tucson.....	\$ 60,388	7	#	\$ 84,244	8.4	8.2
Louisiana:						
Monroe.....	36,402	3	7	44,085	10.0	10.3
Shreveport.....	145,028	11	3	173,798	9.7	9.7
New Mexico:						
Roswell.....	19,708	47	9	22,920	10.3	9.0
Texas:						
Abilene.....	51,723	73	16	47,870	13.3	9.5
Amarillo.....	111,427	26	11	93,864	14.2	12.7
Austin.....	144,373	4	17	113,880	15.1	15.8
Beaumont.....	102,511	10	5	89,328	13.7	11.5
Corpus Christi.....	100,421	37	7	89,981	13.3	11.4
Corsicana.....	10,688	5	8	20,071	6.2	6.2
Dallas.....	1,361,675	40	19	884,643	19.2	14.9
El Paso.....	143,706	33	#	129,501	13.4	11.0
Fort Worth.....	418,079	28	17	323,335	15.6	13.3
Galveston.....	70,744	2	6	95,344	8.9	8.6
Houston.....	1,194,268	17	7	996,889	14.4	13.6
Laredo.....	17,279	10	7	22,624	9.0	8.8
Lubbock.....	79,022	54	2	81,749	11.3	10.1
Port Arthur.....	30,092	13	3	39,814	9.0	10.4
San Angelo.....	38,837	28	17	48,182	9.8	9.6
San Antonio.....	324,445	23	3	352,933	11.0	10.1
Texarkana**.....	15,782	21	4	22,788	8.3	7.0
Tyler.....	45,212	17	2	52,862	10.4	9.1
Waco.....	62,138	28	5	76,194	10.6	8.9
Wichita Falls.....	66,812	17	7	94,107	8.6	8.6
Total—24 cities.....	\$4,650,760	25	10	\$4,006,006	14.0	12.4

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

\* 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.

\*\*\* These figures include 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 \$26,229 for the month of June 1950.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 15, 1950	July 15, 1949	June 15, 1950
Total gold certificate reserves.....	\$694,509	\$678,291	\$646,372
Discounts for member banks.....	200	608	100
Foreign loans on gold.....	595	3,266	679
U. S. Government securities.....	813,469	803,418	806,039
Total earning assets.....	814,264	807,291	806,818
Member bank reserve deposits.....	814,664	838,189	794,386
Federal Reserve notes in actual circulation.....	608,958	599,863	607,246

Budget expenditures of the United States Government amounted to \$40,167,000,000 for the fiscal year ended June 30, and budget net receipts amounted to \$37,045,000,000. Both expenditures and receipts were lower than was estimated in the President's budget in January—expenditures by \$3,130,000,000 and receipts by \$718,000,000—with the result that the actual deficit of \$3,122,000,000 fell short of the January estimate by \$2,411,000,000. The net effect of budget operations, together with other nonbudget activities, was to add \$4,587,000,000 to the public debt, which amounted to \$257,357,400,000 on June 30.

The Secretary of the Treasury announced on June 28 the subscription and allotment figures regarding the Treasury's latest refunding issue—a 13-month 1¼-percent note offered in exchange for the 1¼-percent certificate which matured July 1 and was outstanding in the amount of \$5,601,000,000. Subscriptions to the new issue amounting to \$5,350,200,000 were received. Rates on new issues of Treasury bills showed a

tendency to decline between June 8 and July 13. The issue dated July 13 sold at an average discount of 1.168 percent, as compared with 1.179 percent on the issue dated June 8.

61,482,000 persons, which is 3.1 percent more than a year earlier and the highest since the summer of 1948.

## SAVINGS DEPOSITS

City	Number of reporting banks	June 30, 1950		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	June 30, 1949	May 31, 1950
Louisiana:					
Shreveport.....	3	43,962	\$ 24,700,832	-3.9	-0.7
Texas:					
Beaumont.....	3	12,206	5,852,483	-6.1	-0.9
Dallas.....	8	145,108	78,607,537	-0.6	0.5
El Paso.....	2	32,799	23,039,360	0.8	-0.02
Fort Worth.....	4	44,476	35,953,308	0.7	0.8
Galveston.....	4	22,678	21,323,566	-0.03	0.3
Houston.....	8	95,648	75,753,381	1.3	0.1
Lubbock.....	2	2,143	4,095,587	41.8	2.2
Port Arthur.....	2	5,876	4,266,953	-6.8	-1.7
San Antonio.....	5	41,959	44,081,058	-2.6	-0.7
Waco.....	3	10,531	10,741,703	5.7	2.0
Wichita Falls.....	3	8,321	4,673,844	3.0	2.0
All other.....	55	67,455	56,891,634	3.6	0.6
Total.....	102	533,162	\$389,981,266	0.5	0.4

## ESTIMATED NONFARM EMPLOYMENT IN TEXAS

	May 1950p	May 1949	April 1950	Percent increase from —	
				May 1949	April 1950
Total.....	2,367,100	2,314,000	2,351,300	2.3	0.7
Manufacturing.....	394,500	385,400	384,100	2.4	2.7
Other.....	1,972,600	1,928,600	1,967,200	2.3	0.3

p—Preliminary.  
SOURCE: Texas Employment Commission.

Petroleum industry operations expanded again in June in response to the strong demand for products and the need to build up stocks of fuel oils for anticipated winter requirements. Daily average production of crude oil in the Eleventh District during June amounted to 2,547,000 barrels, representing a gain of 161,000 barrels per day or 7 percent from the previous month and an increase of 398,000 barrels per day or 19 percent from June 1949. Three consecutive monthly increases have accounted for a gain of 413,000 barrels or 20 percent since the low point in March. Furthermore, the June rate of production is the highest since February 1949.

The increases of allowables for July by 80,000 barrels daily in Texas and 10,000 barrels daily in Louisiana indicate for that month a further substantial rise in crude oil production in this District. Additional gains are in prospect for August, since Texas allowables for that month have been boosted 134,000 barrels per day above the initial July level. By August, production in the District should approximate the all-time high of 2,771,000 barrels per day in November 1948.

Production in the Nation increased 225,000 barrels per day over the previous month and 473,000 barrels daily over year-ago levels. The increase from a year ago in the Nation is somewhat less than that for this District.

Refinery activity as indicated by crude runs to stills increased 138,000 barrels daily in the Nation during June, reaching a level 406,000 barrels per day higher than a year ago. In early July, refinery activity rose to an all-time high. However, crude runs in this District continued below year-earlier rates, due to the continued labor difficulties at The Texas Company plants.

## CRUDE OIL PRODUCTION

Area	(Barrels)		Increase or decrease in daily average production from	
	June 1950		June 1949	May 1950
	Total production	Daily avg. production		
Texas:				
District				
1 South Central.....	854,850	28,495	2,447	1,029
2 Middle Gulf.....	4,064,700	135,490	17,078	10,990
3 Upper Gulf.....	12,607,950	420,265	65,690	23,226
4 Lower Gulf.....	6,402,250	213,408	28,263	15,466
5 East Central.....	1,032,450	34,415	158	2,481
6 Northeast.....	11,205,500	373,517	48,616	22,537
East Texas.....	8,391,150	279,705	37,857	16,744
Other fields.....	2,814,350	93,812	10,759	5,793
7b North Central.....	2,092,350	69,745	10,100	2,629
7c West Central.....	1,876,650	62,555	20,432	3,979
8 West.....	21,484,350	716,145	188,890	72,967
9 North.....	4,311,300	143,710	7,098	4,704
10 Panhandle.....	2,767,200	92,240	-553	809
Total Texas.....	68,699,650	2,289,985	388,219	160,823
New Mexico.....	3,747,900	124,630	-10,542	627
North Louisiana.....	3,952,750	131,758	20,330	-1,242
Total Eleventh District.....	76,400,200	2,546,673	398,007	160,208
Outside Eleventh District.....	83,878,600	2,795,953	75,111	64,918
United States.....	160,278,800	5,342,626	473,118	225,126

SOURCE: Estimated from American Petroleum Institute weekly reports.

Stocks of crude oil in the Nation increased moderately during June but were still nearly 33,400,000 barrels less than a year ago and continued close to the lowest level since November 1948. Stocks of the four major products increased by more

## NEW MEMBER BANKS

*The Bastrop National Bank, Bastrop, Louisiana, opened for business July 1, 1950, as a conversion of the Bastrop Bank & Trust Co., Bastrop, Louisiana, which was a member of the Federal Reserve System. The new bank has capital of \$100,000, surplus of \$100,000, undivided profits of \$58,000, and assets of approximately \$6,000,000. The officers are: George T. Madison, Chairman of the Board; H. Webb Madison, President; W. L. Mattison, Vice President and Cashier; Sampson Snyder, Vice President; Richard Revels, Assistant Cashier; and W. E. Stevenson, Assistant Cashier.*

*The First State Bank of Bellaire, Bellaire, Texas, opened for business July 3, 1950, as a member of the Federal Reserve System. The new bank has paid-in capital funds of \$250,000, including capital of \$200,000, surplus of \$30,000, and undivided profits of \$20,000. The officers are: L. Goldston, President; C. C. Overton, Vice President and Cashier; and Hugh Watson, Manager of the real-estate loan department.*

*The First National Bank in Seagraves, Seagraves, Texas, opened for business July 1, 1950, as a conversion of The First State Bank in Seagraves, Texas. The new member bank has capital of \$50,000, surplus of \$25,000, undivided profits of \$21,000, and total assets of approximately \$1,100,000. The officers are: J. F. Matchett, President; E. C. Roberts, Vice President and Cashier; Helen Hearne, Assistant Cashier; and Loyce Renfrow, Assistant Cashier.*

## INDUSTRY

Nonfarm employment in Texas, after reaching a near-record total of 2,367,000 persons in May, appears to have increased further in June. Vegetable processing in the Lower Rio Grande Valley added to manufacturing employment, while in the nonmanufacturing category, construction employment continued to rise. At midsummer, such seasonal factors as the subsiding of vegetable processing and the release of long-session school employees are expected to overbalance temporarily further gains in several manufacturing lines and in construction. In the Nation, employment in June was at a near-record

than 9,300,000 barrels during June but were 38,700,000 barrels lower than a year earlier. Reflecting the strong demand, stocks of gasoline have decreased more than seasonally this spring and summer, despite the sharp increase in production. Residual fuel oil stocks are unusually low and have failed to increase seasonally this year.

In view of the surprisingly high level of demand for petroleum products, the stock figures could prove to be on the low side if either military requirements greatly increased or the 1950-51 heating season should be unusually cold. Partially offsetting the relatively low stock position is the high potential production capacity of the petroleum industry. It is estimated that production in Texas could be increased approximately 1,000,000 barrels per day, or more than 40 percent, without exceeding maximum efficiency rates of output. However, such an additional output would fall short of estimated military requirements during a major war.

Prices of gasoline, and in some parts of the country prices of fuel oils and crude oil, have increased slightly further, but kerosene prices have been soft.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	June		May	January 1 to June 30	
	1950p	1949	1950	1950p	1949
Eleventh District—total...	\$ 89,513	\$ 66,177	\$ 102,452	\$ 533,267	\$ 329,822
Residential.....	40,708	26,250	55,496	254,623	113,512
All other.....	48,805	39,927	46,956	278,644	216,310
United States*total.....	1,345,463	945,676	1,347,603	6,854,148	4,467,676
Residential.....	628,051	370,752	674,604	3,257,125	1,624,799
All other.....	717,412	574,924	672,999	3,597,023	2,842,877

p—Preliminary.  
\* 37 states east of the Rocky Mountains.  
SOURCE: F. W. Dodge Corporation.

While the value of construction contract awards in the Eleventh District in June declined 13 percent from the high May total, the June awards, which amounted to \$90,000,000, were 35 percent higher than a year ago. During the postwar period prior to this year the \$90,000,000 monthly rate had been attained only twice. During the first half of 1950, awards totaled \$533,000,000, or 62 percent more than during the corresponding period last year.

BUILDING PERMITS

City	June 1950		Percentage change valuation from		Jan. 1 to June 30, 1950		Percentage change valuation from 1949
	Number	Valuation	June 1949	May 1950	Number	Valuation	
Louisiana:							
Shreveport....	438	\$ 1,642,739	41	- 37	2,379	\$ 12,526,910	75
Texas:							
Abilene.....	143	965,910	10	- 5	1,027	6,948,415	90
Amarillo.....	296	1,702,236	- 29	9	1,963	10,264,241	30
Austin.....	461	3,346,680	131	- 45	2,281	20,706,484	90
Beaumont.....	319	536,326	- 45	- 23	2,089	5,661,056	15
Corpus Christi.	514	2,543,134	151	- 32	2,636	14,038,439	128
Dallas.....	2,480	12,013,808	24	21	12,097	55,769,806	52
El Paso.....	392	3,791,032	743	74	2,381	13,136,914	198
Fort Worth.....	915	4,244,724	101	- 35	5,355	24,045,574	104
Galveston.....	141	514,741	- 89	- 52	875	3,365,075	- 53
Houston.....	1,346	15,351,667	53	8	6,954	75,315,053	82
Lubbock.....	348	1,862,911	2	6	1,918	12,097,019	117
Port Arthur.....	253	1,572,853	170	304	1,317	3,852,176	85
San Antonio....	1,744	5,613,316	76	44	10,413	26,189,164	62
Waco.....	249	1,584,568	78	46	1,660	10,712,598	151
Wichita Falls..	162	583,380	- 47	75	743	2,641,323	6
Total.....	10,201	\$57,870,020	36	1	56,088	\$297,270,247	72

Residential awards totaled \$41,000,000 in June, representing a decline of 27 percent from the May 1950 peak but exceeding the year-earlier figure by 55 percent. The June figure is the fifth highest on record. During the first half of 1950, residential awards totaled \$255,000,000 or 124 percent more than during the same period in 1949. Nonresidential awards totaled \$49,000,000 in June, or 4 percent more than in May and 22 percent more than in June of last year. Total nonresidential awards during the first half of this year amounted to \$279,000,000, representing a gain of 29 percent from the corresponding period of last year.

A series of credit restrictions affecting housing have been ordered by the President in a move against inflation and to increase the availability of materials for national defense purposes. Effective July 19, the Federal Housing Administration will make a reduction equal to 5 percent of the appraised value in the maximum coverage of mortgage insurance. On a house appraised at \$7,000, this would decrease the amount of the insured loan from \$6,650 to \$6,300. The Veterans Administration also will require larger down payments, the new minimum being 5 percent. Construction costs prior to July 1, 1950, are to be taken as a ceiling in the appraisal of property for FHA mortgage insurance. The maximum mortgage limit on single-family dwellings is cut from \$16,000 to \$14,000. Effective August 1, a 10-percent down payment will be required on FHA insured loans for modernization and repair of houses. Previously there had been no down payment required for these purposes. The availability of Federal Home Loan Bank credit to member institutions is being cut substantially, while only \$650,000,000 out of the \$1,250,000,000 recently appropriated will be made available for the issuance of new mortgages. During the last half of the year public housing starts will be held to no more than 30,000 dwelling units, pending re-examination of the program in the light of the international situation.

The immediate effects of these restrictions upon building activity may be small, since projects under way or on which commitments have been made will be unaffected, but over a period of several months residential building activity may fall somewhat below the boom levels which had been expected.

The daily average rate of consumption of cotton at United States mills during June was 7 percent less than in the previous month but 24 percent above the level of a year earlier. Total consumption during the first 11 months of the 1949-50 season amounted to 8,259,000 bales, or 13 percent more than during the like period of the previous season. Total consumption during the season should reach nearly 9,000,000 bales, or about 1,200,000 bales more than during the 1948-49 season, although consumption will not reach the high level maintained during the 8-year period 1940-48.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	June 1950*	June 1949	May 1950**	August 1 to June 30	
				This season#	Last season
Consumption at:					
Texas mills.....	14,528	11,345	12,332	142,255	133,692
United States mills.....	841,227	600,651	728,827	8,258,956	7,340,978
U. S. Stocks—end of month:					
In consuming establishments..	1,429,178	1,052,134	1,629,269		
Public storage and compresses..	5,268,258	4,409,962	6,378,721		

\* Five weeks ended July 1.  
\*\* Four weeks ended May 27.  
# Through July 1.