MONTHLY BUSINESS REVIEW

FEDERAL RESERVE BANK OF DALLAS

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SUPPORT THE DEFENSE BOND DRIVE

SEPTEMBER 3–OCTOBER 27

• Every American is urged by the Secretary of the Treasury to become a partner in the Defense Bond Drive, which will begin on Labor Day, September 3, and run through October 27.

• The principal purposes of the Drive are to maintain and increase the wide distribution of the public debt among as many of the American people as possible, to discourage inflationary spending at a time when inflationary pressures arising out of the defense program are strong, and to encourage the continued practice of thrift and savings among the American people.

• From the standpoint of self-interest—if from no other—each banker, businessman, industrialist, employer, worker, farmer, and, in fact, every American should give his full support to this Drive.

• It is true that the value of the dollar has declined. It is also true that strong inflationary forces still threaten. Everyone should do everything possible to prevent further inflation. Increased saving through the purchase of defense bonds is one very important anti-inflationary step that the American people can take.

• As the value of the dollar has declined, criticism of defense bonds as an investment has increased. Objective appraisal of such criticism, however, shows it to be unfounded.

• There are those who argue that our Government has been prodigal in its expenditures and suggest that the public register its protest by not buying bonds. But this is not the sound or practical point of attack on excessive government expenditures. The battle against nonessential spending must be carried to Congress, where spending is authorized—not to the Treasury.

• It is also sometimes said that those who have purchased savings bonds have been treated unfairly because the dollar today is not worth what it was 10 years ago. But again, the purchase of savings bonds did not bring about or contribute in any degree to that decline in the value of the dollar. In fact, very large purchases of savings bonds have tended to limit the decline in the dollar's value.

• We have all contributed in one way or another to the decline in the value of the dollar. The point of attack on this problem is to reach a determination that we will have no more inflation. That problem rests with each American.

• Another criticism is that savings bonds provide no protection against future inflation. Neither do cash holdings, bank deposits, savings accounts, life insurance, or—in fact—any other type of fixed-income investment. One can almost say, categorically, "There is no protection against inflation." Again, the point of attack is to do those things that will stop inflation. Increased purchases of savings bonds will help to achieve that objective.

• Savings and defense bonds are still the world's safest investment. If bankers, insurance companies, trust managers, and others highly trained and experienced in finance do not believe that this is a true statement, how can we account for the many billions of their dollars that they have invested in Government bonds?

• For the average American citizen, defense bonds provide one of the easiest, most certain, safest, and most popular ways to save. The millions of people on pay roll savings and bond-a-month plans prove this statement.

• The purchaser of a defense bond does more than merely make an investment, important though that may be. He is helping in a very real way to fight inflation, to aid his country in building its military strength, to maintain economic stability—in fact, he is purchasing a share in the future of America.

SAVE THE SAFE WAY

BUY U. S. DEFENSE BONDS

DEFENSE CONSTRUCTION IN THE SOUTHWEST

KEITH W. JOHNSON, *Industrial Economist*
Federal Reserve Bank of Dallas

After less than a decade, defense construction is again rising to a high level in the Southwest, with new industrial facilities being planned and built at a rate approaching that of 1942 and exceeding that of the 1946 postwar boom. Such defense-stimulated additions of plant and equipment can affect significantly the rate of industrial development of an area. Undoubtedly, defense construction is speeding up the rate of industrial growth in the Southwest—it did so during World War II, when many years of growth and industrial development were compressed into a few years, and it is proving to be the same sort of catalyst in the present defense emergency. The rich resources and the labor force of the area are being turned again, at least in substantial part, toward the satisfaction of defense and defense-related requirements.

The high level of defense construction in prospect in the Southwest during 1951-52 appears unlikely to be interrupted seriously either by the cease-fire negotiations in Korea or by other lulls in the international tension. For one thing, the defense program cannot be cut off abruptly; in addition, the basic differences between the forces of communism and the democratic nations of the world remain as compelling reasons for a continued high level of defense activity. Even though a lessening of international tensions should have a moderating effect upon the thinking of the American people, it probably would only tend to slow down the rate of expansion of defense production. A moderate downward adjustment in the level of over-all business activity could also occur, but no great decline would be likely before further increases in defense spending—based on plans and commitments already made—would turn the trend at least moderately upward again.

The current rapid economic growth in the Southwest, while paced by the Nation's defense program, reflects the basic economic advantages of the area; indeed, were it not for these advantages, much of the current defense construction and productive expansion would not have occurred in this section of the United States. In other words, although the importance of the defense program should not be minimized, it is not solely responsible for the area's development.

The Southwest is favored by expansive tendencies in most of the forces making for industrial growth. The production of industrial raw materials, paced by the continuing discovery of oil and gas resources, has been the basis for growth in the oil refining and petrochemical industries. The power potential of large reserves of natural gas has drawn, and will continue to draw, nonferrous metal and other industries to the Southwest; more recently the value of the area's huge store of lignite as a source of fuel and power has attracted the favorable attention of industry. Proximity to most of the Nation's supply of sulphur—a basic ingredient essential to the chemical industry—and potash and to large supplies of pulpwood, grain sorghums for industrial uses, minerals, and other raw materials has shaped the character and growth of southwestern industry. It is upon this firm and adequate resource base that the many types of manufacturing and industrial enterprises have developed in the area through the years, including petroleum and petrochemicals, natural gasoline, synthetic rubber, carbon black, and various other chemicals. But these are industries that are essential to defense; consequently, war and defense preparation have stimulated and favored their growth.

An expanding and increasingly skilled labor force has aided manufacturing generally and has been important in attracting new industries and enterprises. The southwestern labor force, especially the industrial labor supply, tends to increase relatively more rapidly than is characteristic of the Nation. Population in the area is increasing faster than in older sections of the country; the rural areas of the Southwest continue to have a relatively high birth rate, while at the same time the need for farm labor declines. For instance, between 1940 and 1950 farm employment in the five states lying wholly or partly within the Eleventh Federal Reserve District declined by 187,000 workers—a very substantial industrial labor potential. Continued mechanization and technological improvements in agriculture indicate the possibility of additional migration to cities and to industrial employment. Defense construction and production in this area do not face the labor problems that are common to older and more industrialized parts of the country.

The increases in population and income and the rise of production in nearly all industries in the Southwest have made the area a richer market for both consumer goods and capital goods. For some industries this market is, in itself, sufficient to support an increasing output; while for others the combination of the southwestern market and economical access to national and world markets is proving very stimulative. Other factors which are playing a significant part in the industrial development of the Southwest and which are attractive from the standpoint of defense production include water transportation and the construction and improvement of the Gulf ports, which have brought the Nation and the world within the reach of economical transportation to the Southwest; the mild climate of the area and its effect upon the type of facility construction; the open spaces and relative availability of plant sites; the self-generative factors that are inherent in a dynamic industrial development; and the trend toward industrial decentralization that has been stimulated by the threat of war and foreign attack on our industrial centers.

Defense construction has been stimulated greatly by government expenditures and aids. Accelerated tax amortization granted through certificates of necessity is perhaps the most important single program for encouraging industrial plant expansion. As during World War II, business concerns granted certificates of necessity are permitted to write off in a 5-year period a percentage ranging up to 100 percent of the cost of the new capital equipment. The program got under way in October 1950, and by August 10, 1951, certificates of necessity had been granted in the Nation for facilities costing \$8,883,000,000, with accelerated tax amortization allowed on about two-thirds of this amount. The eventual total of such facility expansion has been estimated at between \$10,000,000,000 and \$12,000,000,000. In the five southwestern states—Arizona, Louisiana, New Mexico, Oklahoma, and Texas—the total as of August 10 was approximately \$1,193,000,000, of which \$926,000,000 was in Texas.

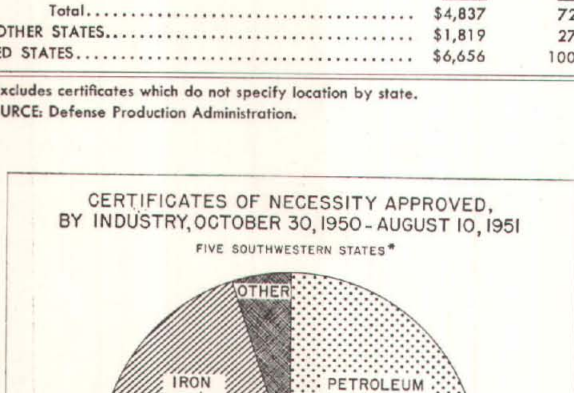
CERTIFICATES OF NECESSITY APPROVED
OCTOBER 30, 1950-AUGUST 10, 1951

Ten Leading States, All Other States, and United States

(Amounts in millions of dollars)

Area	Approximate amount[1]	Percent of U. S. total
TEN LEADING STATES		
1 Pennsylvania	\$1,093	16.4
2 Texas	926	13.9
3 Ohio	627	9.4
4 Michigan	513	7.7
5 Connecticut	372	5.6
6 New York	293	4.4
7 California	291	4.4
8 Illinois	263	4.0
9 Indiana	258	3.9
10 Louisiana	201	3.0
Total	\$4,837	72.7
ALL OTHER STATES	\$1,819	27.3
UNITED STATES	\$6,656	100.0

[1] Excludes certificates which do not specify location by state.
SOURCE: Defense Production Administration.



Among the industries receiving certificates of necessity, the steel industry accounts for nearly a third of the national total; the chemical industry, nearly a tenth; the petroleum industry, 7 percent; and the aluminum and other nonferrous metals producing and fabricating industries, 6 percent. All of these industries are expanding relatively rapidly in the Southwest, with the area receiving nearly half of the national total of certificates for petroleum refineries, nearly a third of those for chemical plants, and about two-thirds of those for nonferrous metals plants. As a result, the area has received a relatively large share of the certificates issued to date.

In the five southwestern states, data by industry are available for 80 percent of all certificates approved. Of this amount, aluminum plants account for about a third; petroleum refineries, about a fourth; and chemical plants, about a fifth. Texas has 14 percent of the national total amount for which specification by states is available, ranking second only to Pennsylvania in this respect; another southwestern state, Louisiana, ranks tenth. The five southwestern states have 18 percent of the total specified by states. These shares in the national total are about 172 percent higher in Texas and about 92 percent higher in the five states than would be expected purely on the basis of population.

CERTIFICATES OF NECESSITY APPROVED, RELATED TO POPULATION
OCTOBER 30, 1950-AUGUST 10, 1951

Five Southwestern States and United States

Area	Approximate amount[1]	Population 1950	Amount per capita	Percent of U. S. per capita
Arizona	\$ 31,300,000	749,587	\$ 41.75	95
Louisiana	201,000,000	2,683,516	74.90	170
New Mexico	3,300,000	681,187	4.84	11
Oklahoma	31,400,000	2,233,351	14.05	32
Texas	926,000,000	7,711,194	120.08	272
Total	\$1,193,000,000	14,058,835	\$ 84.85	192
United States	\$6,656,000,000	150,697,361	\$ 44.16	100

[1] Excludes certificates which do not specify location by state.
SOURCES: Defense Production Administration.
United States Bureau of the Census.

As a result of accelerated amortization and other phases of the defense program, both the Southwest and the Nation are enjoying a large increase in the construction of industrial facilities. The expenditures on new plant and equipment by American business are expected to rise to a new peak in 1951 at about \$24,000,000,000, or nearly 30 percent more than in 1950, as well as 25 percent above the 1948 record. Manufacturing will account for about half of the 1951 total and will exceed the 1948 record by about 45 percent.

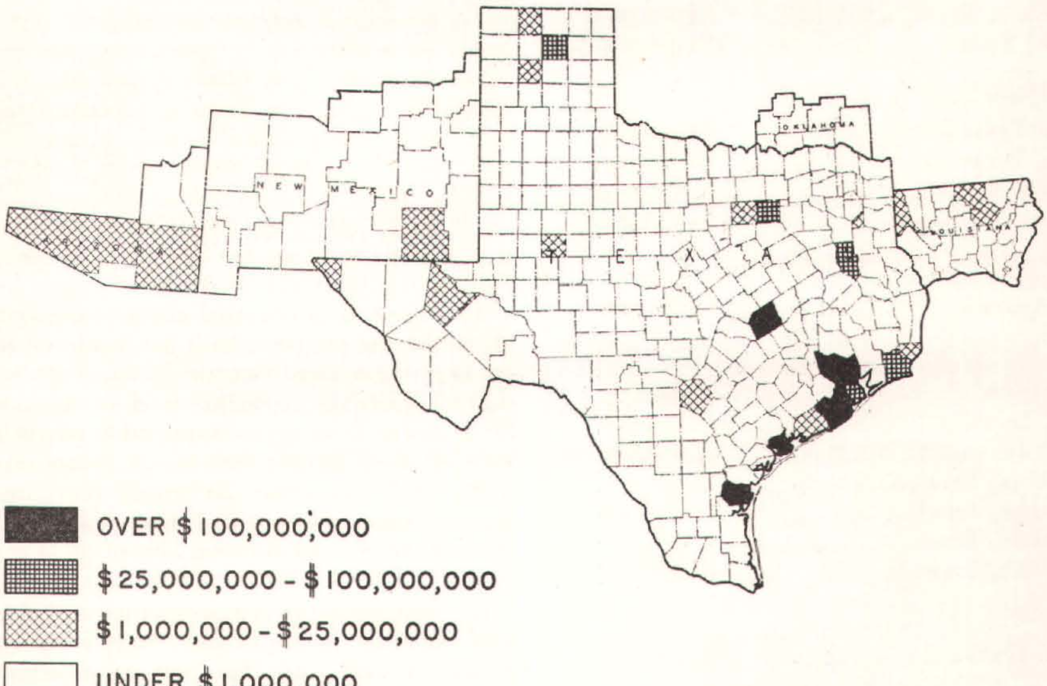
In Texas the value of construction contracts awarded for manufacturing buildings rose sharply during the first 7 months of 1951, attaining a rate on an annual basis of approximately \$163,000,000. This is 154 percent above the previous year and only a third less than the volume during the wartime peak year 1942 and far exceeds that of any other year, including 1946-47, the postwar boom years for such construction. Even when allowance is made for the rise of construction costs for manufacturing buildings to more than double prewar, the 1951 volume stands out as the second highest ever attained in the State and a fourth higher than the previous postwar peak of 1946. These construction contract figures cover only manufacturing buildings, but new machinery and equipment for these buildings may cost about as much as the buildings themselves, so that the total volume of plant and equipment expenditures in the State during 1951 may rise to roughly \$325,000,000. A higher total is possible, since certificates of necessity approved in Texas already exceed \$900,000,000, but it is probable that many of these certificates and the resulting construction of new plants will be carried over into 1952.

The large average size of the 126 new Texas facilities covered by certificates of necessity as of mid-July ranks the State first in this respect among the 10 states having the larger dollar amounts of applications approved. The Texas average is \$6,400,000 per certificate, compared with a national average of \$2,800,000 for the 2,190 facilities for which location is specified by state. However, several states receiving relatively few certificates, chiefly for large mining or metals projects, had somewhat higher average amounts than Texas. The high average cost of plants in Texas reflects the high proportion of petroleum, chemical, aluminum, and other metals facilities. In Louisiana, which also received certificates for large petroleum, chemical, and aluminum projects, the average size was \$4,400,000, or appreciably more than in the Nation. In Arizona, New Mexico, and Oklahoma, the projects averaged smaller than in the Nation; but for all five southwestern states, the average cost of 196 new plants was \$5,000,000.

The current defense construction program, to the extent that it follows the pattern shown by certificates of necessity, will contribute to the relatively more rapid industrialization of the Southwest than the Nation. The five southwestern states have about 3.5 percent of the Nation's production workers in manufacturing, with Texas having about 2 percent. But these five states have received certificates of necessity in amount about 4.5 times, and in Texas about 6.4 times, as great as would be expected on the basis of the numbers of production workers. Arizona has received about 5.3 times the certificates of necessity to be expected on the basis of past manufacturing employment; Louisiana, about 1.9 times; Oklahoma, about 1.3 times; and New Mexico, about 1.0 times. As during the period of World War II and the early postwar period, the Southwest continues the process of catching up with the Nation in manufacturing capacity and output.

CERTIFICATES OF NECESSITY APPROVED OCTOBER 30, 1950 - AUGUST 10, 1951

ELEVENTH FEDERAL RESERVE DISTRICT



SOURCE: Defense Production Administration.

Within the Southwest, and more particularly in the Eleventh Federal Reserve District, certain counties are receiving a relatively large proportion of the new facilities. Harris County, Texas, which ranks fifth among the Nation's metropolitan areas with respect to certificates received, has the largest southwestern total reported, about $190,000,000, followed by such other Gulf Coast counties as Brazoria, Calhoun, Nueces, Jefferson, and Galveston, and Milam County in the central part of Texas. Petroleum refineries, chemical plants, and metals plants account for a large part of the new facilities on the Gulf Coast. The remaining counties with important new facilities are more scattered but reflect chiefly the availability of oil and gas for refineries and chemical plants, copper ore and iron ore for smelters and mills, and pulpwood for paper mills. This concentration of new facilities in certain counties reflects, in part, a tendency to locate in or near the industrial centers of the area, although a considerable proportion of the new facilities are to be located in smaller communities or even in what has been heretofore open country. Also reflected are such locational advantages as availability of labor, economical water transportation, the presence of related industries or plants, climate, sites for new plants, and other factors.

The approximate costs of some of the larger plants in this District for which certificates of necessity have been approved include the following:

Aluminum plants—	
Corpus Christi, Texas	$ 80,000,000
Port Lavaca, Texas	34,000,000
Rockdale, Texas	103,000,000
Chemical plants—	
Houston, Texas	44,000,000
Houston, Texas	10,400,000
Nederland, Texas	11,140,000
Sterlington, Louisiana	20,458,000
Copper smelter—	
Bisbee, Arizona	12,401,000
Petroleum refineries—	
Borger, Texas	15,416,000
El Paso, Texas	10,264,000
Houston, Texas	27,000,000
Port Arthur, Texas	15,427,000
Port Arthur, Texas	18,485,000
San Antonio, Texas	11,925,000
Smith's Bluff, Texas	10,750,000
Power plant—	
Freeport, Texas	11,500,000
Steel mills—	
Lone Star, Texas	73,000,000
Houston, Texas	75,000,000

A 60-day moratorium on grants of rapid amortization through certificates of necessity was announced by the Defense Production Administration in early August. Only the most urgent projects are now being approved, including those needed to turn out finished military goods, expand raw material output, or supplement vital projects already under way. In addition, projects using relatively small amounts of steel, copper, and aluminum may be approved, since one reason for the moratorium is the need to hold down the use of critical materials and achieve a reasonable balance between plant construction and materials supplies. The moratorium will not interfere with projects already granted certificates of necessity and, if anything, may aid them somewhat by easing the materials situation. Contributing to the conservation of materials during substantially the same period of time, National Production Authority Order M-4A imposes a moratorium on the starting of most large new construction projects between August 3 and October 1. This order will delay many projects for which sufficient steel and copper materials had not been assembled. The large number of defense plant projects under way in the Southwest should assure a continued high level of new plant construction in the area during the moratorium and afterwards, when allotments of critical materials will be available for such construction.

The second largest source of federal aid for facility expansion is the Department of Defense program of military contracts for aiding production and procurement through the expansion of both private and government facilities. According to estimates, expansion under this program is expected to reach about $6,000,000,000 in the Nation—mostly for machine tools, jigs and fixtures, and other items needed to retool and re-equip present plants, but with an appreciable amount for new structures. The Southwest is receiving relatively less stimulus from this program than from the accelerated amortization program, since the area's expansion represents chiefly new plants rather than added equipment for existing plants. Of relatively greater significance to the Southwest is the program for the encouragement of mineral and other raw material output, under which, in the Nation, $1,426,000,000 has already been spent or committed. While the geographical distribution of this amount is not available, it is reasonable to assume that the Southwest, with its rich and varied mineral resources, should share favorably in these expenditures. Besides accelerated tax amortization and direct aids, there are several lending programs which assist defense facilities expansion. Guaranteed loans to industry in the Nation totaled $655,000,000 by July 16, 1951, with direct DPA and RFC loans totaling an additional $213,000,000. In most cases, the projects on which loans are made also receive accelerated tax amortization benefits. The Southwest is sharing in both guaranteed and direct loans and has received over one-third of the national total of the latter.

In terms of present and prospective contributions to industrial expansion in the Nation, a total of about $10,000,000,000 of facilities has been planned or encouraged, either through commitments for direct construction or through certificates of necessity. Of this total, the Southwest has received at least $1,200,000,000 and perhaps as much as $1,500,000,000. It is estimated that in the Nation perhaps $8,000,000,000 more may be expected in the future, making a prospective total of about $18,000,000,000.

Military and naval construction in the Southwest also is expanding rapidly. The 1951 total for such construction will amount to several times the 1950 figure. Activity is increasing at many of the military installations within the area, and $250,000,000 in specific military construction projects in the Southwestern Division of the Corps of Army Engineers were authorized and planned during the fiscal year ended June 30,

1951. A military and naval construction bill now before Congress includes appropriations for the fiscal year 1952 amounting to $578,000,000 for the five southwestern states. The $355,000,000 for Texas ranks the State second only to California in the amount of these proposed expenditures.

ELEVENTH DISTRICT

Texas	
Dallas-Fort Worth	$ 30,059,000
Other north Texas (Mineral Wells, Sherman, Texarkana, and Wichita Falls)	48,479,000
South Texas (Beeville, Harlingen, Houston, Kingsville, Laredo, and Victoria)	44,018,000
El Paso	29,593,000
Other west Texas (Amarillo, Big Spring, Del Rio, and Lubbock)	31,615,000
Northcentral Texas (Brownwood, Bryan, Killeen, and Waco)	40,185,000
San Antonio	108,864,000
Other southcentral Texas (Austin, Bastrop, and San Marcos)	22,453,000
Total, Texas	$355,266,000
Other states	
Northern Louisiana (Shreveport)	18,331,000
Southern New Mexico (Alamogordo, Clovis, Roswell, and White Sands)	39,166,000
Southern Arizona (Fort Huachuca and Tucson)	19,704,000
Total, Eleventh District	$432,467,000

OUTSIDE ELEVENTH DISTRICT

Southern Louisiana (Alexandria, Baton Rouge, Camp Polk, Lake Charles, and New Orleans)	22,380,000
Northern New Mexico (Albuquerque and Gallup)	12,535,000
Northern and central Arizona (Chandler, Navajo, Phoenix, and Yuma)	11,171,000
Oklahoma (Altus, Ardmore, Enid, Lawton, McAlester, Muskogee, and Oklahoma City)	99,666,000
Total, outside Eleventh District	$145,752,000
TOTAL, FIVE SOUTHWESTERN STATES	$578,219,000

Military prime contracts reported during the first 11 months of the defense program, July 1950-May 1951, amounted to $493,000,000 in Texas and $757,000,000 in the five southwestern states. Texas had 2.4 percent, and the five states, 3.6 percent, of the national total. These figures, though relatively small, are in line with the present manufacturing capacity of the area. Texas ranks twelfth among the states but is second to California in petroleum contracts, with $87,000,000. However, such figures appreciably understate the southwestern total as they do not include small contracts and subcontracts, both of which are especially important in this area. Manufacturers located in at least 20 Texas cities, and probably many more, have received such contracts, which provide for the production of aircraft and aircraft parts, barges and boats, trailers, tractors, clothing, bedding, safety belts, sugar and rice and other food products, aviation gasoline, fuel oil and other petroleum products, and numerous other items.

That the defense program has had a significant impact upon the economy of the Southwest is indicated by numerous business indexes, most of which have recently been at or near record levels. The income of this District during the first half of 1951 is estimated at about 15 percent higher than during the first half of 1950. Bank debits in 24 cities in this District were up 10 percent from a year before. Nonfarm employment in Texas in June was 7 percent above a year earlier, with manufacturing employment increasing 15 percent. Crude oil production in the District in June was up 20 percent, while construction contract awards in the District during the first half of 1951 were up 53 percent from the like period of 1950. Activity in Texas cotton textile mills during the first 6 months of 1951 was 19 percent higher than during the corresponding months of the previous season, while cement production was up 7 percent. The output of synthetic rubber, magnesium, and carbon black increased substantially. While only part of these gains directly reflect defense expenditures, a considerable stimulus has resulted indirectly from the expansive effects of the defense program upon general business activity.

The outlook for defense plant and military and naval construction in the Southwest is clearly favorable, with the prospect that regardless of changes in international tensions such construction will continue at a high level well into 1952. However, as the emphasis shifts from plants producing basic industrial materials to plants producing finished or semifinished products, the Southwest may receive a somewhat smaller share of the national total of new industrial facilities. Nevertheless, the increasing advantages of manufacturing such finished defense goods as aircraft, boats, bedding, and uniforms within the area will act as stimulating factors in both defense production and defense plant construction.

Whether or not the defense construction boom in the Southwest eventually equals or exceeds that of 1941-43 depends largely upon the duration and magnitude of international tensions. In any case, the construction of new industrial facilities in large numbers is again making an important contribution to the economic development of the area, permitting an accelerated realization of the economic possibilities of the Southwest based on its wealth of resources, growing markets, increasing and more skilled labor force, and other advantages. Both the construction of these new plants and the large expenditures for military procurement and military installations are appreciably stimulating the income, employment, production, and general economic growth of the area. Thus, the defense program is teaming up with the basic economic advantages of the area to induce another period of substantial expansion in the southwestern economy.

REVIEW OF BUSINESS, INDUSTRIAL, AGRICULTURAL, AND FINANCIAL CONDITIONS

DISTRICT SUMMARY

Consumer buying in the Eleventh Federal Reserve District was stimulated moderately in July and early August by inventory clearance sales and special promotions. Department store sales showed a less-than-seasonal decline from June, although they fell sharply below the extremely high level of a year ago, when war-scare buying was at its peak. Department store stocks registered a further small decline for the third consecutive month but on July 31 were still 30 percent higher than a year earlier.

Nonfarm employment in Texas continued to rise under the impetus of expanded activity in defense and related industries. Crude oil production and refining activity in the District reached new record highs in August, and further increases are indicated for September. While the continued upward trend in crude and product stocks normally would call for a curtailment of production, a high level of stocks is now desirable in view of the unsettled Iranian situation. Construction contract awards in July continued in heavy volume, but the total value of awards was only slightly higher than either the previous month or a year earlier, in contrast with the large year-to-year gains prevailing in the earlier months of this year. Public housing and military projects were important factors buoying construction awards.

Agricultural prospects in the District were lowered substantially during July and August by hot, dry weather which caused a deterioration in most crops, as well as in pastures and ranges. While the cotton crop is expected to be considerably larger than the small 1950 crop, production of practically every other major crop of the District will show a decline from last year. Farm prices have continued to decline and are now about 15 percent below the peak level of last April.

Loans at weekly reporting member banks showed a further moderate decline during the 5 weeks ended August 15, due largely to a reduction in loans to trade and some types of manufacturing establishments. On the other hand, investments, as well as deposits, rose noticeably.

BUSINESS

Department store sales in the Eleventh Federal Reserve District made a very creditable showing in July and early August, as clearance sales and special promotions spurred consumer buying. The 8-percent decline in sales from June to July was somewhat less than usually occurs at that time of year. Moreover, although July sales were 20 percent below the extremely high war-scare inflated volume of July a year ago, they were substantially higher than in any other July on record, being 10 percent higher than in July 1949 and 3 percent higher than in July 1948. The district sales picture conformed generally to that of the Nation. Cumulative sales at district department stores for the first 7 months of this year were about 4 percent higher than the corresponding period last year.

Sales at district department stores, after allowance for normal seasonal variation, have shown a slightly rising trend since April. This trend undoubtedly reflects the gradual increase in consumer incomes as employment in defense and related industries has continued to rise. Moreover, price reductions and special promotions have been important in bolstering sales. Nevertheless, the resistance of the consumer to

WHOLESALE TRADE STATISTICS

Eleventh Federal Reserve District

(Percentage change)

Line of trade	NET SALESp: July 1951 from July 1950	NET SALESp: July 1951 from June 1951	NET SALESp: 7 mo. 1951 comp. with 7 mo. 1950	STOCKS[1]p: July 1951 from July 1950	STOCKS[1]p: July 1951 from June 1951
Automotive supplies.........	—48	—13	—	—12	— 1
Drugs and sundries..........	8	— 1	12	24	5
Dry goods................	—29	19	6	45	— 1
Grocery (voluntary-group and full-line wholesalers not sponsoring groups)......	— 9	— 6	16	18	4
Hardware................	— 3	— 1	42	37	— #
Industrial supplies...........	13	— 2	—	35	— #
Machinery equipment and supplies except electrical.....	1	34	—	7	2
Metals.................	32	37	—	25	— 1
Tobacco products...........	— 2	— 3	1	13	—20
Wines and liquors..........	—36	3	—10	2	— 8
Wiring supplies, construction materials distributors......	21	— 7	—	56	— 3

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

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES: July 1951 from July 1950	NET SALES: July 1951 from June 1951	NET SALES: 7 mo. 1951 comp. with 7 mo. 1950	STOCKS[1]: July 1951 from July 1950	STOCKS[1]: July 1951 from June 1951
DEPARTMENT STORES					
Total Eleventh District..............	—20	— 8	4	30	— 1
Corpus Christi....................	—26	—20	#	21	2
Dallas.........................	—22	— 6	3	29	— #
El Paso........................	—18	—21	3	—	—
Fort Worth......................	—23	— 9	2	25	#
Houston........................	—11	— 2	15	43	— 5
San Antonio.....................	—22	—10	— #	31	#
Shreveport, La..................	—17	—11	3	—	—
Other cities.....................	—26	—10	— 2	13	4
FURNITURE STORES					
Total Eleventh District..............	—29	— 1	—	33	— 3
Austin.........................	—43	2	—	25	— 3
Dallas.........................	—36	11	—	46	— 5
Houston........................	—33	— 5	—	23	#
Port Arthur......................	—25	9	—	—	—
San Antonio.....................	—13	9	—	—	—
Shreveport, La..................	—10	3	—	17	— 5
Wichita Falls....................	—27	—21	—	33	— 7
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District..............	—54	— 1	—	—	—
Dallas.........................	—48	14	—	—	—

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1935-39 = 100)

Area	UNADJUSTED: July 1951	UNADJUSTED: June 1951	UNADJUSTED: May 1951	UNADJUSTED: July 1950	ADJUSTED[1]: July 1951	ADJUSTED[1]: June 1951	ADJUSTED[1]: May 1951	ADJUSTED[1]: July 1950
SALES—Daily average								
Eleventh District............	339	352	393	429	423	409	405	537
Dallas..................	288	291	351	367	400	354	374	510
Houston.................	415	409	441	503	513	470	459	621
STOCKS—End of month								
Eleventh District............	454	445	486	351	483	473	486	374

[1] Adjusted for seasonal variation.

high prices continues. The tendency of the consumer to spend a smaller proportion of his income and save a larger proportion, which developed soon after the buying spree in the early weeks of this year, has shown no indication of changing during recent months.

Merchants' efforts to reduce inventories continued during July, with department store stocks down 1 percent to mark the third successive monthly decline. At the end of the month, however, stocks were 30 percent higher than on the corresponding date of the previous year. Although the ordering of fall and Christmas merchandise raised orders outstanding 24 percent during the month, merchants' buying policies remained conservative and orders outstanding on July 31 were 34 percent below a year earlier.

The sales performance of the individual departments in July showed a varied pattern. Sales of women's and misses' dresses were 17 percent higher than a year earlier and men's clothing sales were 4 percent higher, with earlier-than-usual summer clearances boosting the sales of both departments. On the other hand, sales of women's accessories were down 17 percent from a year ago, when scare buying of nylon stockings pushed sales of this department to a very high level. Women's and misses' coat and suit sales also were sharply below July a year ago.

Consumer durable goods departments, which had experienced the largest increases during the post-Korean scare buying, showed some of the sharpest declines in July from a year earlier. Major appliance sales were down 71 percent; domestic floor coverings, down 24 percent; television and radio, down 35 percent; and furniture, down 16 percent. On the other hand, furniture sales were much higher than in either July 1948 or July 1949 and were the highest for any month this year since January.

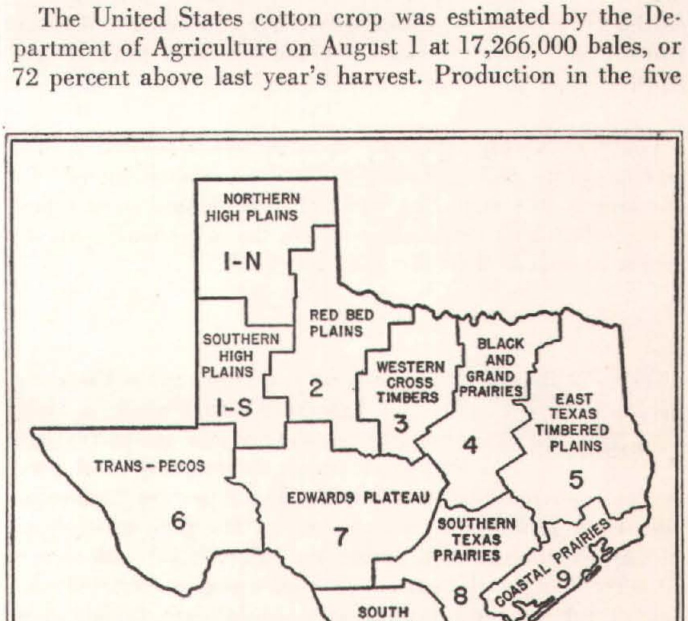
Although cash and charge account sales declined from June to July, instalment sales showed a marked increase, to reverse — at least temporarily — the almost uninterrupted downward trend of the previous 6 months. Moreover, instalment sales in July comprised 10 percent of total department store sales, which is the highest percentage they have constituted since January. Meanwhile, charge account sales were only 58 percent of total sales, the smallest proportion in the past 10 months. The proportion of cash sales has shown little change in recent months, and in July, was 32 percent of total sales. Both charge account and instalment account receivables declined noticeably in July, with charge account receivables at the end of the month 5 percent higher than a year earlier but instalment account receivables 22 percent lower than on the same date last year.

In accordance with provisions of the Defense Production Act of 1951, the Board of Governors of the Federal Reserve System liberalized instalment credit controls, effective July 31. While it is too early to judge the effect of the easing in instalment credit terms, preliminary reports indicate that this action thus far has had no substantial influence. Credit controls undoubtedly have been one factor holding down instalment sales, but other factors, such as a reaction to the advance buying following the initiation of Korean hostilities, the elimination of deferred demand, and a change in consumer buying psychology, have been perhaps equally or more important.

Sales at district furniture stores, bolstered by widespread markdowns and special promotions, showed a 1-percent contraseasonal increase from June to July. Cash sales were up 11 percent, but credit sales declined slightly. July sales, however, were 29 percent lower than a year ago, when war-scare buying was strong. Accounts receivable outstanding registered a further small decline and at the end of July were 11 percent lower than a year earlier. Moreover, the downward adjustment in furniture store inventories continued for the third consecutive month, with end-of-month stocks down 3 percent from a month previous. However, inventories were still 33 percent higher than a year ago.

District crops and grazing lands suffered substantial deterioration during August under the combined effects of drought and extremely high temperatures. While beneficial rains were received in some areas in recent weeks, earlier expectations of record crop production this year seem to have faded away, as reports from many parts of the District indicate that harvests of mature crops are falling markedly under June and July forecasts. Crops most seriously affected by the August moisture shortage and heat include cotton, corn, grain sorghums, peanuts, hay, sweet potatoes, and commercial vegetables. Prospects for yields per acre were average or better for most crops as late as August 1 but are now expected to be below average, as crops in many sections are too far advanced to be benefited greatly should rains come.

The United States cotton crop was estimated by the Department of Agriculture on August 1 at 17,266,000 bales, or 72 percent above last year's harvest. Production in the five



CROP REPORTING DISTRICTS OF TEXAS

states lying wholly or partly within the Eleventh District, forecast on August 1 at 7,675,000 bales, will fall considerably below August estimates. This is particularly true of Texas, where production is almost certain to be under the forecast of 5,000,000 bales. Virtually all nonirrigated cotton in the State has been affected by the hot, dry weather. Fruiting and development were checked, and small bolls opened rapidly and prematurely over a wide area in southern, central, and northern counties of the State. On the other hand, irrigated cotton in the District developed and fruited satisfactorily during August, although bollworms were reported in most irrigated areas.

COTTON PRODUCTION

Texas Crop Reporting Districts

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

Crop reporting district	1949	1950	1951 indicated August 1	1951 as percent of 1949	1951 as percent of 1950
1-N Northern High Plains....	259	89	325	125	365
1-S Southern High Plains.....	1,571	722	1,200	76	166
2 Red Bed Plains.........	1,119	548	840	75	153
3 Western Cross Timbers...	61	16	65	107	406
4 Black and Grand Prairies.	1,059	557	850	80	153
5 East Texas Timbered Plains	350	121	225	64	186
6 Trans-Pecos............	190	143	245	129	171
7 Edwards Plateau.......	88	48	45	51	94
8 Southern Texas Prairies..	505	230	280	55	122
9 Coastal Prairies........	212	121	210	99	174
10 South Texas Plains......	626	351	715	114	204
State...............	6,040	2,946	5,000	83	170

SOURCE: United States Department of Agriculture.

Corn production in the District was cut sharply, as the July and August drought was particularly injurious to late-planted acreage. Production in the 5-state area may fall short of the 91,465,000 bushels forecast a month ago. The August production estimate for Texas was lowered 6,000,000 bushels from the July estimate, and the forecast of 44,612,000 bushels probably will not be realized. Corn harvest was virtually completed in southern counties of the District during August and is well along in other parts of the area.

CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	Texas: Average 1940-49	Texas: 1950	Texas: Estimated August 1, 1951	Five southwestern states[1]: Average 1940-49	Five southwestern states[1]: 1950	Five southwestern states[1]: Estimated August 1, 1951
Cotton[2].........	3,049	2,946	5,000	4,460	4,275	7,675
Corn...........	62,517	65,730	44,612	112,462	119,183	91,465
Winter wheat....	63,486	22,712	17,325	141,926	67,643	59,100
Oats...........	30,912	27,027	7,756	60,642	44,703	20,411
Barley..........	4,010	1,729	636	12,553	10,327	5,872
Rye............	209	196	105	984	558	576
Rice[3]...........	8,264	11,544	11,319	18,264	22,035	22,561
Sorghum grain...	69,694	148,818	85,068	84,067	180,886	108,541
Flaxseed........	625	1,266	64	1,256	1,540	204
Hay[4]...........	1,437	1,281	1,092	4,624	4,770	4,426
Peanuts[5]........	303,934	323,400	233,000	413,641	456,245	372,795
Irish potatoes....	4,648	2,752	2,328	9,996	6,952	5,819
Sweet potatoes...	5,378	5,130	2,295	14,730	15,870	8,255

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] In thousands of bales.
[3] In thousands of bags, 100 pounds each.
[4] In thousands of tons.
[5] In thousands of pounds.
SOURCE: United States Department of Agriculture.

Sorghum grain production in the District, curtailed this year in favor of more acreage to cotton, is forecast at 108,000,000 bushels, compared with a record 181,000,000 bushels harvested in 1950. The Texas crop is expected to total 85,000,000 bushels, down 43 percent due to smaller acreage and reduced yields in droughty producing areas in the southern part of the State. Showers during August improved sorghum grain prospects in local areas on the High Plains just as the crop was beginning to head, but a general rain is still needed.

Production estimates for other major field crops in the District are presented in an accompanying table, which shows smaller crops of rice, peanuts, wheat, oats, flaxseed, barley, hay, and potatoes harvested or in prospect this year. Droughty conditions and extremely cold weather caused heavy losses of winter grains; smaller acreages and unfavorable weather curtailed production of flaxseed and potatoes.

Production of commercial vegetables in the District this year will fall well below the output of 1950. Droughty conditions in many of the truck crop producing areas accounted for the decline, causing both smaller acreages and lower yields. Seedbed planting and preparation for winter vegetable planting in the Lower Valley continued inactive through August because of the limited supply of water for irrigation.

Range and pasture feed deteriorated rapidly over most of the District during July and August and is in the poorest condition for this season since the severe drought of 1934. The deterioration in range and pasture feed is reflected in the condition of livestock, which are shrinking in many areas. Cattle are holding up fairly well in some of the more favored areas, but in other sections cows are showing heavy shrinkage and calves have not developed as expected. Ewes and lambs are in the poorest condition of record for this season of the year, with the exception of 1934.

LIVESTOCK RECEIPTS

(Number)

Class	Fort Worth Market: July 1951	Fort Worth Market: July 1950	Fort Worth Market: June 1951	San Antonio Market: July 1951	San Antonio Market: July 1950	San Antonio Market: June 1951
Cattle..........	68,290	52,971	32,230	28,814	28,212	12,594
Calves..........	40,466	18,309	16,040	27,655	14,835	12,193
Hogs...........	42,484	35,495	44,633	6,623	5,096	4,997
Sheep..........	82,389	82,029	128,059	[1]22,574	[1]18,327	[1]20,140

[1] Includes goats.

Because of the shortage of range and pasture feed, the seasonal rise in livestock marketings usually expected at this time of the year began early. Receipts of livestock at the Fort Worth and San Antonio markets in July totaled 18 percent above June and 25 percent above July 1950. As compared with a year earlier, July receipts of cattle were up 19 percent; calves, up 106 percent; hogs, higher by 21 percent; and sheep and lambs, up 5 percent. Weekly marketings of livestock during August continued to run substantially above receipts during comparable weeks of last year.

The drought also had an adverse effect upon the district lamb crop this year. Texas reported only 2,885,000 lambs saved, or 16 percent less than in 1950 and 31 percent below the 1940-49 average. The number of lambs saved is equivalent to 64 percent of the breeding ewes on hand January 1, compared with last year's record high of 79 percent. Lack of green feed throughout the winter and early spring season cut heavily into the 1951 lamb crop, causing unusually high losses. The lamb crop is smaller also in New Mexico and Arizona, although slightly larger in Oklahoma and Louisiana.

SHORN WOOL PRODUCTION

(In thousands of pounds)

State	Average 1940-49	1950	1951p	1951 as percent of average
Arizona	3,622	2,651	2,402	66
Louisiana	644	405	403	63
New Mexico	13,953	10,626	10,531	75
Oklahoma	1,835	927	972	53
Texas	71,064	52,686	51,943	73
Total	91,118	67,295	66,251	73

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

The Texas wool clip shorn and to be shorn in 1951, estimated at 51,943,000 pounds, is 1 percent below last year's clip and 27 percent below average. Lighter average weight per fleece for this spring was the principal factor offsetting an increase in number of sheep shorn. Declines in wool production also occurred in the other states of the District except Oklahoma, which reports an increase of 5 percent. Production in the five states of the District is expected to total 66,000,000 pounds, or only 73 percent as much as the 10-year average.

Production of poultry in the District this year will greatly exceed that of 1950. In Texas, the placement of broiler chicks on farms in the first 7 months of 1951 totaled 36,000,000, compared with 22,000,000 in the corresponding months of 1950. This increase will more than offset any reduction that may occur in the output of farm chickens. Egg production in 1951 may be down slightly, due to the reduced numbers of hens in laying flocks. Egg production in the five states of the District during the first 7 months totaled 4 percent less than in the same period last year.

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended Aug. 23, 1951	Comparable week last month	Comparable week last year
COTTON, Middling 15/16-inch, Dallas	lb.	$ .3490	$ .3715	$ .3775
WHEAT, No. 1 hard, Fort Worth	bu	2.60¼	2.55¾	2.45
OATS, No. 2 white, Fort Worth	bu.	1.03½	1.07½	.94¼
CORN, No. 2 yellow, Fort Worth	bu.	2.00	2.03	1.66½
SORGHUMS, No. 2 yellow milo, Fort Worth	cwt.	2.52	2.50	2.20
HOGS, Choice, Fort Worth	cwt.	22.75	23.00	24.50
SLAUGHTER STEERS, Choice, Fort Worth	cwt.	36.00	36.00	28.50
SLAUGHTER CALVES, Choice, Fort Worth	cwt.	35.50	35.00	22.50
STOCKER STEERS, Choice, Fort Worth	cwt.	36.00	35.00	30.00
FEEDER LAMBS, Fort Worth	cwt.	30.00	29.00	—
HENS, 3-4 pounds, Dallas	lb.	.16	.18	.15
FRYERS, local, Dallas	lb.	.27	.27	.30
TURKEYS, No. 1 hens, Dallas	lb.	.35	.35	.30
EGGS, No. 1 infertile, Dallas	doz.	.50	.45	.36

The general level of farm prices in the District has been drifting downward since April and appears to be continuing in that direction. The mid-July index of farm prices in Texas was down to 351, compared with the April 15 peak of 399. Reports from spot commodity markets during August show further declines in prices of cotton, wool, rice, barley, oats, corn, and lambs. On the other hand, there were slight advances in prices of eggs and wheat.

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

State	May 1951	May 1950	Cumulative receipts January—May 1951	Cumulative receipts January—May 1950
Arizona	$ 18,277	$ 18,965	$ 113,900	$ 90,824
Louisiana	12,076	12,907	90,288	79,459
New Mexico	17,668	14,864	63,801	53,557
Oklahoma	26,473	34,437	162,925	182,845
Texas	141,944	137,057	609,756	641,233
Total	$216,438	$218,230	$1,040,670	$1,047,918

SOURCE: United States Department of Agriculture.

Cash farm income in the five states of the District during the first 7 months of 1951 about equaled the $1,500,000,000 received during the same period last year, as generally higher prices for many commodities offset declines in marketings of commercial vegetables, citrus fruits, flaxseed, wheat, oats, wool, late 1950-crop cotton, and other commodities usually sold in volume during the first part of the year.

Cash receipts from marketings of livestock and livestock products in the 5-state area through July totaled slightly above $1,000,000,000, up 30 percent from a year ago. Larger incomes were received from meat animals, dairy products, poultry, eggs, and wool. On the other hand, cash income from sale of crops, totaling $420,000,000 for the first 7 months of 1951, was down 37 percent. Income from virtually all crops usually sold during these months was lower, reflecting the effects of winter freezes and droughty conditions over much of the District.

The lowered estimates of crop production given previously and the declines in prices of many important farm crops in recent months leave little doubt that cash farm income in district states for the calendar year 1951 will be lower than had been expected and possibly lower than in 1950. Income from livestock and livestock products, prices of which average about 15 percent above a year ago, will exceed the $1,539,000,000 received in 1950 by more than $100,000,000; income from crops may show a decline from the $1,975,000,000 received last year.

Between July 11 and August 15, loans of the weekly reporting member banks in leading cities of the District declined, continuing the gradual downward trend from the record total reported at the end of January. Most other major assets and liabilities, including investments, deposits and cash assets, rose during the 5 weeks.

Commercial, industrial, and agricultural loans declined during the 5-week period by $12,034,000. Important in the decline was the rather large amount of liquidation of outstanding bank indebtedness by wholesale and retail trade establishments and manufacturers of petroleum, coal, chemical and rubber products. Construction firms and sales finance companies also reduced the amount of their outstanding bank borrowings. In contrast with other recent weeks and reflecting the beginning of the 1951 cotton marketing season, loans to cotton commodity dealers rose. Real estate loans and the category comprising consumer loans also showed decreases during the 5 weeks. Largely as a consequence of these developments, total loans were $11,238,000 lower on August 15 than on July 11.

Between January 31, which marked the all-time record high for loans at the weekly reporting member banks, and August 15, the over-all decrease in loans amounted to $65,284,000. Although seasonal contraction normally is expected during the spring and early summer months, the liquidation this year was not general at all weekly reporting cities. For example, the weekly reporting member banks in Dallas accounted for 55 percent of the total decrease; Houston banks, 31 percent; and El Paso banks, 14 percent. On the other hand, reporting banks in Austin, Fort Worth, and San Antonio showed increases within the range of 1 to 3 percent.

Holdings of Governments at the weekly reporting member banks increased during the 5 weeks ended August 15. Investments in Treasury bills rose $44,755,000, while holdings of bonds showed an increase of $4,563,000. Reflecting largely Treasury refunding operations on August 1, investments in certificates of indebtedness rose $29,446,000, while note holdings decreased $34,727,000. On August 15, investments in Government securities amounted to $1,063,544,000, a decrease of $132,366,000 from the year-earlier total.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	August 15, 1951	August 16, 1950	July 11, 1951
Total loans (gross) and investments	$2,676,467	$2,615,704	$2,634,526
Total loans—Net[1]	1,421,777	1,262,328	1,432,226
Total loans—Gross	1,437,867	1,276,289	1,449,105
Commercial, industrial, and agricultural loans	971,391	861,037	983,425
Loans to brokers and dealers in securities	9,208	6,498	8,447
Other loans for purchasing or carrying securities	59,381	56,957	57,592
Real estate loans	120,097	107,128	121,509
Loans to banks	2,768	200	1,215
All other loans	275,022	244,469	276,917
Total investments	1,238,600	1,339,415	1,185,421
U. S. Treasury bills	158,293	93,918	113,538
U. S. Treasury certificates of indebtedness	114,021	121,788	84,575
U. S. Treasury notes	216,819	295,423	251,546
U. S. Government bonds (inc. gtd. obligations)	574,411	684,781	569,848
Other securities	175,056	143,505	165,914
Reserves with Federal Reserve Bank	549,793	467,592	537,178
Balances with domestic banks	398,895	340,277	340,160
Demand deposits—adjusted[2]	2,208,787	2,095,209	2,145,128
Time deposits except Government	433,727	442,978	440,820
United States Government deposits	85,426	68,475	98,656
Interbank demand deposits	702,871	651,233	640,114
Borrowings from Federal Reserve Bank	0	200	0

[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.

The trend of deposits during the 5 weeks at these selected banks in leading cities of the District was upward, due to an expansion of $62,757,000 in interbank demand deposits and the usual midmonth, sharp increase in demand deposits of individuals, partnerships, and corporations. The latter showed an increase of $116,449,000, most of which occurred in the week ended August 15, a pay-roll date for many business and industrial firms. United States Government deposits and deposits of states and their political subdivisions declined $28,694,000. On August 15, deposits amounted to $3,700,762,000, an increase of about 5 percent over the year-earlier total.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Date	COMBINED TOTAL Gross demand	COMBINED TOTAL Time	RESERVE CITY BANKS Gross demand	RESERVE CITY BANKS Time	COUNTRY BANKS Gross demand	COUNTRY BANKS Time
July 1949	$4,977,743	$629,655	$2,417,780	$402,930	$2,559,963	$226,725
July 1950	5,640,371	660,748	2,757,150	416,753	2,883,221	243,995
March 1951	5,991,439	644,378	2,777,533	353,077	3,213,906	291,301
April 1951	5,908,685	647,902	2,751,029	353,798	3,157,656	294,104
May 1951	5,801,415	658,973	2,697,033	362,380	3,104,382	296,593
June 1951	5,820,309	669,791	2,720,158	374,734	3,100,151	295,057
July 1951	5,855,513	673,533	2,746,696	376,455	3,108,817	297,078

Gross demand deposits of all member banks in the District averaged $35,204,000 higher in July than in June, marking the second consecutive monthly increase. The July increase was largely concentrated at reserve city banks, which accounted for three-fourths of the total. Time deposits increased $3,742,000, continuing the upward trend that has prevailed since March. Somewhat more than half of the increase was accounted for by country banks. During July, total time deposits averaged $673,533,000.

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

(Amounts in thousands of dollars)

City	DEBITS[1] July 1951	Percentage change from July 1950	Percentage change from June 1951	DEPOSITS[2] July 31, 1951	Annual rate of turnover July 1951	Annual rate of turnover July 1950	Annual rate of turnover June 1951
ARIZONA							
Tucson	$ 75,292	26	— 8	$ 92,931	9.7	8.5	10.4
LOUISIANA							
Monroe	40,679	1	— 6	45,421	10.7	10.6	11.5
Shreveport	162,701	11	— 6	184,429	10.6	9.8	11.2
NEW MEXICO							
Roswell	19,109	8	—11	23,778	9.6	9.4	10.8
TEXAS							
Abilene	47,767	#	— 1	52,454	11.2	11.9	11.5
Amarillo	114,803	9	— 4	99,157	14.0	13.3	14.8
Austin	115,566	— 1	—14	108,938	12.7	12.4	14.6
Beaumont	114,302	13	— 3	89,770	15.4	13.4	16.0
Corpus Christi	114,562	5	— 3	92,351	15.0	14.4	15.2
Corsicana	12,033	7	— 1	21,583	6.8	6.7	7.0
Dallas	1,241,951	— 7	— 5	920,821	16.1	18.5	17.2
El Paso	155,004	6	— 6	130,437	14.3	13.6	15.1
Fort Worth	435,428	13	— 6	352,309	14.9	14.3	15.7
Galveston	75,044	6	— 2	99,367	9.1	8.9	9.2
Houston	1,356,904	12	— 5	1,063,183	15.2	14.5	16.0
Laredo	19,961	17	— 1	21,005	11.8	9.0	11.8
Lubbock	79,931	#	— 2	88,320	10.7	11.5	10.8
Port Arthur	39,915	26	— 8	44,303	11.5	9.7	13.1
San Angelo	35,640	— 8	—23	50,194	8.5	9.6	10.7
San Antonio	337,458	4	—12	371,389	11.0	10.9	12.5
Texarkana[3]	18,718	6	6	23,772	9.4	9.4	8.9
Tyler	48,859	2	— 2	50,848	11.4	11.0	11.6
Waco	60,009	#	—10	78,484	9.1	9.4	10.2
Wichita Falls	75,346	14	— 4	102,858	8.9	8.5	9.6
Total—24 cities	$4,796,982	4	— 6	$4,208,102	13.7	13.8	14.5

[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 $32,297,000 for the month of July 1951.
# Indicates change of less than one-half of 1 percent.

Debits to deposit accounts reported by banks in 24 cities of the District were 6 percent lower in July than in June. At this lower level, however, debits exceeded the total for July 1950, the first month of Korean hostilities and of greatly increased consumer and business purchasing, by 4 percent. With the exception of Texarkana, Texas, which showed an increase of 6 percent, each reporting city in the District registered a lower debits total in July than in June. Decreases ranged from 1 percent for Abilene, Corsicana, and Laredo, Texas, to 23 percent for San Angelo, Texas. The annual rate of turnover of deposits, or the annual rate of use of deposit accounts, was 13.7 in July, as compared with 14.5 in June and 13.8 in July 1950.

Between July 15 and August 15, the principal changes in the condition of the Federal Reserve Bank of Dallas included decreases in member bank reserve deposits and gold certificate reserves amounting to \$22,383,000 and \$15,882,000, respectively. Changes in holdings of United States Government securities and total earning assets were nominal, with the decrease in the latter resulting almost entirely from a decline in discounts for member banks and other advances. Federal Reserve notes of this Bank in actual circulation on August 15 amounted to \$652,994,000, reflecting an increase of \$17,561,000 during the month and an increase of \$42,053,000 over the year-earlier total.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	August 15, 1951	August 15, 1950	July 15, 1951
Total gold certificate reserves	\$ 516,878	\$ 672,858	\$ 532,760
Discounts for member banks	346	517	2,276
Industrial advances	66	0	50
Foreign loans on gold	0	70	0
U. S. Government securities	1,102,483	830,952	1,101,535
Total earning assets	1,102,894	831,539	1,103,861
Member bank reserve deposits	932,044	815,835	954,427
Federal Reserve notes in actual circulation	652,994	610,941	635,433

On July 31, the Secretary of the Treasury announced that holders of the 1¼-percent Treasury notes which matured August 1 exchanged \$5,215,679,000 of those securities for the new refunding issue of 11-month 1⅞-percent certificates of indebtedness. Approximately 2.5 percent of the outstanding notes were exchanged for cash.

On August 13, the Secretary of the Treasury called the 2¼-percent Treasury bonds of 1951-53 for redemption on December 15. It was also announced that the 2-percent Treasury bonds of 1951-55, also callable on December 15, would not be called for redemption on that date. The called 2¼-percent bonds are outstanding in the amount of \$1,118,051,000.

INDUSTRY

Under the persistent stimulus of the defense program, nonfarm employment in Texas is estimated to have risen by mid-August to nearly 2,550,000 persons, or 6 percent more than in August 1950. The total increase since before Korea amounts to about 180,000 persons, or 8 percent. Manufacturing employment at mid-August is estimated at about 458,000 persons, or 11 percent more than a year ago, with the increase since before Korea amounting to about 66,000 persons, or 17 percent. The largest gains in employment during the summer were in government establishments, ordnance and aircraft production, services, and construction, with a large proportion of the latter being at defense installations. Some increases were also made in employment in transportation, retail trade, petroleum refining, apparel production, and machinery production. Losses occurred in lumber products manufacturing and, seasonally, in wholesale trade. Unemployment in 17 Texas cities rose to 3.3 percent of the labor force, as the result of high school and college graduates entering the labor market, but declined as the summer progressed.

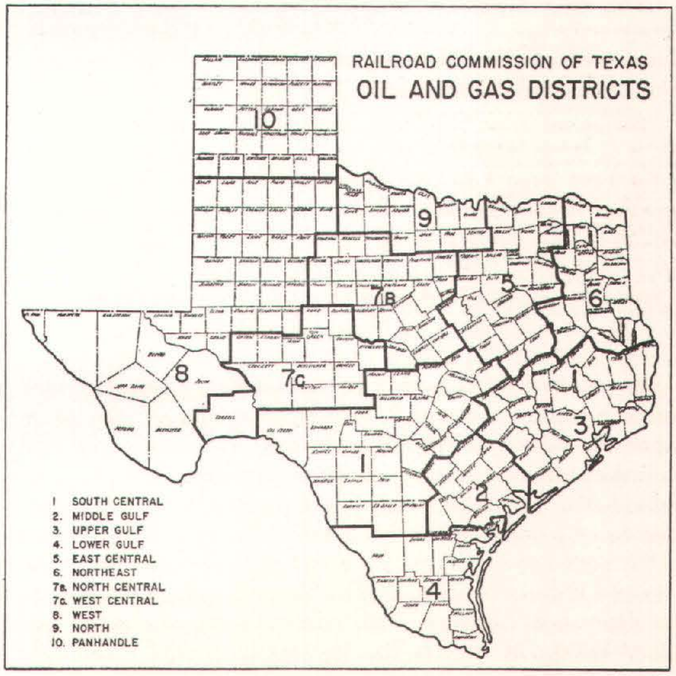
CRUDE OIL PRODUCTION

(Barrels)

Area	July 1951 Total production	July 1951 Daily avg. production	Increase or decrease in daily average production from July 1950	Increase or decrease in daily average production from June 1951
ELEVENTH DISTRICT				
Texas R. R. Com. Districts				
1 South Central	1,028,550	33,179	3,684	132
2 Middle Gulf	5,084,000	164,000	22,545	693
3 Upper Gulf	15,250,600	491,955	79,444	−9,275
4 Lower Gulf	7,975,250	257,266	36,185	−4,160
5 East Central	1,700,750	54,863	18,200	1,306
6 Northeast	12,101,150	390,360	16,949	−8,308
East Texas	8,410,300	271,300	−4,105	−9,780
Other fields	3,690,850	119,060	21,054	1,472
7b North Central	2,542,000	82,000	9,803	−5,143
7c West Central	3,318,450	107,047	41,282	1,775
8 West	29,704,950	958,224	182,090	16,281
9 North	4,897,450	157,982	4,792	− 318
10 Panhandle	2,709,950	87,418	−5,058	−1,182
Total Texas	86,313,100	2,784,294	409,916	−8,199
New Mexico	4,504,300	145,300	14,624	3,443
North Louisiana	3,936,000	126,968	−1,643	−2,687
Total Eleventh District	94,753,400	3,056,562	422,897	−7,443
OUTSIDE ELEVENTH DISTRICT	96,820,950	3,123,256	243,177	5,551
UNITED STATES	191,574,350	6,179,818	666,074	−1,892

SOURCE: Estimated from American Petroleum Institute weekly reports.

The daily average crude oil production in the District, after six consecutive monthly increases, declined slightly in July. At 3,057,000 barrels per day, output was only 7,000 barrels daily below the record June level and was 423,000 barrels daily, or 16 percent, more than in July of last year. In early August a moderate increase in output, based on higher Texas allowables, indicated that the June record probably would be exceeded. In the Nation, too, crude oil production was at a record level in early August. Still higher output is in prospect during September, since Texas production allowables for the first of this month are 106,000 barrels daily above the August 1 rate and 135,000 barrels daily above July 1.



Refinery activity in the District in July exceeded the June record, with daily runs to refinery stills averaging 1,916,000 barrels, or 23 percent more than a year ago. The increase since last year in this District continues to exceed substantially the gain shown for the Nation's refineries, which in July amounted to 11 percent.

National stocks of crude oil and the four major refined products—gasoline, kerosene, gas and distillate fuel oil, and residual fuel oil—at the end of July were, each, 5 percent or more above a year ago, with light fuel oil stocks being up 25 percent. Crude oil stocks in the Nation by the end of July had risen to 251,000,000 barrels, which is only 1,000,000 barrels above the level often suggested as appropriate for the industry. The upward trend of demand and the uncertainty of the world situation have made an increase in the crude inventory desirable. Gasoline stocks in the Nation continued to decline by less than the usual seasonal amounts, while stocks of kerosene, light fuel oil, and residual fuel oil, each, increased in line with seasonal patterns.

This strong stock position has been maintained in spite of increased foreign buying of refined products in American markets. While the 500,000-barrel-capacity refinery in Iran is closed, a large amount of this loss of capacity is being met by the stepping up of refinery activity around the world. World crude oil production is being rather well maintained, despite the loss of Iranian crude, with Kuwait and Saudi Arabia increasing output by an amount equal to about 70 percent of the normal crude oil production in Iran.

While the present stocks of crude petroleum and its products are good insurance in an uncertain world, the possibility of an oversupply during the months ahead should be considered. The over-all United States supply has been exceeding demand by an increasing amount since last March. Though demand is at a record level, an oversupply situation could develop quickly in the event of decreased military requirements and the resumption of shipments from Iran. This is a risk the industry is forced to take, however, to be ready for any emergency. Then too, there is the usual winter upswing in demand for heating oils, which might absorb most of any excess of inventories built up during the late summer and fall.

The Petroleum Administration for Defense in early August appealed to the domestic oil industry to expand production and adjust operations to the larger export demand for refined products resulting from the halt in refinery operations in Iran. Looking further ahead, the PAD has urged expansion of domestic producing and refining capacity by 1,000,000 barrels daily by the end of 1953, with the possibility of an additional 500,000 barrels daily being recommended if conditions continue uncertain in Near Eastern sources of supply. Possible limiting factors in such long-range expansion include the shortages of steel and other critical materials, which are keeping the current refinery expansion program somewhat behind schedule.

Drilling activity has continued at a high level in spite of the tight steel situation, with well completions during the first 7 months of 1951 totaling approximately 11,100 in this District and 24,100 in the Nation, representing gains of 7 percent and 3 percent, respectively, over the corresponding months of last year. The rate of drilling activity forecast by trade journals for the remaining months of 1951 would lead to a new record for the year. Contributing to the high rate of completions is activity in the Spraberry sands in west Texas, where a trend about 130 miles long and 50 miles wide, covering portions of eight counties and centering in the eastern part of Midland County, now has several hundred producing wells. The Spraberry trend has several times the area of the east Texas field but, as yet, appreciably less production capacity.

The steel shortage is curbing the expansion of the natural gas industry. As anticipated, limitations of natural gas pipeline capacity made necessary an order by the PAD restricting natural gas utilities in 15 eastern states from taking on new residential customers and requiring PAD approval before large-volume customers are accepted. Consumption of natural gas has increased rapidly and, without restrictions, defense plants and other present users might suffer from shortages if too many additional customers were served.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	July 1951p	July 1950	June 1951	January—July 1951p	January—July 1950
ELEVENTH DISTRICT..	$ 112,882	$ 105,460	$ 108,388	$ 923,291	$ 636,411
Residential.......	53,745	48,622	50,318	409,109	299,937
All other.........	59,137	56,838	58,070	514,182	336,474
UNITED STATES[1]....	1,379,830	1,420,181	1,408,932	10,187,939	8,274,329
Residential.......	548,144	675,080	545,152	3,871,871	3,932,205
All other.........	831,686	745,101	863,780	6,316,068	4,342,124

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

The total value of construction contract awards in the District increased moderately from June to July. Though the $113,000,000 worth of July awards was 4 percent more than for the previous month and 7 percent more than in July of last year, this amount represents the second lowest monthly total since January. Residential awards at $54,000,000 were up 7 percent from June and 11 percent from a year ago but were the second lowest for any month this year. Military and public housing projects amounting to at least $15,000,000 buoyed up the residential total, which otherwise would have been substantially lower than a year ago. Sales of houses have declined, and there has been some price softening under the impact of a "wait-and-see" psychology during the cease-fire negotiations in Korea and the increasing proportion of new houses covered by Regulation X.

Nonresidential awards in July amounted to $59,000,000, or 2 percent more than during the previous month and 4 percent above July of last year. However, compared with the earlier months of this year, nonresidential awards were noticeably down. Nearly two-thirds of the July nonresidential awards were for public construction, particularly educational projects and army, naval, and air force installations.

Despite the contraseasonal lull in construction contract awards during June and July, the total value of such awards during the first 7 months of this year, $923,000,000, is 45 percent more than during the same months of last year. The residential total for 7 months this year, $409,000,000, is up 36 percent, and the nonresidential total of $514,000,000 is up 53 percent. It is probable that in spite of further declines total awards for the full year 1951 will exceed the 1950 record, with the nonresidential total also being up from 1950. If public and military housing projects sustain sufficiently the residential sector of the industry, the 1950 record for residential awards may be approached.

BUILDING PERMITS

City	July 1951		Percentage change in valuation from		7 months 1951		
	Number	Valuation	July 1950	June 1951	Number	Valuation	Percentage change in valuation from 7 months 1950
LOUISIANA							
Shreveport....	302	$ 845,959	—87	—34	2,283	$ 9,906,866	—48
TEXAS							
Abilene.......	87	928,180	— 1	241	716	4,810,807	—39
Amarillo......	279	896,447	—64	—34	2,217	12,382,293	— 3
Austin........	204	2,947,277	—42	151	1,687	15,997,756	—38
Beaumont.....	248	361,413	—58	—16	1,748	3,763,438	—42
Corpus Christi..	364	1,494,485	—37	112	2,329	13,503,616	—18
Dallas........	1,408	5,648,790	—59	— 7	11,584	60,295,982	—13
El Paso.......	221	2,683,522	36	105	1,820	11,578,080	—23
Fort Worth....	532	1,881,200	—52	—40	4,824	31,404,322	12
Galveston.....	108	116,089	—64	—98	790	6,743,033	83
Houston.......	809	9,598,423	—52	24	7,028	86,656,337	— 9
Lubbock......	200	863,182	—71	—19	2,137	10,133,108	—33
Port Arthur....	167	222,668	—34	—77	1,136	3,052,087	—27
San Antonio...	1,263	3,035,087	—35	31	8,585	26,278,495	—15
Waco........	134	898,850	—17	44	1,430	8,661,453	—27
Wichita Falls...	95	1,243,356	88	—21	767	4,593,529	39
Total...........	6,421	$33,664,928	—50	— 4	51,081	$309,761,202	—15

Many types of new construction were banned from August 3 until October 1 by National Production Authority Order M-4A, which prohibits the commencement of construction that requires more than minimum amounts of steel and copper. Exceptions are allowed in the case of the Atomic Energy Commission and the Defense Department, as well as in the case of private builders who already have the required metal goods in inventory. Most residential building may go ahead, as well as small stores and even some amusement places, but the order will freeze temporarily the start of many new factories, schools, hospitals, and public buildings. Builders of such projects may apply for allotments of critical materials for the fourth quarter of this year.

With the worldwide scarcity of sulphur spurring the search for new sources of supply, the commercial production of this basic industrial raw material from sour gas has been started in the Texas Panhandle, with similar projects under way in west Texas and elsewhere. For several years, sour gas has been sweetened for commercial use by the removal of sulphur, but until recently the process had been considered unprofitable so far as the sale of the sulphur was concerned. The output of sulphur from sour gas in Texas during the second quarter of this year was only 1,108 tons, and even the prospective rapid stepping up of production is unlikely to result in more than a fractional increase in the State's total output, which last year amounted to 3,949,000 tons, all from mines in four counties on the Gulf Coast. During the first half of 1951, native sulphur production in the United States—virtually all in Texas and Louisiana—totaled 2,594,000 tons, or 2 percent more than during the same period last year. Restrictions on use continued to hold consumption at somewhat less than output, so that stocks were built up to a moderate extent.

Cement production in Texas during the first half of 1951 amounted to 8,666,000 barrels, or 7 percent more than during the same period last year. This increase compares with a 15-percent gain in the Nation. Carbon black production in the Nation—mostly in Texas and Louisiana—amounted to 798,000,000 pounds during the first 6 months, or 28 percent more than during the corresponding months of last year. Most other southwestern manufacturing and mining industries also were operating at higher rates.