MONTHLY BUSINESS REVIEW

FEDERAL RESERVE BANK OF DALLAS

Vol. 36, No. 1 | DALLAS, TEXAS | January 1, 1951

1951—FULL PRODUCTION, FULL EMPLOYMENT, AND INFLATIONARY PRESSURES

WATROUS H. IRONS, *Vice President*
Federal Reserve Bank of Dallas

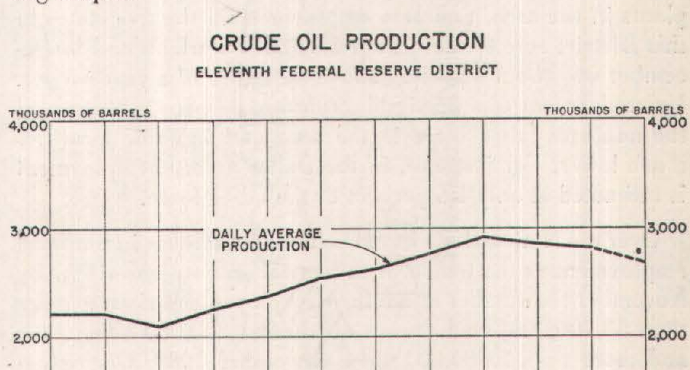
The chain of events set off by the outbreak of war in Korea in mid-1950 changed the economic outlook for the Nation and the Southwest. As we look ahead into 1951 and attempt to foresee some of the more likely developments and to appraise some of the more probable problems, it is important that we recognize the elements of strength and weakness in the current economic situation—the point from which our program of armed strength with economic stability must be carried forward to a successful conclusion.

In both the Nation and the Southwest, virtually all measures of business and industrial activity had approached or exceeded previous records by the end of 1950. Indexes of wholesale and retail prices and the prices of numerous raw materials essential to the defense program and traded on primary markets moved up to record levels during the closing weeks of the year. These increases reflected at least in part the additional inflation of the preceding 6 months. Full employment, longer work weeks at rising rates of pay, and higher prices pushed the total personal income of the country up to a new peak. The very high level of business and industrial activity, the attractiveness to speculative ventures of an obviously inflationary outlook and inordinately strong demand for goods, the increased cost of doing business, and the financing of marketing basic agricultural production combined to create an abnormally strong demand for bank credit. As bank credit expanded at a record pace in response to this persistent strong loan demand, the sharp increase in demand deposits at the Nation's banks added substantially to the money supply.

Industrial production, as measured by the volume index of the Federal Reserve Board, rose sharply between June and November, the increase for the period being almost 8 percent. The increase in the volume of goods produced extended into most major lines of production. Steel production ran above 100 percent of rated capacity during most of the period; production of automobiles and other major durable goods was at approximately record or, at least, very high levels; manufactures of railroad freight cars and of heavy machinery and activity in the machine tool industries rose significantly; and the nondurable goods producers stepped up their output. Moreover, in virtually all major lines outstanding orders rose much more rapidly than production. Of course, industrial production had been rising prior to the outbreak of the Korean war. That condition was typical not only with respect to this major source of income but others—the consequences of the determination to prepare our defenses were to add fuel to a business boom that had already reached remarkable proportions. In November, industrial production was running at about 114 percent above the 1935-39 base period average, as compared with 99 percent above in June and 73 percent above in November 1949.

While there is no index which reflects the volume of industrial production in the Southwest, figures of the output of certain of the major sources of income to the Southwest indicate the very high level of industrial activity that prevails in this area. For instance, such basic industries as petroleum and constructon show very substantial gains over year-earlier figures, and the number of persons engaged in nonfarm activities indicates the rise that has occurred in manufacturing output.

CRUDE OIL PRODUCTION
ELEVENTH FEDERAL RESERVE DISTRICT



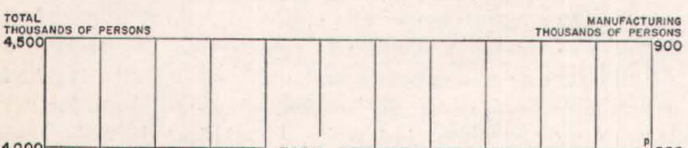
e-ESTIMATED
SOURCE: AMERICAN PETROLEUM INSTITUTE.

Crude petroleum production during 1950 is estimated at about 11 percent more than during the preceding year, and in December crude output exceeded the year-earlier figures by 17 percent. Refinery runs to stills approximately kept pace with the increase in production, as estimates indicate year-end figures running roughly 12 percent above the comparable figures in 1949. The search for new oil has continued at a record pace, with new drilling—about 18,400 wells—in 1950 setting an all-time record and running about 19 percent above the figure reported for 1949.

Construction activity in the Southwest rose even more substantially during the past year than in the Nation as a whole. For instance, during the first 11 months of the year, total construction contracts were up about 55 percent, with residential contracts rising as much as 90 percent. Comparable figures for the United States show increases of 42 percent and 65 percent, respectively. While construction in the Southwest was maintained at high levels throughout the year, an upward surge during the summer and early fall added substantially to year-to-year gains. Strength in the construction industry stimulated activity in several building materials lines and created a very strong demand for construction labor in the states lying wholly or partly in the Eleventh Federal Reserve District.

NONFARM EMPLOYMENT

ARIZONA, LOUISIANA, NEW MEXICO, OKLAHOMA, AND TEXAS



p-PRELIMINARY
SOURCES: U.S. DEPARTMENT OF LABOR; STATE EMPLOYMENT AGENCIES.

Indicative of the capacity rate of output in manufacturing plants in the area, nonfarm employment in the five states in this District rose to more than 4,000,000 workers and in December was about 4 percent above the figure of a year earlier. Unemployment was negligible, running perhaps 3 percent of the nonfarm labor force in the area and in some localities much lower. For instance, in the Dallas area, unemployment is estimated at only 1.6 percent of the labor force.

Over the Nation there has also been an increase in nonfarm employment as the tempo of industrial activity has risen. By November the number of nonfarm employed had risen to more than 53,700,000, an increase of about 1,300,000 since June and more than 2,000,000 since November 1949. Unemployment during the past several months has been negligible. The unemployed, as a percentage of the total civilian labor force, are reported at about 3½ percent for the Nation.

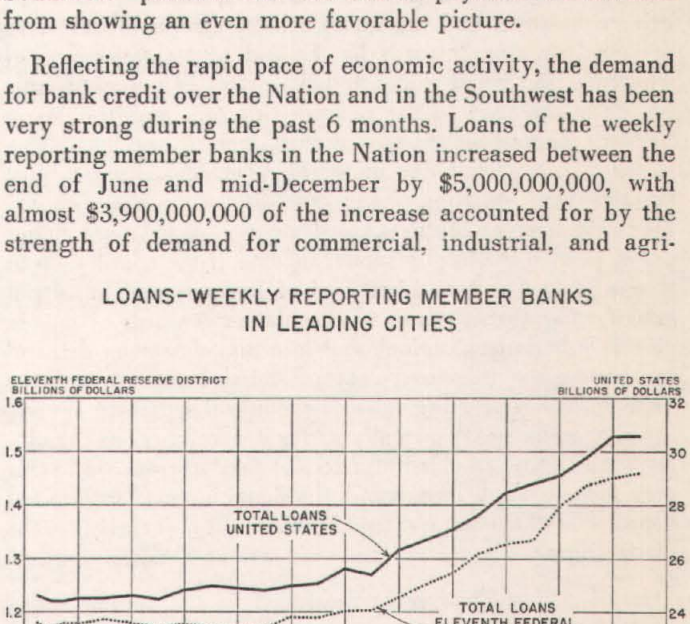
Not only has the number of employed increased but the hours of work have moved up gradually as the industrial facilities of the Nation and the Southwest have been used more intensively. During the past 6 months, hours of work have moved above the 40-hour-week average and now perhaps exceed 41 ½ hours per week. At the same time, average weekly earnings have moved up both in terms of current dollars and in terms of 1949 dollars. In October average hourly earnings in the manufacture of durable goods were $1.52 in terms of 1949 dollars, a figure higher than that of any preceding month. In the Southwest, hours of work have increased comparably with those over the Nation and, in some cases, even more so as the area's defense and closely related plants such as aircraft, petroleum, and chemicals have stepped up their output volume.

The combination of virtually peacetime record production, employment, hours of work, and weekly earnings has resulted in raising the personal income payments of the Nation to a record level, estimated in October at some $230,000,000,000, or about $13,000,000,000 higher than the figure reported in June and some $25,000,000,000 above that of a year ago. Labor income has received the largest part of the increase which has occurred since June, as this segment of the total personal income accounts for $10,000,000,000 of the $13,000,000,000 total increase; moreover, labor received $20,000,000,000 of the $25,000,000,000 increase that occurred during the past year.

While current income figures for the Southwest are not available, it is probable that total personal income in the five southwestern states during 1950 will exceed the $15,700,000,000 figure reported in 1949 by from 7 to 10 percent, as a result of the stepped-up volume of business, industrial production, construction, and employment that has been characteristic in the five southwestern states. Only a decline in farm income—a source of income very important to the Southwest—prevents the total income payments of the area from showing an even more favorable picture.

Reflecting the rapid pace of economic activity, the demand for bank credit over the Nation and in the Southwest has been very strong during the past 6 months. Loans of the weekly reporting member banks in the Nation increased between the end of June and mid-December by $5,000,000,000, with almost $3,900,000,000 of the increase accounted for by the strength of demand for commercial, industrial, and agricultural credit. Substantial increases also were reported for real estate loans and loans of a consumer credit type. This increase in total loans at the weekly reporting member banks was about 19 percent during the period and represents the largest increase of record for a comparable period. In the Eleventh District a closely similar situation prevailed, as

LOANS—WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES



loans of the weekly reporting member banks rose by almost $260,000,000, an increase of slightly more than 21 percent. The loan increase, however, was not confined to banks in the larger cities of the District, for estimates indicate that total loans of all member banks in the Eleventh District between the end of June and the end of November increased by about $324,000,000, or approximately 15 percent.

As bank credit increased, the money supply of the Nation rose substantially. In fact, the entire increase in the money supply during the past 6 months can be attributed to the expansion in private credit, with bank loans accounting for virtually the total increment. Between June and October, the latest month for which figures are available, the money supply increased by $4,000,000,000. Further loan expansion that occurred during November, which was reflected in increased demand deposits, points toward an additional expansion of the money supply. Wholly comparable figures of the money supply in the Southwest are not available, but some impression of the trend of the total can be obtained from changes in demand deposits and in currency in circulation in the area. For instance, the increase in demand deposits of all member banks in the District plus the increase in Federal Reserve notes of this bank in actual circulation between mid-June and mid-December amounted to approximately $450,000,000. Again, as this rough approximation is related to the $325,000,000 increase in loans at the District's member banks, the importance of loan expansion as a factor in inflating the money supply becomes quite evident.

This outline of economic developments in the Nation and the District presents a picture of an economy operating at full capacity, drawing upon its resources, both human and material, virtually to the maximum extent. It also presents a picture not only of inflationary developments extending over a period of time but also of very real and dangerous inflationary potentials. Unless appropriate measures are taken to prevent these inflationary potentials from exerting their full effect, we may find that the inflation of the future will be even more damaging than that which the country has experienced during the past several years.

In addition, it is significant, especially as we look into the months ahead in 1951, that the recent inflationary developments have been the direct outgrowth of operations in the private sectors of the economy. These operations, however, were undertaken in part because of the prospect of a greatly enlarged defense program, even though actual defense expenditures had not reached high levels in 1950.

During the 5 months from July through November 1950, it is estimated that actual expenditures on defense were only about $250,000,000 in excess of the amount spent during the comparable 5-month period in 1949. Appropriations have been very large, but time is required to complete plans and to let contracts, to initiate the work, and to begin to make actual expenditures on a large scale. This simply means that as the months pass, the impact of a stepped-up defense program will react with much greater force upon an economy in which there is relatively very little slack at the moment.

Undoubtedly, international developments will have a primary effect upon the character of many of our domestic economic policies during 1951. Certainly, there is no way of determining, or even guessing with assurance, what trend international political and military events may take. Consequently, in this important respect, a shadow of uncertainty overhangs the future. There are, however, certain known conditions from which we can look forward, and those must provide the basis of any attempt to appraise future developments. While we do not know at this time what the total cost of the defense program may amount to during the coming year, we do know that appropriations extending through the fiscal year 1951 will be in the neighborhood of at least $40,000,000,000 to $42,000,000,000. We also know that while expenditures on defense have been slow to start, they will accelerate rapidly as the months pass and by mid-1951 probably will be running at an annual rate of perhaps $30,000,000,000, and by the latter part of 1951, perhaps as high as $42,000,000,000 to $45,000,000,000 a year. We also can be reasonably certain that such substantial government expenditures will assure a very high level of consumer incomes and will exert a constant upward pressure on the money supply. Moreover, as is characteristic of such periods of "high prosperity" and inflationary anticipation, the urge to spend by consumers will continue strong.

Inasmuch as it will not be possible to increase production immediately to meet the increase in the joint government-private demand for goods and services, and since the Government must have priority in its demand for materials and goods, a considerable diversion of productive output will be inevitable. Hence, we will be confronted with the reappearance of the "inflationary gap," a common characteristic during World War II.

It is, perhaps, pointless to attempt to estimate the specific magnitudes or rates of increase that will occur with respect to the major economic factors during the current year. Stimulative forces are expected to dominate in 1951, although there may be declines in some areas early in the year if defense orders are not scheduled so as to take up whatever slack may appear in civilian production as a result of shifting manpower and production to defense uses. It is probably sufficient, in the nature of a forecast, to state that production and employment will be as full as possible, as the maximum use is made of our productive facilities and labor force, consistent with the availability of basic raw materials. The existence and the threat of further increase in a relatively excessive money supply will continue to exert upward pressures on the price structure. Longer hours of work, which are inevitable if the objectives of the defense program with economic stability are to be achieved, and possibility of further increases in wage rates and of rising prices, all point toward steadily rising personal incomes. Finally, indications seem to point toward a strong demand for credit, with the trend of bank and other forms of private credit being determined in considerable degree by the success with which restrictive measures are applied, either voluntary or involuntary.

If economic developments materialize along the lines indicated in the several preceding paragraphs, obviously, one of the major problems which will confront the country, the Government, business organizations, labor, consumers, and others during the year ahead will be the problem of controlling the growing inflationary threat. The stakes in this matter are very high. During the past decade the decline in the purchasing power of the dollar has been such as to bring the dollar's present value down to about 58 percent of pre-World War II. A continuing depreciation in the value of the dollar simply cannot be incurred without serious damage to our economy. In fact, any substantial degree of inflation might well threaten the very type of economic system which the Nation is preparing to defend and preserve.

The ultimate answer to inflation is more production—more efficient production of goods and services so that an adequate supply will be available to meet total demand. However, production, although its increase can be hastened by appropriate measures, cannot be suddenly increased to meet the combined enlarged government-private demand. In other words, in a sense, expansion of production is at best an intermediate or possibly even longer run problem. In the meantime, the immediate approach to the problem of inflation centers around control of the money supply and appropriate restriction of private demand to such an extent as to permit the essential defense requirements to be met, without impairing over-all economic stability.

There are two broad approaches to the solution of the problem: one, a voluntary approach, placing the responsibility upon the various segments of the private economy to exercise their decisions and operations in such a way as to lessen the inflationary pressures and prevent further depreciation in the value of the dollar; the other, an involuntary system of controls, instituted, supervised, and enforced by governmental authority. Of course, there is no one single thing that can be done which would assure the prevention of further inflation. A full program of inflationary restrictions —whether they be voluntary or involuntary or both—is required. The things to do are generally well known. It is not that our economic leadership, including leaders in Government, business, banking, industry, labor, and other fields, is at a loss to know the proper steps to take, but that the will to do the proper things is not as strong as could be desired.

With but a few exceptions, notably in the field of credit, the attack upon inflation since the outbreak of the Korean war has been pitched upon a voluntary plane. All economic groups have been urged not to take advantage of the situation but to shape their policies and decisions in such a way as to prevent a further decline in the value of the dollar. A review of developments of the past 6 months indicates rather clearly that this voluntary approach to the problem has failed. Prices of many commodities, as previously noted, have risen sharply. Labor's demands for increased wages have been very strong and generally widespread. Bank credit has risen in alarming proportions. Businesses have attempted to accumulate goods, in some cases, beyond reasonable requirements. Gray markets in some of the basic materials have begun to reappear. Consumers have stepped up their spending and reduced savings in the fear that goods they may desire will not be available to them in the future. Numerous other instances of the failure of voluntary economic self-discipline might be cited. As a result, during the past 6 months, instead of gaining ground in this struggle for economic stability, ground has actually been lost as the inflationary trend has continued, largely unabated.

If the immediate problem is to control the money supply and restrict private demand, several steps seem to be essential parts of a program of control. Certainly, higher taxes, painful though they may be, are essential. The Government, in this emergency situation, must undertake to obtain from the people in the form of additional taxes a large part of the purchasing power that is given to them as an increment resulting from the defense program. Tax measures have been passed during the past few months which increased the tax burden, but they are not enough. To meet the tax requirements of the defense program and to place that program as nearly as possible on a pay-as-you-go basis, taxes must be increased in such a manner as to reach all segments of the population. Not only will additional taxes need to be obtained from the middle, upper middle, and higher income groups, but higher taxes also must be obtained from the lower middle and low income groups. Moreover, it is evident that corporations must expect to pay substantially larger taxes. In this respect, the limiting factor should be the effect that such taxes will have upon the production of goods, for under no circumstance should measures be taken which will tend to limit production or to lessen the effectiveness of our productive facilities. Businessmen, consumers, laborers, and others should strongly support, in a wholly objective manner, the Government in its problem of raising taxes to meet the cost of the defense program. There should be equity in any such tax program, but it should be an equity which places a fair burden upon all members of the population.

Every effort should be made on the part of the public and the Government to limit nondefense expenditures to the greatest extent practicable. This is a subject on which there is frequent discussion but, unfortunately, less frequent action. Moreover, there sometimes seems to be the impression that the "Government" can limit its nondefense expenditures or greatly reduce nonessential expenditures. On this point, it is probably accurate to say that only the public, through insistence upon economy in government, can bring about the desired reductions. It is the public, or at least various segments of it, that exerts the pressure upon the Government to make the expenditures which are so often criticized as nonessential. A Spartan discipline on the part of the public on this score might be very effective in bringing such expenditures to a lower level. We should recognize, however, that we cannot have lower nondefense expenditures and, at the same time, continue to provide public works aid, educational aid, and aid to various other groups on the scale to which we have become accustomed in recent years. It is just as important that the Government—acting at the behest of the public and with full public support—eliminate from its spending all nonessential expenditures as it is for the Government to require that consumers and businesses eliminate such expenditures from their plans and programs.

It should also be added that the same restrictive policies which are required of the public and the Federal Government are equally important from the standpoint of state, municipal, and other local governmental bodies. Public works projects involving federal aid or which may need to be financed through the issuance of credit obligations should be evaluated most carefully from the standpoint of their urgency and postponed in the interest of the defense program and economic stabilization wherever possible. Moreover, since public works projects frequently require substantial amounts of labor and raw materials which may be of greater importance to the defense effort, their number and amount should be minimized.

In the area of private credit, restraint must be exercised. If such restraint could be achieved through voluntary means taken by lenders and borrowers, it would be highly desirable. However, it is too much to expect that voluntary restraints, alone, will get the job done. Such restrictive actions by the monetary and credit authorities as are appropriate to the situation as it develops will be necessary. The Board of Governors of the Federal Reserve System has already taken certain steps toward the end of restricting private credit. Through its open market operations and rediscount rate action, the System has placed some additional restraint on the availability of reserves of its member banks. Regulation W, establishing minimum down payments and maximum maturities for certain consumer instalment credit transactions, has had the effect of checking the growth of instalment credit. For instance, during October the increase in consumer instalment credit was limited to about $40,000,000, in contrast with an average monthly increase of about $400,000,000 during the preceding 4 months. The establishment of Regulation X and companion regulations, applying to mortgage credit on new residential construction, will exercise a restrictive influence in that important field. It is possible that as the impact of the defense program reacts upon our economic system with more force, other more restrictive measures may need to be taken. Undoubtedly, such measures will be burdensome and, in a sense, unpleasant, but that fact will not justify their being moderated. In fact, if the situation is faced realistically, anti-inflationary measures, including the various types of credit control, probably will not achieve the desired restrictive effect unless they do become burdensome in some degree.

As another means of restricting consumer demand, individuals should be urged to save and to exercise thrift to the fullest practicable extent. A part of such a savings program should include continued purchases of United States savings bonds and the holding of such bonds to maturity. Obviously, a further decline in the value of the dollar would reduce the ultimate purchasing power of such securities, but it will also reduce equally the ultimate purchasing power of savings deposits, life insurance policies, pension funds, and all other forms of fixed dollar investments. It is clearly in the interest of the individual who holds insurance and other forms of savings to take an active part, to the best of his ability, in preventing the dissipation of his savings through further inflation.

The prevention of inflation, however, certainly does not rest only with the Government, regulatory and supervisory agencies, and consumers. It is a burden and a responsibility equally of businessmen, labor, bankers, and others. Those engaged in the production and distribution of goods must do everything possible to prevent further price increases by holding the prices of the things they sell, whether raw materials or finished products, to the lowest levels consistent with equitable profits; in fact, greater efficiency in production—leading to greater productivity—should make it possible to effect price reductions in some cases. Likewise, it is an equal responsibility of labor not to take advantage of its position in a tight labor market by seeking wage increases that can only lead to price increases. If it is to be a temporary requirement of the defense program that the increase in the standard of living in this country be checked or possibly even lowered slightly, the burden, whatever it may be, should be borne equitably by all groups.

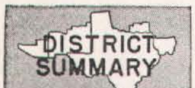
It will be the effective use of such general controls as those which have been discussed and which may be designed to influence restrictively the growth of the money supply and to contract consumer demand that will determine, in the final analysis, whether inflation can be checked while production is being expanded. In other words, measures such as these have inherent within them the possibility of preventing inflation. In the meantime, however, as temporary supplementary devices, certain direct or specific controls may be necessary, including price control and wage fixing. Distasteful though these controls may be, events of the past 6 months appear to indicate that the movement of prices and wages cannot be left, under existing circumstances, to the free working of the markets. It is apparent that the Nation is now moving, perhaps rapidly, in the direction of such controls. They will serve a temporary stabilizing purpose and deserve the complete support of business, labor, agriculture, and consumers. It should be pointed out, however, that even though such controls are used effectively, they cannot in the long run assure the prevention of inflation, for unless the money supply is controlled properly and unless unwarranted increases can be prevented, decline in the purchasing power of the dollar will continue. This fact emphasizes the importance of sound general controls and disciplines, including fiscal policy, credit and monetary policy, business and labor policies, and the management of consumer finances.

In conclusion, developments of the past few months and the known commitments and obligations of the Government with regard to defense assure a high level of business activity, full production and employment, and high incomes during the year ahead. In one sense, a business situation of this type might be considered as reflecting a very favorable outlook. Yet, when the difficulty of the problems that will prevail and the character of the stimulative supports which will exert their influences are realized, enthusiasm or optimism must be somewhat reserved. It is doubtful whether a business situation strongly stimulated by war or defense factors ever should be considered as favorable in the full meaning of that word. Problems of doing business again will become much more difficult and will tax the highest quality of managerial ability.

There will be inventory procurement problems as shortages characterize the different basic materials situation. The problem of obtaining and retaining efficient workers will become much more difficult. There will be constant pressure of rising costs as wage rates press upward, as overtime comes into the picture again, and as less efficient workers are added to employment rolls. Also, there will be, even though costs may be rising, strong price resistance in the sense that consumers and Government will seek to bring pressure to prevent price increases of substantial amounts and will resort to direct controls to check the rise of consumer prices.

The outlook for 1951 does not necessarily present insuperable problems to business, but it does present the certainty of difficult problems. Moreover, it requires that businessmen maintain their operations in a flexible state to be able to meet whatever uncertainty may arise, that they make every effort to hold an increase in the cost of doing business to a minimum and that they be assisted in this objective to the fullest extent by labor, and, finally, that they undertake all feasible management policies which will tend to permit the production of goods and services more efficiently and more economically.

REVIEW OF BUSINESS, INDUSTRIAL, AGRICULTURAL, AND FINANCIAL CONDITIONS



Department store sales in the Eleventh Federal Reserve District in December broke all records, exceeding the previous high of December 1949. Due in part to the earlier Christmas shopping and one less shopping day, the year-to-year gain was smaller than the 10-percent increase of November sales over the year-earlier level. Department store inventories were substantially reduced during December, but nevertheless, year-end stocks were appreciably higher than on the same date of 1949.

Nonfarm employment in the Southwest at mid-December again reached an all-time peak, maintaining a level 4 percent higher than a year earlier. As a result of successive reductions in Texas allowables, crude oil production in the Eleventh District decreased slightly in November and by a greater amount in December. January 1951 production should reflect a small increase. The value of construction contracts awarded in the District decreased more than seasonally in November, reaching the lowest level since last February, but was 32 percent more than during the same month of a year ago. Residential awards were 60 percent and nonresidential awards 11 percent above a year earlier.

The drought that originated in south Texas several months ago now encompasses virtually the entire Eleventh District and, together with the early December freeze, has had an adverse effect upon ranges, crops, and livestock. Oats, winter vegetables, and citrus fruits suffered the greatest losses from the freeze, although other crops were damaged. All areas of the District are urgently in need of rain. Harvest of remaining 1950 field crops in the District is virtually completed. Livestock are showing shrinkage in some drought-stricken areas, despite supplemental feeding, while it has become necessary to move many cattle and lambs off wheat pastures to more favored areas or to market. Farm prices in Texas continue to rise, the average level being the highest of record.

Between November 15 and December 13, loans of the weekly reporting member banks rose $23,000,000 to a new record of $1,473,000,000. The increase occurred chiefly in commercial, industrial, and agricultural loans, where the rise totaled $21,200,000. Although demand deposits of individuals and businesses rose $47,200,000, total deposits declined $5,900,000, principally as a result of shrinkage in interbank demand deposits.

Christmas buying in the Eleventh Federal Reserve District, stimulated by the rising level of income and fears of goods shortages and higher prices, broke all records, exceeding the previous peak set in December a year ago. While higher prices were partially responsible for the record December dollar volume of sales, the physical volume of merchandise sold may have reached a new high. December sales, however, showed a smaller gain over the year-earlier level than most other months of the past year, but this smaller year-to-year gain was due in part to one less trading day and to the earlier start in Christmas shopping. Regulation W, also, was a factor holding down the Christmas volume of some of the major durable goods.

The tendency of the consumer to buy gift items which may become short in supply as a result of the defense program was clearly evident in the Christmas buying. Housefurnishing sales, except for major appliances, were very heavy. Moreover, although sales of high-priced items, such as silverware and jewelry, fur coats, and other luxuries, were in large volume, there was particularly heavy buying of lower priced items and of the lower quality items. Basement store

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES			STOCKS[1]	
	Nov. 1950 from		11 mo. 1950	Nov. 1950 from	
	Nov. 1949	Oct. 1950	comp. with 11 mo. 1949	Nov. 1949	Oct. 1950
DEPARTMENT STORES					
Total Eleventh District	10	12	11	22	1
Corpus Christi	7	— 6	11	6	1
Dallas	11	11	12	21	— 1
Fort Worth	9	13	11	26	2
Houston	17	18	10	18	4
San Antonio	2	5	13	27	3
Shreveport, La.	— 1	14	5	—	—
Other cities	6	14	11	24	#
FURNITURE STORES					
Total Eleventh District	— 9	6	—	41	6
Austin	—15	4	—	67	4
Dallas	—43	8	—	18	7
Houston	— 6	—14	—	—	—
Port Arthur	—20	21		41	8
San Antonio	— 8	— 2		—	—
Shreveport, La.	12	16	—	70	7
Wichita Falls	16	12	—	20	— #
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District	—30	—23	—	—	—
Dallas	—27	—20	—	—	—

[1] Stocks at end of month.
Ind cates change of less than one-half of 1 percent.

WHOLESALE TRADE STATISTICS

Eleventh Federal Reserve District

(Percentage change)

Line of trade	NET SALESp			STOCKS[1]p	
	Nov. 1950 from		11 mo. 1950	Nov. 1950 from	
	Nov. 1949	Oct. 1950	comp. with 11 mo. 1949	Nov. 1949	Oct. 1950
Automotive supplies	56	— 4	—	—21	— 1
Drugs and sundries	4	— 8	—	9	2
Dry goods	3	#	6	83	2
Grocery (full-line wholesalers not sponsoring groups)	7	7	—	1	— 3
Hardware	11	— 4	16	14	4
Industrial supplies	49	— #	—	17	4
Machinery equipment and supplies except electrical	10	—40	—	10	3
Tobacco products	1	— 2	4	5	— 4
Wines and liquors	— 4	59	—	16	4
Wiring supplies, construction materials distributors	60	9	—	60	— 2

[1] Stocks at end of month.
p Preliminary.
# Indicates change of less than one-half of 1 percent.
SOURCE: United States Bureau of the Census.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1935-39=100)

Area	UNADJUSTED				ADJUSTED[1]			
	Nov. 1950	Oct. 1950	Sept. 1950	Nov. 1949	Nov. 1950	Oct. 1950	Sept. 1950	Nov. 1949
SALES—Daily average								
Eleventh District	472	405	454	442	400	375	420	371r
Dallas	446	390	438	405	369	355	395	335
Houston	527	419r	472	482r	435	381	441	398r
STOCKS—End of month								
Eleventh District	495p	479	444	405	446p	456	431	365r

[1] Adjusted for seasonal variation.
p Preliminary.
r Revised.

sales showed substantial gains over year-earlier levels. The increased emphasis on lower priced items may indicate that many consumers were stretching their financial resources to the limit in all-out Christmas buying.

Department store sales in November showed a larger-than-seasonal increase, following the temporary letdown during October. November sales were 12 percent higher than in October and 10 percent higher than in November a year ago. This year-to-year increase, while substantially below the very large increases in the 3 months immediately following the outbreak of hostilities in Korea, is noticeably higher than the average for the first 6 months of 1950.

Early Christmas buying was evident in the November sales performance of the individual departments. The silverware and jewelry department continued to make one of the strongest showings with a sharp seasonal upswing and a 12-percent increase over the year-earlier level. Men's clothing sales were also outstanding, with an increase of 17 percent over sales in November 1949. Moreover, basement store sales, which had been experiencing year-to-year decreases during most of the year, in November showed an 8-percent increase over the year-earlier figure. In relation to a year ago, sales of women's and misses' coats and suits, dresses, and accessories registered small-to-moderate increases.

Sales of most of the big-ticket items continued to run above the very satisfactory volume of 1949. Major household appliance sales, however, were the principal exception to this pattern, dropping 44 percent below the year-earlier level. Furniture and bedding sales showed a year-to-year increase of 14 percent; domestic floor coverings, a 14-percent increase; and television, radio and phonographs a 13-percent increase.

Instalment sales showed little change from October to November but fell 18 percent below the high volume of November a year ago. On the other hand, cash and charge account sales increased noticeably from October to November and were 3 and 12 percent higher, respectively, than in the same month of last year. The proportion of charge sales to total sales has increased noticeably in recent months and in November was 62 percent, as compared with 58 percent a year ago. This increase in the proportion of charge sales has about offset the reduction in the proportion of instalment sales, which in November was down to 7 percent, as compared with the peak July level of 18 percent and with 10 percent in November 1949. The proportion of cash sales to total sales, although up noticeably in recent months, was around the same level in November as a year ago, 32 percent.

Instalment receivables showed a small decline for the second consecutive month and at the end of November were 3 percent lower than a month earlier and 5 percent below the peak reached on September 30. Despite these declines, instalment receivables were still 63 percent higher than a year earlier. Charge account receivables continued to expand seasonally for the fifth consecutive month. The ratio of collections to receivables outstanding showed no significant change, amounting to 50 percent for charge accounts and 13 percent for instalment accounts.

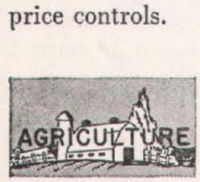
Although department store stocks rose 1 percent during November to reach another new high, the increase was considerably less than usually occurs at this time of year. Nevertheless, stocks at the end of the month were 22 percent higher than on the corresponding date of 1949. Orders outstanding declined 5 percent during November, in line with the pattern which normally prevails at this time of year. At the end of November, however, orders outstanding were still 24 percent higher than a year earlier, as compared with a 23-percent year-to-year gain reported at the end of October.

The record Christmas sales volume reduced merchants' stocks considerably, but year-end stocks were substantially larger than on the corresponding date of the previous year. Although the present level of stocks would normally be considered large, merchants generally appear satisfied with their stock position in view of expectations of further price increases and probable reductions in supplies of some civilian items.

Sales at district furniture stores showed a noticeable increase from October to November, in line with the usual seasonal trend, but were substantially below the heavy post-Korean summer volume, as well as somewhat below the high volume of November a year ago. November sales were up 6 percent from October but were 9 percent less than in the corresponding month of 1949. While credit sales recovered to a moderate extent from the sharp drop of the preceding month following the imposition of consumer instalment credit controls, they fell 14 percent short of the large volume of November 1949. On the other hand, cash sales continued to make a very strong showing, with an increase of 21 percent over October and 25 percent over the year-earlier level.

The reduced sales volume and tighter credit terms which have prevailed since the imposition of Regulation W are being reflected in a downturn in accounts receivable outstanding. Accounts receivable at the end of November were 2 percent lower than a month earlier, to mark the second consecutive monthly decline. Moreover, although accounts receivable were 14 percent higher than on the same date of 1949, this year-to-year increase was the smallest in more than a year. Collections showed a slight decline for the third successive month but were 16 percent higher than in November a year ago. The heavy ordering by furniture stores in the immediately post-Korean months, together with the lower sales volume in recent months, is evident in the substantial rise in inventories. Furniture store stocks showed a monthly increase of 6 percent, following a 10-percent rise in the preceding month, and at the end of November were 41 percent higher than on the same date in 1949.

Wholesale prices rose steadily during the 10 weeks ended December 19, following the slight setback of late September and early October which interrupted the post-Korean rise. The United States Bureau of Labor Statistics' All Commodity Wholesale Price Index on December 19, was 2.0 percent higher than a month earlier, 3.6 percent higher than 2 months earlier, and 11.2 percent higher than in the immediately pre-Korean week ended June 20. At 174.7 percent of the 1926 average, the index is at a record level 2.9 percent above the August 1948 peak. Retail prices, as reflected in the Bureau of Labor Statistics' Consumers' Price Index, have shown an uninterrupted increase since February. This index as of mid-November was at a new high, 175.6 percent of the 1935-39 average and 3.2 percent above the pre-Korean June figure. As a move to prevent further price inflation, the President on December 15 announced the use of selective price controls.



The droughty conditions that began developing in the Southwest several months ago have now spread virtually throughout the entire Eleventh Federal Reserve District and have reached serious proportions in many areas. These conditions, together with periods of extremely cold weather, have delayed field work and have caused an undetermined amount of damage to commercial vegetables, small grains, and winter cover crops. Early reports indicate that substantial acreage of oats in north Texas has been killed by the near-zero temperatures which accompanied the early December storm. While the wheat crop in the northwest appears to have escaped serious damage, the snow flurries in that area were too light to benefit effectively the drought-stricken crop. General rains are urgently needed in all areas of the District.

COTTON: YIELD AND PRODUCTION

Texas Crop Reporting Districts

Crop reporting district	YIELD per harvested acre (pounds) Average 1939-48	1949	1950 indicated Dec. 1	PRODUCTION 500 lb. gross weight bales (thousands) Average 1939-48	1949	1950 Indicated Dec. 1
1-N Northern High Plains	191	244	270	59	259	90
1-S Southern High Plains	191	287	224	467	1,571	715
2 Red Bed Plains	158	262	196	493	1,119	515
3 Western Cross Timbers	122	207	96	37	61	14
4 Black and Grand Prairies	156	198	158	704	1,059	560
5 East Texas Timbered Plains	140	199	119	268	350	119
6 Trans-Pecos	486	514	477	87	190	145
7 Edwards Plateau	126	230	189	38	88	45
8 Southern Texas Prairies	171	296	195	279	505	225
9 Coastal Prairies	221	325	260	125	212	118
10 South Texas Plains, 10-A Lower Rio grande Valley	220	372	365	172	626	354
State	170	266	208	2,729	6,040	2,900

SOURCE: United States Department of Agriculture.

Harvest of the district cotton crop was virtually completed by mid-December, with production in the 5-state area estimated at 4,190,000 bales, or only 52 percent of the 1949 crop. The estimate of the 1950 Texas cotton crop, now placed at 2,900,000 bales, is 50,000 bales below the November estimate, reflecting the effects of cold weather and further damage from insects. Yield per acre in the State is estimated at 208 pounds, which is 58 pounds below the yield in 1949 but well above the average of the past 10 years. Except for the Northern High Plains counties, per acre yields in all parts of the State were below those of 1949. In the Lower Valley and Trans-Pecos area yields per acre almost equaled those of 1949, and the crop was very good in the High Plains and much of the Low Rolling Plains. The Blackland central area also produced good yields, but severe drought caused a reduction in harvest per acre in the Coastal Bend and in the nonirrigated south Texas area.

The cold wave which enveloped the commercial vegetable sections of Texas during the first week of December caused extensive losses to vegetable growers. The freezing temperatures, lasting around 8 hours, caused some damage to hardy-type vegetables in all growing sections. Beet and turnip tops were frozen, while carrot tops showed effects of the cold in scattered fields in the Valley, but most of these crops are expected to recover. Broccoli, cabbage, and lettuce crops were hurt, and young cabbage plants were killed. Onion crops are expected to show very little damage. Late-planted potatoes in the Valley may recover partly but will furnish little production.

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

State	October 1950	1949	Cumulative receipts January — October 1950	1949
Arizona	$ 34,070	$ 25,699	$182,379	$174,062
Louisiana	58,875	51,899	220,732	236,250
New Mexico	56,865	54,502	133,398	137,815
Oklahoma	61,360	68,964	419,606	493,214
Texas	268,724	273,493	1,452,933	1,499,418
Total	$479,894	$474,557	$2,409,048	$2,540,759

SOURCE: United States Department of Agriculture.

The freezing weather also caused some damage to the Rio Grande Valley citrus crop, although the full estimate of the damage has not been determined. Early reports indicate extensive losses to tangerines and Temple oranges, which, together, represent only a small proportion of the total citrus crop. Damage to grapefruit and other oranges is believed to have been light and limited mainly to exposed fruit. Tree damage apparently involved only the loss of new foliage on young trees. The December 1 estimates of citrus production in Texas, which were made prior to the freeze, show crops of 3,500,000 boxes of oranges and 12,000,000 boxes of grapefruit. Production of grapefruit in Arizona is estimated at 3,000,000 boxes—down 400,000 from 1949. Orange production in Louisiana is estimated at 340,000 boxes, or 20,000 under the previous crop.

Range conditions throughout the Eleventh District continued to deteriorate during December in the wake of the extended drought. Feeding of livestock is becoming general. In the northwest many cattle are being moved off the wheat—some to market and others to stalk fields in the area. Local hay and roughage supplies are generally plentiful, except in the Coastal Bend and extreme north. Livestock are showing some shrinkage, although the loss of flesh was not heavy during the recent cold spell because of its short duration.

The volume of cattle fed in the United States during the coming winter months and spring will be nearly as high as in the same period in 1950. Shipments of stocker and feeder cattle into the 11 Corn Belt states during November were about 11 percent higher than in the corresponding month in 1949. The volume of lamb feeding during the coming winter and spring months, however, will be smaller than during the same months a year earlier, as small lamb crops and the demand for ewe lambs for replacement purposes will cause a general reduction. In the Texas Panhandle area where wheat pastures have deteriorated, a large share of the lambs has been shifted to more favorable pastures or into feed lots.

Livestock receipts at the Fort Worth market during November were slightly below those for the same month in 1949. Marketings for the first 11 months of 1950, however, were up 10 percent as compared with the same months a year earlier. Increases of 14 percent for calves, 17 percent for hogs, and 13 percent for sheep and lambs more than offset a decline of 7 percent in marketings of cattle. Meat production by commercial plants in Texas during the first 10 months of 1950 totaled 654,745,000 pounds, or 5 percent more than during the corresponding period of 1949.

TOP LIVESTOCK PRICES
Fort Worth Market
(Dollars per hundredweight)

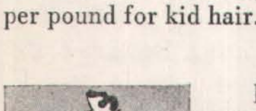
Class	November 1950	November 1949	October 1950
Slaughter Cattle			
Steers	$ 33.00	$ 28.00	$ 33.00
Cows	23.00	17.50	23.00
Heifers	33.00	28.00	33.00
Calves	30.50	24.50	29.00
Feeder and stocker cattle			
Steers	30.00	23.00	29.50
Calves	31.00	24.50	32.00
Slaughter lambs	29.50	23.75	29.50
Hogs	20.25	17.50	22.25

LIVESTOCK RECEIPTS
(Number)

	FORT WORTH MARKET			SAN ANTONIO MARKET		
Class	November 1950	November 1949	October 1950	November 1950	November 1949	October 1950
Cattle	53,390	57,720	61,676	30,015	34,886	34,118
Calves	40,204	46,307	44,342	33,583	24,369	36,059
Hogs	76,365	62,950	61,387	6,769	8,784	7,587
Sheep	26,552	33,164	31,385	[1]11,831	[1]21,894	[1]18,632

[1] Includes goats.

Farm prices in Texas continue to rise, and in late December, probably averaged a record high. On December 26 prices of Middling 15/16-inch cotton in the 10 designated spot markets averaged 43.28 cents per pound, which is only a fraction below the peak of 43.93 cents per pound reached on November 22. Cottonseed sold at gins for an average of $106.00 per ton, or $8.00 above a month earlier. Grain prices, which have risen considerably during the past month, generally are at highest levels in more than a year. On December 26 No. 1 hard wheat sold on the Fort Worth Grain and Cotton Exchange for $2.64 per bushel, compared with $2.46 a month earlier. The comparison of other prices for the same dates shows barley up 17 cents, white oats 7 cents, yellow corn 14 cents, and white corn 23 cents per bushel; grain sorghums were up 30 cents per hundredweight. Livestock prices maintained the high levels which prevailed a month earlier. The contracting of Texas wool continues at prices up to $1.12 per pound, grease basis, f.o.b. Texas, while contract prices for 1951 spring-clip mohair in Texas have reached record high levels of $1.30 for adult and $1.56 per pound for kid hair.



Between November 15 and December 13 all major categories of loans of weekly reporting member banks in the District increased, with the exception of "all other" loans, a category which includes a substantial amount of consumer loans. Demand deposits of individuals, partnerships, and corporations rose during the 4-week period, largely reflecting the increase in loans. Member banks in the weekly reporting cities drew upon their excess reserves with the Reserve Bank as the strong demand for funds by borrowers persisted.

The trend of "all other" loans during recent weeks—a decline of $1,612,000 between November 15 and December 13—may reflect partly the influence of Regulation W. The demand for business, industrial, and agricultural credit continued strong at these banks, as evidenced by an increase of $21,306,000 in loans for those purposes. While the advances in commercial, industrial, and agricultural loans accounted for most of the loan increase during the 4-week period ended December 13, real estate loans increased $2,253,000, while loans to brokers and others for the purpose of financing security transactions showed an increase of $1,548,000. As a result of these changes, total loans moved upward to a record sum of $1,473,486,000 on December 13, reflecting a gain of $22,995,000 for the 4-week period and $305,709,000 over the comparable total for 1949.

As pointed out, accompanying the increase in loans was an increase in demand deposits of individuals, partnerships, and corporations. This increase during the 4-week period amounted to $47,154,000. On the other hand, interbank demand deposits and time deposits showed declines of $39,485,000 and $13,366,000, respectively. Despite the slight decline in total deposits which occurred during the latest 4-week period, the total reported by the weekly reporting member banks on December 13 was $3,752,185,000, as compared with $3,487,610,000 on December 14, 1949.

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

Item	December 13, 1950	December 14, 1949	November 15, 1950
Total loans (gross) and investments	$2,731,649	$2,545,219	$2,708,711
Total loans—Net[1]	1,460,011	1,156,714	1,436,901
Total loans—Gross	1,473,486	1,167,777	1,450,491
Commercial, industrial, and agricultural loans	1,028,102	819,561	1,006,796
Loans to brokers and dealers in securities	7,942	6,658	6,809
Other loans for purchasing or carrying securities	57,952	46,932	57,537
Real estate loans	117,871	90,486	115,618
Loans to banks	200	79	700
All other loans	261,419	204,061	263,031
Total investments	1,258,163	1,377,442	1,258,220
U. S. Treasury bills	113,962	141,132	96,180
U. S. Treasury certificates of indebtedness	28,671	347,299	53,001
U. S. Treasury notes	323,996	45,452	318,485
U. S. Government bonds (inc. gtd. obligations)	635,707	713,503	634,317
Other securities	155,827	130,056	156,237
Reserves with Federal Reserve Bank	494,216	472,558	510,444
Balances with domestic banks	392,582	366,029	374,205
Demand deposits—adjusted[2]	2,198,679	2,029,209	2,103,060
Time deposits except Government	423,017	446,315	436,536
United States Government deposits	49,480	47,336	60,089
Interbank demand deposits	783,876	717,643	823,361
Borrowings from Federal Reserve Bank	0	0	2,000

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

Reserve balances with the Federal Reserve Bank amounted to $510,444,000 on November 15, the high point for the year. During the 4 weeks ended December 13, however, factors absorbing reserves outweighed the factors of supply, with the result that banks drew upon their balances to the amount of $16,228,000. A decrease in Federal Reserve credit and the loss of funds resulting from the increase in currency circulation were factors absorbing reserves and were more than enough to offset the supply of reserves obtained from Treasury net expenditures in the District during the period and the excess of receipts over payments on interdistrict commercial and financial account.

Total investments of the weekly reporting member banks showed virtually no change during the 4-week period ended

December 13. Major offsetting portfolio shifts included a decrease in holdings of certificates of indebtedness; increases in holdings of bills, notes, and Government bonds; and a slight decrease in holdings of state and municipal and other securities.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

	COMBINED TOTAL		RESERVE CITY BANKS		COUNTRY BANKS	
Date	Gross demand	Time	Gross demand	Time	Gross demand	Time
November 1948..	$5,407,874	$594,125	$2,584,489	$379,905	$2,823,385	$214,220
November 1949..	5,482,103	636,996	2,666,217	408,479	2,815,886	228,517
July 1950.......	5,640,371	660,748	2,757,150	416,753	2,883,221	243,995
August 1950.....	5,685,570	655,792	2,779,305	409,987	2,906,265	245,805
September 1950.	5,726,635	659,286	2,806,806	410,905	2,919,829	248,381
October 1950...	5,831,230	657,976	2,850,628	411,759	2,980,602	246,217
November 1950..	6,087,614	657,258	2,951,134	406,100	3,136,480	251,158

The deposit situation with respect to all member banks in the District, as contrasted with the weekly reporting member banks, reflected an increase in gross demand deposits during November of $256,384,000 to bring the total to $6,087,614,000 at the end of the month. About 61 percent of this increase occurred at country banks, probably reflecting in considerable part the gain of funds from the harvesting of major agricultural products. Gross demand deposits of member banks in the District have moved upward steadily for several months, with both Reserve city and country banks showing monthly gains. Time deposits, on the other hand, reflecting to some extent the weaker saving tendencies that have been apparent and the strong demand for durable goods, have moved downward since June by $12,457,000. Moreover, all of the decline has occurred at Reserve city banks, as country banks have reported an increase in this type of deposit.

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

(Amounts in thousands of dollars)

	DEBITS[1]			DEPOSITS[2]			
		Percentage change from			Annual rate of turnover		
City	November 1950	Nov. 1949	Oct. 1950	Nov. 30, 1950	Nov. 1950	Nov. 1949	Oct. 1950
ARIZONA							
Tucson.............	$ 68,797	38	3	$ 85,978	9.7	7.8	9.6
LOUISIANA							
Monroe.............	43,844	11	− 3	47,903	11.0	11.2	12.0
Shreveport..........	159,680	25	5	185,029	10.4	9.1	10.1
NEW MEXICO							
Roswell.............	22,177	29	2	26,556	10.3	10.6	11.0
TEXAS							
Abilene.............	58,027	53	1	50,752	13.9	11.9	14.0
Amarillo............	122,257	24	− #	96,231	15.2	12.8	15.6
Austin..............	116,204	6	− 1	110,877	12.2	11.9	12.5
Beaumont...........	118,192	22	3	91,587	15.2	12.7	15.0
Corpus Christi........	109,370	48	2	95,447	13.9	11.2	13.8
Corsicana...........	13,376	4	−20	21,926	7.4	7.6	9.7
Dallas..............	1,275,870	23	− 5	873,073	17.5	15.7	18.5
El Paso.............	180,427	27	− 3	133,736	16.4	14.3	17.5
Fort Worth..........	401,254	22	− 3	332,879	14.6	12.8	15.2
Galveston...........	67,687	4	−10	97,659	8.3	8.3	9.4
Houston............	1,312,190	25	− 3	1,069,493	15.0	13.3	15.6
Laredo.............	17,894	18	− 4	21,796	9.8	8.5	10.3
Lubbock............	123,054	35	27	92,287	16.7	16.3	14.0
Port Arthur..........	36,147	12	− 5	41,819	10.6	9.8	11.6
San Angelo..........	40,391	21	− 9	50,381	9.7	10.0	10.9
San Antonio.........	326,969	33	− 1	363,008	10.8	9.2	11.0
Texarkana[3]..........	18,998	24	− 2	22,714	10.0	7.9	10.2
Tyler...............	47,255	11	− 4	51,608	11.2	10.2	11.9
Waco...............	65,780	17	− 9	80,764	9.7	9.6	10.9
Wichita Falls.........	71,402	26	4	95,283	9.0	8.2	8.9
Total—24 cities........	$4,817,242	24	− 2	$4,138,786	14.0	12.5	14.6

[1] Debits to deposit accounts except interbank accounts.

[2] Demand and time deposits, including certified and officers' checks outstanding but excluding deposits to the credit of banks.

[3] This figure includes only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including two banks located in the Eighth District, amounted to $30,100,000 for the month of November 1950.

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

Debits to deposit accounts reported by banks in 24 cities of the District declined 2 percent in November. Although charges to deposit accounts of businesses and other nonbank holders are not a precise reflection of the business situation, they do provide a reasonably reliable indicator. The decline in November was not inconsistent with the movement of many other business indicators, for while business activity was at a very high level, some "tapering off" occurred during the month. Furthermore, the decrease in debits was not concentrated in any particular area but was general over the District, as banks in 16 of the 24 cities reported lower totals, while banks in the remaining 8 cities showed gains confined within a narrow range. The turnover of deposits, or the use of deposited funds, slowed slightly in November to 14.0 times on an annual rate basis, as compared with 14.6 times in the preceding month. The November rate of turnover, however, was substantially higher than the 12.5 times per year reported for November 1949.

During the month ended December 15, all major asset and liability accounts of the Reserve Bank showed increases. Principal changes were increases of $101,928,000 in gold certificate reserves, $58,995,000 in member bank reserve deposits, and an increase in total earning assets of $42,013,000 as a result of the increase in holdings of United States Government securities. The seasonal increase in notes of this Bank in actual circulation continued during the month, and on December 15 the total reported was $639,504,000. While this figure represents a gain of more than $6,000,000 between November 15 and December 15, the amount of notes in actual circulation was somewhat less than the $645,591,000 reported on December 15, 1949.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	December 15, 1950	December 15, 1949	November 15, 1950
Total gold certificate reserves............	$746,237	$691,163	$644,309
Discounts for member banks.............	2,000	0	2,000
Foreign loans on gold...................	0	2 468	0
U. S. Government securities..............	923 801	785,904	881,788
Total earning assets.....................	925,801	788,372	883 788
Member bank reserve deposits...........	920,381	813,273	861,386
Federal Reserve notes in actual circulation..	639,504	645,591	633.341

On December 14, Secretary Snyder announced the results of the latest refunding operation of the Treasury—the exchange offering of the 5-year $1\frac{3}{4}$-percent note to holders of the $1\frac{1}{2}$-percent Treasury bonds maturing December 15, 1950, and the $1\frac{1}{8}$-percent certificates maturing January 1, 1951. The total amount of these maturing issues outstanding was $8,008,101,500. Total exchanges amounted to $6,851,436,000, leaving $1,156,665,500 to be paid off in cash. The cash requirement of about 14 percent involved in this refunding transaction is somewhat higher than had been expected but can probably be accounted for by the fact that a substantial amount of the maturing issues was held by nonbanking and nonfinancial corporations. Although the 5-year offering was approximately in line with recommendations to the Treasury and was viewed favorably by the market, many of these nonfinancial corporate holders were reluctant to invest in securities having a maturity of that length. During the refunding period rather substantial sales of the maturing issues were made to the Federal Reserve, and partly offsetting purchases of shorter-term notes and bills were made with the funds thus obtained. This development further supports the view that many nonfinance corporate holders did their own refunding in the market and in the shorter-term issues.

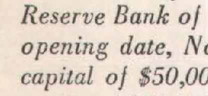
SAVINGS DEPOSITS

City	Number of reporting banks	November 30, 1950 Number of savings depositors	November 30, 1950 Amount of savings deposits	Percentage change in savings deposits from Nov. 30, 1949	Percentage change in savings deposits from Oct. 31, 1950
LOUISIANA					
Shreveport	3	45,369	$ 23,680,596	— 4.9	— 1.0
TEXAS					
Beaumont	3	12,079	5,473,246	— 9.9	— 0.7
Dallas	8	144,217	75,966,097	— 2.0	— 0.4
El Paso	2	33,701	22,029,848	— 1.5	0.7
Fort Worth	4	43,988	34,622,550	— 2.4	— 0.1
Galveston	4	22,461	20,463,810	— 3.2	— 0.9
Houston	8	94,094	73,744,296	— 0.8	— 0.2
Lubbock	2	2,091	3,920,126	18.1	1.0
Port Arthur	2	5,609	3,996,316	—11.2	— 0.9
San Antonio	5	41,675	42,442,602	— 3.0	0.3
Waco	3	10,569	10,497 152	3.2	0 5
Wichita Falls	3	7,321	4,543 832	0.7	— 0.3
ALL OTHER	55	67,213	56,057,632	2.3	0.03
Total	102	530,387	$377,468,103	— 1.4	— 0.2

NEW PAR BANKS

The Yoakum County State Bank, Denver City, Texas, a newly organized, insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the par list on its opening date, November 25, 1950. The new bank has capital of $50,000, surplus of $15,000, and undivided profits of $10,000. The officers are: J. O. Gillham, President; Leo Holmes, Vice President; Bruce Zorns, Vice President; Gene H. Bennett, Vice President; and D. P. Moorhead, Cashier.

The Ridglea State Bank, Fort Worth, Texas, a newly organized, insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the par list on its opening date, December 1, 1950. This bank has capital of $150,000, surplus of $50,000, and undivided profits of $50,000. The officers are: George Thompson, Jr., President; Jack D. Hubbard, Executive Vice President; and E. L. Manire, Jr., Cashier.



New all-time peaks in nonfarm employment in the Southwest during 1950 reflect the general increase in economic activity during the year, with both defense industries and other lines participating in the expansion. This rise in nonfarm employment, which started last spring, has been more than seasonal and has exceeded the rates of increase for both 1948 and 1949. In the five southwestern states—Arizona, Louisiana, New Mexico, Oklahoma, and Texas—total nonfarm employment has set successively higher records each month since August. By mid-December, in each of these states except Louisiana, nonfarm employment was at an all-time peak and totaled about 4,000,000 in the five states, or over 4 percent more than a year earlier.

Manufacturing employment in December reached about 700,000, or 5 percent above the level of a year ago. The larger gains were made in the following industries: aircraft and other transportation equipment, 20 percent; machinery manufacturing, 18 percent; primary metal manufacture, 12 percent; cement, stone, clay, and glass products, 10 percent; textile mill products, 7 percent; and chemical products, 6 percent. Retail trade accounted for a large increase outside of manufacturing.

Nonfarm unemployment in the five states declined to about 3 percent of the nonfarm labor force by December 1950, compared with about 5 percent a year earlier and about 3 percent in December 1948.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	November 1950p	November 1949	October 1950p	January — November 1950p	January — November 1949
ELEVENTH DISTRICT	$ 86,475	$ 65,618	$ 100,629	$1,069,953	$ 688,607
Residential	44,506	27 780	52,245	509,060	268,294
All other	41 969	37,838	48,384	560,893	420,313
UNITED STATES[1]	1,087,062	957,761	1,135,815	13,332,623	9,413 420
Residential	496,682	435,235	529,867	6,262,445	3,803,535
All other	590,380	522,526	605,948	7,070,178	5,609,885

[1] 37 states east of the Rocky Mountains.
p Preliminary.
SOURCE: F. W. Dodge Corporation.

The value of construction contract awards in the Eleventh Federal Reserve District fell somewhat more than seasonally in November, dropping to about $86,500,000, or 14 percent below the previous month and the lowest amount since last February. However, the November 1950 total is 32 percent above the figure for the same month of a year ago, while the total for the first 11 months of 1950—$1,070,000,000—is 55 percent more than during the corresponding period of 1949.

Residential awards during November totaled about $44,500,000, which—though down 15 percent from October—is 60 percent more than a year ago. The total residential awards during the first 11 months amounted to $509,000,000 or 90 percent more than during the same period of 1949. Contributing to the maintenance of a high level of residential awards during November was the large number of housing starts and of FHA loan-insurance and other loan commitments made

BUILDING PERMITS

City	November 1950 Number	November 1950 Valuation	Percentage change in valuation from Nov. 1949	Percentage change in valuation from Oct. 1950	11 months 1950 Number	11 months 1950 Valuation	Percentage change in valuation from 11 months 1949
LOUISIANA							
Shreveport	267	$ 1,101,605	11	— 20	4,318	$ 28,298 238	37
TEXAS							
Abilene	184	1,039,900	76	— 5	1,954	13,444,664	121
Amarillo	260	1,491,332	36	— 50	3,510	21,275,729	39
Austin	218	1,268,825	— 25	— 65	3,905	36,291,702	75
Beaumont	204	329,672	— 69	— 18	3,648	9,216,639	— 3
Corpus Christi	298	1,316 227	25	— 63	4,756	25,452,805	85
Dallas	1,913	10,401,698	33	11	22,417	116,940,311	66
El Paso	270	1,948,564	#	— 6	4,199	23,877,291	81
Fort Worth	568	2,576 562	— 13	9	9,317	42,506 162	61
Galveston	109	340,327	94	— 70	1,899	7,313,086	— 11
Houston	903	15,466,780	258	52	12,917	157 085,917	103
Lubbock	298	1,574,826	— 58	— 46	3,560	23,705,948	77
Port Arthur	148	201,611	— 78	— 42	2,247	5,337,285	21
San Antonio	1,305	4,614,222	— 6	24	17,756	50,249,330	49
Waco	148	654,750	— 42	— 73	2,728	18,664 519	79
Wichita Falls	93	416 135	38	27	1,307	4,853 684	— #
Total	7,186	$44,743,036	29	— 6	100,438	$584,513,310	68

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

before October 12, when Regulation X and companion regulations became effective. Many of these commitments were for housing to be started or contracted subsequent to that date. The backlog of unused FHA commitments in the Nation was reported recently at about 400,000 dwelling units, a number equal to about half of the housing starts expected during all of 1951.

Nonresidential awards in this District in November declined to $42,000,000, or 13 percent below the October level but 11 percent more than in November 1949. The decrease was divided about equally between private nonresidential building and public works. Despite the November decline, the total value of nonresidential awards during the first 11 months of 1950, which amounted to $561,000,000, exceeds that of the corresponding 1949 period by 33 percent.

CRUDE OIL PRODUCTION

(Barrels)

Area	November 1950 Total production	November 1950 Daily avg. production	Increase or decrease in daily average production from Nov. 1949	Increase or decrease in daily average production from Oct. 1950
ELEVENTH DISTRICT				
Texas R. R. Com. Districts				
1 South Central	937,050	31,235	3,958	171
2 Middle Gulf	4,533,400	151,113	17,973	—1,547
3 Upper Gulf	13,891,000	463,034	47,217	—7,166
4 Lower Gulf	6,972,300	232,410	27,118	—4,122
5 East Central	1,289,950	42,998	5,485	—147
6 Northeast	11,773,950	392,465	26,523	—9,056
East Texas	8,708,100	290,270	20,129	—5,454
Other fields	3,065,850	102,195	6,394	—3,602
7b North Central	2,172,400	72,413	9,321	—5,960
7c West Central	2,377,500	79,250	24,315	1,800
8 West	26,176,950	872,565	232,988	596
9 North	4,499,750	149,992	6,417	—4,197
10 Panhandle	2,700,000	90,000	—2,298	0
Total Texas	77,324,250	2,577,475	399,017	—29,628
New Mexico	3,874,600	129,153	—1,504	—799
North Louisiana	3,755,550	125,185	—398	—1,041
Total Eleventh District	84,954,400	2,831,813	397,115	—31,468
OUTSIDE ELEVENTH DISTRICT	91,524,290	3,050,810	311,570	29,993
UNITED STATES	176,478,690	5,882,623	708,685	—1,475

SOURCE: Estimated from American Petroleum Institute weekly reports.

The daily average production of crude petroleum in the Eleventh District amounted to 2,832,000 barrels during November, representing a decline of 31,500 barrels or about 1 percent from the previous month but a gain of 397,000 barrels from November 1949. In the Nation the decline was held to 1,500 barrels daily as compared to the previous month, while the increase from a year ago was 709,000 barrels daily. A decline in crude production during December reflects a further reduction in Texas allowables by 164,000 barrels daily. A small increase in output is indicated for January, with Texas allowables slightly higher as the result of quotas for new wells.

Fluctuations in crude oil runs to refinery stills have followed the changes in crude oil production, with declines in November from the previous month of 46,000 barrels daily in this District and 8,000 barrels daily in the Nation; compared to a year earlier, crude runs were up by 192,000 barrels daily in the Eleventh District and 810,000 barrels daily in the Nation. During early December, refinery runs were moderately below the November level.

The stock position of the petroleum industry changed very little during November, with stocks of kerosene dropping 2,143,000 barrels but with gasoline, gas and distillate fuel oil, and residual fuel oil showing gains, so that total stocks of these four products increased during November by 4,049,000 barrels. Compared with a year ago, residual fuel oil stocks were down 21,050,000 barrels, while stocks of the other three products were within 5 percent of year-earlier level. Stocks of crude oil increased 2,942,000 barrels during November but were 10,742,000 barrels less than a year earlier, while stocks of crude oil plus the four major products rose during November by 6,991,000 barrels but were still 30,764,000 barrels lower than a year ago. The stock position of the petroleum industry should prove adequate during the coming heating season if there are no sudden, unexpected demands as the result of defense needs or unseasonably cold weather.

The outlook for the demand for petroleum products is favorable, with most authorities agreeing that 1951 will show an appreciable increase over 1950. The United States Bureau of Mines, in a recent forecast, indicates that demand for all oils will amount to 2,614,000,000 barrels in 1951, which would be about 153,000,000 barrels or 6.2 percent more than in 1950. However, the Bureau cautions that any estimates of 1951 demand are extremely uncertain at the present time, since defense requirements are subject to large charges on short notice, while the severity of the weather during the heating season and possible controls over consumption are not foreseeable.

Drilling activity as measured by oil and gas well completions appears to have set new records in 1950 at about 42,000 wells in the Nation and about 18,400 wells in the Eleventh District, with about 16,500 wells in Texas. These figures represent gains from the previous year of about 13 percent in the Nation, 19 percent in the District, and 2[illegible] percent in Texas. The District increased its share of the Nation's well completions from 42 percent in 1949 to about 44 percent in 1950, with Texas increasing its share from 37 to about 39 percent. Exploratory drilling in 1950 as compared to the previous year increased by about 17 percent in the Nation and about 20 percent in the District, with the District accounting for about 51 percent of the productive wells, although only about 45 percent of the total tests were made in this area.

While the general price situation in the oil industry continues rather stable, some upward pressure have been building up, both as a result of rising costs in the industry and the increased demand. Oil companies already have higher costs for many materials, as well as labor—following a recent general increase of about 6 percent in wages and salaries. The increases in steel prices also will have important effects on the oil industry.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

Area	November 1950[1]	November 1949	October 1950[2]	August — November This season	August — November Last season
CONSUMPTION					
Total					
Texas mills	16,470	13,528	12,682	56,309	52,251
U. S. mills	1,008,872	772,216	835,155	3,620,351	2,869,475
Daily average					
Texas mills	672	629	642	633	601
U. S. mills	41,178	35,917	42,286	40,792	33,07[illegible]
STOCKS, U. S.—End of period					
Consuming establishments	1,832,015	1,457,072	1,489,660	—	—
Public storage and compresses	6,995,538	10,568,091	6,375,051	—	—

Five weeks ended December 2.
[2] Four weeks ended October 28.
SOURCE: United States Bureau of the Census.