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1951-1952

Looking back upon the economic developments of 1951, it is evident that a more satisfactory degree of stabilization was achieved—even though it may be somewhat uncertain and tenuous—than might have been anticipated. The year opened on a very strong note of inflation. Businesses and consumers eagerly sought to acquire merchandise which it was felt might later be in short supply; new orders to manufacturers were at a very high level; prices pointed sharply upward; the demand for bank loans continued strong and was reflected in a rising loan volume; and net personal savings were at a rate of less than 4 percent of disposable income. It was in this setting that we entered 1951. Therefore, it is not surprising that there was serious concern regarding the actual and potential inflationary danger and the possibility of exercising effective control.

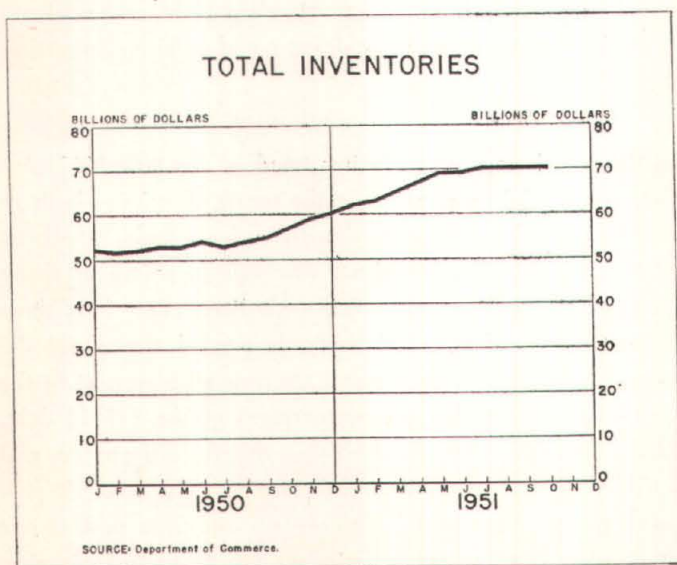
Early in the year, however—in fact, between the middle and latter part of the first quarter—the strong inflationary movement began to lose some of its force, and a degree of caution appeared in the picture. This was especially true with respect to the over-all demand for goods by businesses

and consumers. As shortages failed to develop and as consumers found themselves with adequate stocks of goods to meet immediate and, to some extent, future requirements, the buying frenzy that prevailed around the turn of the year changed quickly to an attitude of caution—"buy now" policies gave way to "wait and see" policies.

The effect of this change in consumer spending was reflected very quickly in the inventory positions of many businesses. Inventories are seldom considered excessive by the average businessman as long as the rate of sales increase—real or anticipated—is reasonably well related to the rate of inventory increase. However, when sales taper off or begin to decline, as was the case in early 1951, inventories that have not been a matter of concern suddenly become excessive. By the end of the first quarter of the year, businessmen generally recognized the danger of unbalanced inventories and undertook corrective measures. Orders to manufacturers of civilian goods began to be reduced, buying commitments were shortened, and more aggressive selling practices were undertaken to move stocks on hand.

Running through the period from early October 1950 to the end of 1951 were a number of other developments which were anti-inflationary in character. These included actions by government, the Federal Reserve System, private enterprise, and consumers in the fields of credit, prices and wages, allocations of materials, taxation, and savings.

Early in the third quarter of 1950 amendment of Regulation W, restricting the terms applicable on instalment credit, and the institution of Regulation X, applying to real estate construction credit, were steps in the direction of tighter control over the volume of credit. The more restrictive Regulation W began to be effective in achieving the desired objective almost immediately, as the outstanding volume of consumer instalment credit rose only slightly during the fourth quarter of 1950 and then declined by almost \$1,000,000,000

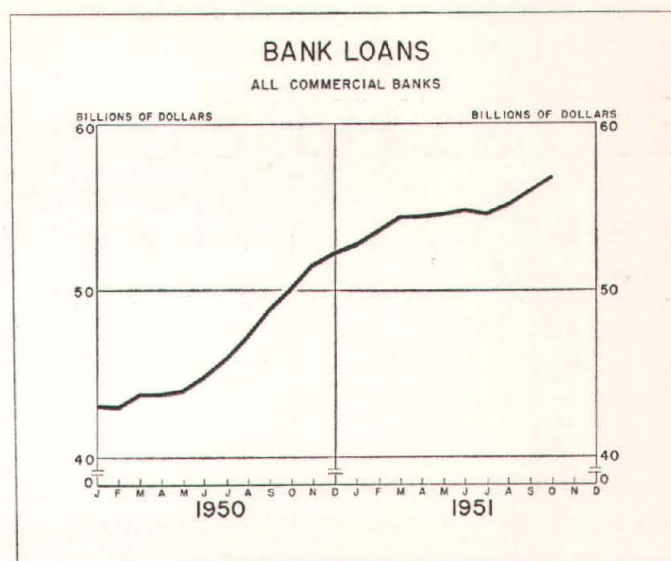


during the first 7 months of 1951. Following congressional relaxation of terms in August, the trend of instalment credit turned upward. The large amount of outstanding uncovered real estate mortgage commitments when Regulation X was instituted delayed the promptness of its effectiveness, but by mid-1951 it was generally recognized that the Regulation was exerting a measure of restrictiveness in the mortgage field.

Late in December 1950 the Board of Governors of the Federal Reserve System announced an increase in member bank reserve requirements, which was calculated to absorb about \$2,400,000,000 of reserve funds. Inasmuch as the System was supporting Government security prices at the time, however, banks were able to offset the effects of the increase in reserve requirements, to a considerable extent, by the sale of Governments at par or a premium to the System. Nevertheless, there was the restrictive influence of higher reserve percentages and, also, the freezing of funds obtained from the sale of Governments as required reserves; if reserve requirements had not been increased, banks would have been able to sell such bonds at their own discretion and use the funds for the purpose of expanding loans.

By far the most significant credit development occurred early in March, when the Federal Reserve-Treasury "accord" with regard to System support of Government security prices was reached. Although the System, through its open market operations, assured an orderly market for Government securities, prices of Governments—within the limits of orderly movements—were permitted to decline in accordance with market evaluations. As long as prices of Governments were supported by the System at par or above, such securities were the virtual equivalent of cash, and the initiative with respect to the availability of bank reserves rested largely with banking and nonbanking investors who held Governments in their portfolios. Following the "accord" and the subsequent price movements, this situation no longer prevailed, as banks and other investors became less willing to convert Governments at a market loss. The result was that the System regained a considerable measure of control over the availability of bank reserves, and, as a consequence, a much firmer money market and a gradual rise in interest rates developed.

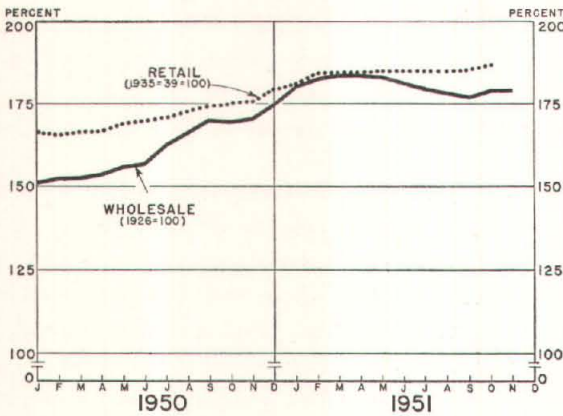
The Voluntary Credit Restraint Program, which was initiated in March 1951 under the authority of the Defense Production Act but at the request of responsible leaders in commercial banking, insurance, and investment banking, also has played an important part in checking the growth of private credit. Bankers and other lenders operating under the Program have done a very commendable job in screening



loan applications with a view toward reducing to a minimum nonessential, speculative, and inflationary loans. It is never possible to measure statistically the effect of such a restrictive program, for, in the first place, there is no way of knowing what the loan volume would have been under different circumstances, and, secondly, numerous other forces were exerting their influence upon credit demand and supply at the same time. Loan figures, however, lend impressive support to the work of the Program. For instance, during the period of seasonal loan demand between August 1 and December 5, 1951, total loans of the Nation's weekly reporting member banks increased only \$2,050,000,000, as compared with an increase of \$4,228,000,000 in the same period of 1950; in the Eleventh District the comparable increases were \$114,000,000 and \$221,000,000. Furthermore, as indicative of the success of the effort on the part of bankers to eliminate nonessential or speculative loans, figures show that a very substantial proportion of the loan increase during the past 4 months was the result of seasonal loans associated with the crop movement and defense and defense-supporting loans.

Price and wage controls instituted in January 1951 also had a restraining effect upon the trend of prices—both at wholesale and retail—even though such controls have been less rigid and have permitted advances in prices of many commodities and of wages. Although direct controls of these types in a period of inflation may be needed, they should be supported by adequate general controls with respect to the availability of credit, the management of the federal debt, and fiscal policy. The notable improvement in the nature and effectiveness of general controls during 1951 made it possible for the direct controls to serve a useful purpose as one type of tool in the anti-inflationary kit. The trend of prices

PRICE TRENDS



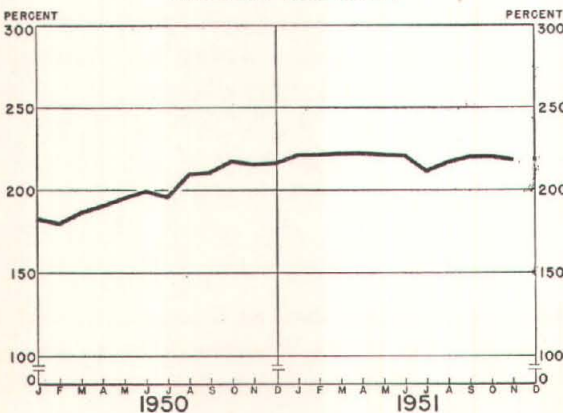
SOURCE: Department of Labor.

during the year cannot be attributed entirely, or perhaps even largely, to price and wage controls, but, nevertheless, these measures certainly contributed to holding the increase in the cost of living to 3.25 percent between January 15 and October 15 and to the decline of 1 percent in the comprehensive wholesale price index.

Materials controls and the expansion program in such basic industries as steel, aluminum, electric power, petroleum refining, and chemicals progressed significantly during 1951 and helped the economy to support the planned defense and military production, as well as a large volume of civilian production, without serious dislocations or shortages. Government aids in the form of rapid tax amortization and direct loans and loan guarantees played a part in speeding up the expansion program. Total industrial production fluctu-

INDUSTRIAL PRODUCTION

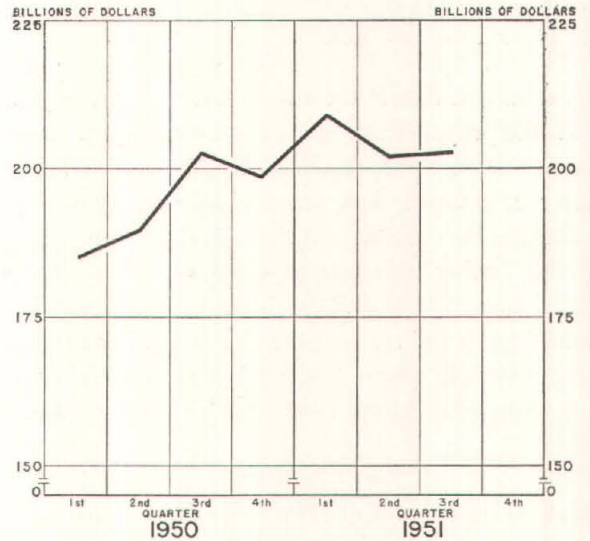
F. R. B. INDEX - (1935-39=100)



ated narrowly during the year within a range of 223 to 217 (1935-39=100) except during July when mass vacations in industry contributed to a temporary decline to 212. During the year the gradual but steady increase in production for defense purposes tended to offset cutbacks in the production of civilian goods as a result of material shortages and somewhat lessened consumer demands.

Farm production in 1951 was at an all-time high of some 143 percent of the 1935-39 average. This record production, together with a large carry-over of many commodities from the previous year, met all domestic and export requirements, with the result that farm prices averaged lower at the year's end than during last February and March. This downturn in farm commodity prices was important in helping to stem the advance in the cost of living, particularly in the cost of food and clothing.

PERSONAL CONSUMPTION EXPENDITURES



SOURCE: Department of Commerce.

Despite increases in tax rates upon incomes, the Nation's disposable income rose from an annual rate of approximately \$217,000,000,000 during the first quarter of the year to almost \$225,000,000,000 during the third quarter, with a further increase probable during the closing 3 months of the year. An increase in personal net savings took place, however, with the annual rate rising from \$8,500,000,000 in the first quarter to the unusually large rate of more than \$22,000,000,000 in the third quarter. This increase in net savings does not represent entirely an increase in liquid assets, since substantial amounts of debt repayment are included in the figures. In part, this large increase in personal saving reflects a reduction in the annual rate of personal consumption expenditures during the period of about \$5,700,000,000,

placing the total for the third quarter of 1951 at the level that prevailed during the same quarter a year earlier.

This tendency on the part of consumers to restrict their purchases and to forego the creation of substantial additional indebtedness but, instead, to add to their liquid assets and liquidate a portion of their past debts was an important anti-inflationary development; moreover, it undoubtedly was closely associated with the more restrictive credit policy of the period and was also a reaction to the excessive consumer buying that occurred during most of the 7 months following the outbreak of the Korean war.

Somewhat in contrast with these various developments that tended to work in the direction of stabilizing the economy, other developments during the year in certain economic areas were strongly stimulative and expansive. Underlying these stimulative forces, of course, was the defense program with increasing emphasis upon military and defense production, a rising volume of government expenditures, and a consequent increase in the demand of Government for the Nation's goods and services.

It is estimated that at the end of 1950, or the beginning of 1951, the proportion of our gross national product being diverted to defense purposes was about 8 percent. This proportion rose gradually but, nevertheless, steadily during the year and is now estimated in the neighborhood of 13 percent, with further increases expected as the months pass. Defense production tended to prevent an increase in the volume of goods and services available for private consumption, as materials, plants and equipment, and labor gradually were diverted to the more pressing military demands.

Another area of economic activity providing a strong stimulus during the year was that of business capital expenditures. As businesses undertook to expand their productive capacities to meet the dual objectives of a high level of civilian consumption and the goals of the defense program, expenditures for plant and equipment rose very sharply and reached an all-time high during the year. In the first 3 months of 1951 such expenditures were estimated at an annual rate of \$20,660,000,000, but by the third quarter of the year the rate had increased to \$27,200,000,000. The growth in such expenditures was most pronounced in manufacturing and tends to support the often-stated opinion that during the year much of the expansion that took place was toward building plant facilities to turn out vast quantities of necessary goods as the occasion may arise.

Finally, a record volume of new construction, including residential and other, resulted during the year. Due to material and credit restrictions, the volume of residential con-

struction was well under the 1950 record total, when about 1,400,000 units were started, but, nevertheless, the total of perhaps 1,000,000 new starts for 1951 approximates the former record of slightly more than 1,000,000 starts in 1949. In terms of monthly average value of new construction, the figures for 1951 slightly exceeded the monthly average of \$2,325,000,000 reported in the preceding year.

These strongly stimulative developments tended to balance out the effects of various actions discussed earlier in this article, with the consequence that several of the major indexes of economic activity, when charted out on a month-by-month basis, reflect a relatively level or balanced trend. The charts presented in this article showing the trends of consumer prices, wholesale prices, industrial production, commercial bank loans, total business inventories, and personal consumer expenditures during the years 1950 and 1951 appear to give support to this position of over-all economic stability.

When we turn to the outlook for economic activity in 1952, more than the usual number of uncertainties immediately appear, with many of them being associated directly with the various possibilities in the international situation and the extent to which the defense program, as it unfolds during the months ahead, will be the dominating factor. Perhaps with respect to the international situation one can only make assumptions. The most logical of those assumptions at this time, from the standpoint of one not intimately involved in international discussions and contacts, is that approximately the present degree of tension will continue internationally; that no appreciable improvement will occur in relations between Russia and the Communist Bloc, on the one hand, and the Western Democracies, on the other. One may also assume, with some justification, that a cessation of hostilities in Korea will not change greatly the magnitude or timing of the defense program as it is now blue-printed.

On the basis of these assumptions, the defense program should continue to be the dominant factor in sustaining boom levels of economic activity during 1952. Expenditures for defense, already in very substantial amounts, will move toward peak levels during the last half of the year. The Government will take a larger share of our production of goods and services—a share estimated to reach 20 percent at the peak of the program—and, consequently, government expenditures can be expected to rise above current levels.

Business trends during the first 6 months of 1952 may reflect a more or less sideways movement, due to the probability of seasonal adjustments in the first quarter and early part of the second quarter of the year. Rising defense and government expenditures, together with some degree of

deficit financing during the last half of the year, may tend to stimulate inflationary forces and contribute to somewhat higher economic indexes than those currently prevailing.

It is virtually certain that there will be a full demand for the Nation's growing labor force, although there may be islands of unemployment spotted here and there over the country. The labor problem during 1952 will surely be one of finding adequate and properly trained workers and not a problem of meeting an appreciable unemployment situation. Plant facilities also will be utilized fully, and, in addition, new plants started during the past 12 to 18 months will be brought into production. As a consequence, we should expect that industrial production should rise to higher levels during 1952 than in the year just closed. As previously noted, the index of industrial production fluctuated generally within a range of 6 points under the peak of 223 reached in April 1951. The rate of growth in production during 1952 may not be as substantial as the approximate 10-percent increase of 1951 but might be in the neighborhood of 5 percent. If so, the volume of goods available to the civilian economy would not be greatly different from that available during 1951, but a larger amount of goods would be moving to defense and military purposes.

Business capital expenditures, while probably not reaching the record level of 1951, nevertheless, will continue in large volume. Estimates for the first quarter of 1952 place such expenditures on an annual rate basis of about \$23,000,000,000. Gradually during the year the amount might be expected to taper off somewhat. In other words, while not providing an additional stimulative force, such expenditures

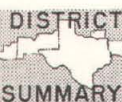
will be so large as to avoid any deflationary tendencies in so far as this factor is concerned.

It is probable that businesses will continue efforts to reduce inventories and to bring stocks of goods into better balance. Inasmuch as it is not likely that serious shortages will develop, at least during the first 6 months of the year, there is little reason to anticipate a change in buying practices of businesses or consumers. If, during later months, the availability of goods should begin to reflect more noticeable shortages, the possibility of increased business and consumer buying might develop.

Personal income will almost certainly rise above 1951 levels, as will disposable income after taxes. Levels of consumer personal expenditures, consequently, will depend on individuals' decisions as to spending and saving. On the whole, however, it is probable that even though net saving continues at a relatively high rate, the annual rate of personal consumption expenditures will run slightly above the 1951 figure.

Price movements, although probably pointing upward, should be relatively moderate. Strong demand for goods and services, together with adequate purchasing power and the added factor of higher wage rates and costs of doing business, points toward a somewhat higher price level both at wholesale and retail. A moderate increase in prices of 3 to 5 percent during the year does not at this time appear improbable. This assumes, however, that anti-inflationary measures, both of a general and direct type, are maintained at least as effectively as during the past year and that consumers continue to exercise restraint in their buying.

REVIEW OF BUSINESS, INDUSTRIAL, AGRICULTURAL, AND FINANCIAL CONDITIONS



Christmas trade at department stores in the Eleventh Federal Reserve District rose to a new high, to exceed the previous record set in 1950 by about

6 percent. Nevertheless, sales of a substantial number of stores failed to equal their 1950 volume or, at least, did not come up to the merchants' expectations, which had been bolstered by the high level of sales in November. November sales were the most favorable for any month since January 1950 and were 13 percent above a year earlier after seasonal adjustment.

Nonfarm employment in the District reached a new high under the impetus of the continued expansion in defense employment and the large seasonal increase in retail trade employment. Crude oil production in December declined for the second consecutive month, as near-record levels of stocks brought about a further reduction in Texas allowables. An additional cut in allowables was announced for January. The value of construction contract awards in the District in November was down 13 percent from October and was 29 percent lower than a year earlier.

Production goals for farmers in this District in 1952, announced recently by the United States Department of Agriculture, call for an increase of about 15 percent in volume of crops on approximately 3 percent more acres than in 1951. The depletion of subsoil moisture during the current long and widespread drought in the District may be a serious obstacle in meeting the production goals. The District's winter wheat crop is expected to fall considerably below the Government's goal, as the drought has reduced the acreage seeded and prospective yields per acre. Pasture feed is scarce over most of the District, and the condition of livestock is below normal for this season of the year.

Loans of weekly reporting member banks in the District rose over \$45,000,000 in the 4 weeks ended December 19, to reach a new record of about \$1,566,000,000, or approximately \$99,000,000 more than a year earlier. The net increase between November 21 and December 19 represents largely seasonal demands of cotton and other commodity dealers. New loans to defense contractors comprised almost 8 percent of the new commercial and industrial loans during the 4 weeks ended December 19, a considerably higher proportion than in most other recent weeks. In this connection, data released by 45 of the Nation's large life insurance companies indicate that 46 percent of the \$4,000,000,000 total of loan and investment commitments outstanding nationally on October 31 was for defense and defense-supporting activities.



The total dollar volume of Christmas business at department stores in the Eleventh Federal Reserve District reached a record level, exceeding moderately the

previous high of the 1950 Christmas. Nevertheless, the Christmas trade did not come up to merchants' expectations, which had been bolstered by an upturn in consumer buying in October and a very good November business. Moreover,

the sales volume of a substantial number of stores fell below their previous year's performance. It should be pointed out, however, that the 1950 Christmas business was inflated by a substantial amount of war-scare buying.

Store traffic was heavier during this past Christmas season than in most prior years, and the number of purchases is reported to have been larger. It should be pointed out, however, that a little less was spent for the average purchase than the year before, despite the higher prices. Consumer buying emphasis appears to have been on the moderately priced and practical items. Sales of children's wear were excellent, and a good volume of toys, women's apparel, and costume jewelry was reported. Although television sales were substantially above year-earlier levels, sales of most other homefurnishings items were lower.

The lower average value of gift purchases contributed to making this past Christmas a less profitable one for merchants, since less costly items tend to have lower profit margins and handling costs are larger in relation to the size of the sale. Moreover, markdowns for inventory clearance purposes, which had characterized the summer and fall months, continued even into the Christmas season as a profit-reducing factor. The higher labor and other operating costs prevailing in 1951 also served to lower profits.

The aggregate sales at district department stores for the principal holiday buying period—the 4 weeks from Thanksgiving to Christmas—averaged 6 percent higher than in the corresponding weeks of 1950. This increase is larger than that of most other districts of the Nation. The Christmas trade of department stores in the Nation as a whole averaged just about the same as the year before, and four districts experienced a lower volume than in 1950.

The district department store sales picture in November was the most favorable for any month since last January.

RETAIL TRADE STATISTICS
(Percentage change)

Line of trade by area	NET SALES			STOCKS ¹	
	Nov. 1951 from		11 mo. 1951 comp. with 11 mo. 1950	Nov. 1951 from	
	Nov. 1950	Oct. 1951		Nov. 1950	Oct. 1951
DEPARTMENT STORES					
Total Eleventh District.....	13	12	5	-1	-1
Corpus Christi.....	25	3	3	-2	-3
Dallas.....	9	10	1	-3	-2
El Paso.....	9	18	2	-2	-2
Fort Worth.....	9	10	2	-8	-1
Houston.....	19	20	15	3	1
San Antonio.....	18	6	1	-3	3
Shreveport, La.....	17	12	5	11	-5
Waco.....	20	7	10	7	-5
Other cities.....	11	8	3	-1	-2
FURNITURE STORES					
Total Eleventh District.....	18	-1	—	-5	-3
Austin.....	10	1	—	-2	-9
Dallas.....	66	-1	—	-7	4
Houston.....	45	16	—	—	—
Port Arthur.....	42	50	—	1	-7
San Antonio.....	26	-9	—	—	—
Shreveport, La.....	5	7	—	-7	-2
Wichita Falls.....	7	-16	—	5	-8
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	7	-1	—	—	—
Dallas.....	-4	8	—	—	—

¹ Stocks at end of month.

November sales were up 12 percent from October, a substantially larger-than-seasonal increase, and were 13 percent higher than a year earlier. The increase in sales was distributed over most of the important department store items, with the exception of some homefurnishings, such as furniture and carpeting. Sales of women's and misses' dresses were 17 percent higher than in November 1950, while sales of women's and misses' coats and suits were 12 percent higher. Men's clothing sales posted a year-to-year gain of 10 percent. While sales of some of the homefurnishings items tended to lag, television and radio sales ran 73 percent higher than a year earlier and major appliance sales, 24 percent higher. Cumulative department store sales for the first 11 months of 1951 were 5 percent above the level of the same period in the preceding year.

WHOLESALE TRADE STATISTICS
Eleventh Federal Reserve District
(Percentage change)

Line of trade	NET SALES ^p			STOCKS ^p	
	Nov. 1951 from		11 mo. 1951 comp. with 11 mo. 1950	Nov. 1951 from	
	Nov. 1950	Oct. 1951		Nov. 1950	Oct. 1951
Automotive supplies.....	24	30	—	69	10
Drugs and sundries.....	5	-6	10	8	-7
Dry goods.....	4	-7	-2	-34	16
Grocery (full-line wholesalers not sponsoring groups)....	15	— [‡]	—	4	— [‡]
Hardware.....	7	-5	7	10	-8
Industrial supplies.....	13	18	25	30	18
Machinery equipment and sup- plies except electrical.....	-29	-41	—	31	7
Metal.....	-10	-35	—	36	8
Refrigeration equipment, parts (commercial).....	7	-15	—	—	—
Tobacco products.....	-8	-13	-1	13	-1
Wines and liquors.....	12	7	-8	—	—
Wiring supplies, construction materials distributors.....	19	-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.

The policy of inventory reduction which merchants have been following since late last spring continued in November and December. District department store stocks declined slightly during November, in contrast with the moderately rising pattern which usually prevails at this time of year, and at the end of the month were 1 percent below a year earlier. Although merchants had succeeded in reducing their heavy stocks substantially by November 30 and a further marked decrease undoubtedly occurred during December, it appears that the year-end level of stocks is still a little higher than most merchants would prefer. Nevertheless, the major portion of the inventory readjustment probably has been achieved. Orders outstanding rose 14 percent in November, but continued below year-earlier levels for the sixth consecutive month. It will be noted, however, that the 9-percent year-to-year decline in orders outstanding on November 30 was smaller than that prevailing at any time during the five previous months.

Although district furniture store sales in November failed to show the usual seasonal gain over the very large October volume, they were the highest for any November since 1947. Sales were down 1 percent from October but were 18 percent higher than a year earlier. Furniture store stocks declined 3 percent in November, marking the seventh conse-

ANNOUNCEMENT

The Federal Reserve Bank of Dallas has revised the indexes of department store sales and stocks for the Eleventh Federal Reserve District for the period 1919 to date. Current revisions of indexes have been made simultaneously by each of the 12 Federal Reserve banks as a joint project with the Board of Governors of the Federal Reserve System. The index base period has been shifted to 1947-49 from 1935-39, and indexes of department store sales and stocks hereafter will be published by this bank for the Eleventh Federal Reserve District on the 1947-49 base period only, except for the 1-month overlap shown in the table below. For the convenience of those who may wish to maintain indexes of department store sales and stocks on the 1935-39 base, this bank will furnish, upon request, such revised indexes from January 1919 through November 1951, as well as a factor which may be used to convert indexes on the 1947-49 base to the 1935-39 base.

Pamphlets giving detailed information on the revisions and adjustments, as well as on the methodology used in the compilation of the indexes, may be obtained from the Research Department of the Federal Reserve Bank of Dallas.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Area	(1947-49 = 100)							
	UNADJUSTED				ADJUSTED ¹			
	Nov. 1951	Oct. 1951	Sept. 1951	Nov. 1950	Nov. 1951	Oct. 1951	Sept. 1951	Nov. 1950
SALES—Daily average								
Eleventh District.....	144	119	124	127	129	114	115	113
Dallas.....	141	118	120	129	122	110	108	112
Houston.....	157	121	142	132	140	122	130	118
STOCKS—End of month								
Eleventh District.....	135	136	138	137	120	125	135	122
	(1935-39 = 100)							
SALES—Daily average								
Eleventh District.....	525	437	441	472	445	405	409	400
Dallas.....	485	408	401	446	401	371	361	369
Houston.....	607	468	529	527	502	426	494	435
STOCKS—End of month								
Eleventh District.....	476	474	488	495	429	452	474	446

¹ Adjusted for seasonal variation.

cutive monthly decline, and at the end of the month were 5 percent lower than a year earlier, the first year-to-year decline in 19 months.

New car registrations in the Houston and San Antonio metropolitan areas declined noticeably from October to November but in the Dallas metropolitan area showed a small increase. The November Houston and San Antonio registrations were lower than in all but one of the preceding 12 months and were below the corresponding months of 1950 and 1949. Although Dallas registrations were about 12 percent less than in November 1950, they were about 4 percent above the relatively high November 1949 level.

The United States Department of Agriculture is asking the Nation's farmers to produce a record volume of crops in 1952. A new high level of livestock production also is expected. Farm production should total about 149 percent of 1935-39 if these goals and expectations are realized. This would compare with an estimated 143 percent for 1951 and 141 percent for 1949. Increased per acre yields and more efficient use of all agricultural resources are essential to the success of the 1952 program. The Department is urging producers of cotton and feeds to make every effort to increase production by obtaining higher yields on the available acreage. Corn and grain sorghums should be given prior claim on land over less productive grain crops. The acreage goals thus far announced, plus probable acreage of other crops, would require 4,500,000 to 5,500,000 acres more cropland than in 1951, which was a near record.

CROP ACREAGE GOALS FOR 1952

(In thousands of acres)

Crop	Texas		Five southwestern states ¹			
	1951 indicated	1952 goal	1951 indicated	1952 goal	1952 goal as percent of 1951 indicated	
Corn.....	2,378	2,675	112	4,572	4,993	109
Oats.....	1,572	1,600	102	2,811	2,820	100
Barley.....	170	200	118	478	450	94
Grain sorghums..	4,726	5,200	110	6,130	6,646	108
Hay.....	994	932	94	2,774	2,707	98
Wheat.....	6,416	6,400	100	13,436	14,125	105
Rye.....	21	100	72	72	100	100
Rice.....	544	540	99	1,162	1,155	99
Dry edible beans.	—	—	87	132	152	152
Cotton.....	12,486	11,915	91	15,856	15,390	92
Flaxseed.....	47	150	319	55	164	298
Irish potatoes...	24	27	110	59	64	109
Sweet potatoes..	28	42	150	94	149	159
Total.....	29,406	29,702	99	47,586	48,867	100

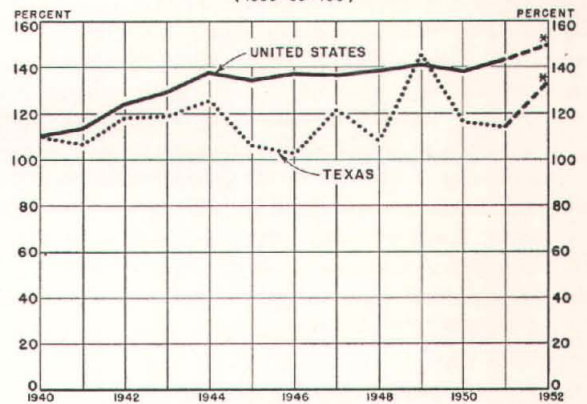
¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
SOURCE: United States Department of Agriculture.

The total of acreage goals for the five states of the Eleventh District, as set forth by the Department of Agriculture, shows little change from the acreage planted in 1951. However, goals for individual crops indicate the desirability of some shift in land use, as shown in the accompanying table. The Department is asking farmers in this area to devote less land to production of barley, hay, rice, and cotton, but to increase their acreage of corn, oats, grain sorghums, wheat, dry edible beans, flaxseed, and potatoes. The distribution of cropland among individual crops as provided by the goals for 1952 indicates a shift toward a more usual pattern of land use than was followed in 1951, when very large acreages of cotton and rice were planted. Should farmers in this area comply with the acreage goals, and at the same time contribute their share to the increase in production of major crops requested by the Department of Agriculture, it will be necessary to increase the average yield per acre over 1951.

While farmers in the Southwest generally may be willing to give due consideration to the Agriculture Department's requests when making their plans for production in 1952, serious difficulties may be encountered. The continued drought over a major part of Texas and in parts of adjoining states, together with labor shortages, high wage rates, and possible shortages of fertilizer, insecticides, and equipment, presents problems which must be faced. Scattered rains have

AGRICULTURAL PRODUCTION AND GOALS

(1935 - 39 = 100)



* GOALS
SOURCE: U.S. Department of Agriculture.

been received in most sections since September, but fall rains were far below normal and the moisture received has been mostly dissipated. Farms throughout perhaps two-thirds of the crop-producing part of the District have very little if any subsoil moisture, and there is a critical need for good, soaking rains.

The effect of the drought on crop production in 1952 is already evident. The winter wheat crop, as well as crops of other small grains and winter legumes, generally has made very poor progress. Much of the wheat crop was seeded in dust and was late germinating, or was destroyed from lack of moisture. Acreage planted to winter wheat in Texas totaled only about 5,323,000 acres; the 1952 goal is 6,400,000 acres, which is about the same as that planted for harvest in 1951 but well below the 7,587,000 acres planted for the 1947 crop. The 1951 crop of only 17,000,000 bushels compares with a 1940-49 average of 63,000,000 bushels and a 1947 record of 124,000,000 bushels.

WINTER WHEAT ACREAGE

(In thousands of acres)

State	For harvest in		
	1950	1951	1952
Arizona.....	30	26	25
New Mexico.....	560	700	630
Oklahoma.....	5,910	6,265	6,140
Texas.....	5,601	6,049	5,323

SOURCE: United States Department of Agriculture.

The Department of Agriculture is asking Texas farmers to produce 60,000,000 bushels of wheat and Oklahoma growers to produce 76,000,000 bushels in 1952; current production forecasts are approximately 40,000,000 bushels and 80,000,000 bushels, respectively, for the two states. The Department has asked for a 10-percent increase over 1951 in sorghum grain acreage in Texas, and this goal probably will be met if moisture conditions permit; if the intended wheat acreage is shifted to sorghums, the goal may be exceeded.

Commercial vegetables in south Texas have made good progress in recent weeks as moisture supplies have been more ample and temperatures have been favorable for growing crops. However, acreages of most winter crops are sharply below a year ago. Smaller crops of carrots and lettuce are in prospect. The winter cabbage, beet, and Irish potato crops are far below average. Furthermore, growers' reports of intentions to plant potatoes for the early spring crop in the Lower Valley are 15 percent under the small acreage of 1950 and 79 percent below average. It is expected that production of commercial vegetables in this area will be far below government goals. During December light supplies of tender vegetables continued to move from the Lower Valley, while harvest of tomatoes at Laredo continued in fair volume and supplies of carrots, lettuce, and spinach were largely from the Winter Garden.

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

State	September		October		Cumulative receipts January — October	
	1951	1950	1951	1950	1951	1950
Arizona.....	\$ 15,763	\$ 16,717	\$ 40,177	\$ 36,189	\$ 213,253	\$ 177,747
Louisiana.....	47,402	47,104	72,041	52,132	269,011	217,204
New Mexico.....	12,011	10,110	63,128	55,747	168,735	142,611
Oklahoma.....	61,083	50,015	85,194	65,519	484,193	446,065
Texas.....	220,343	217,263	299,577	288,997	1,590,855	1,629,539
Total.....	\$356,602	\$341,209	\$560,117	\$498,584	\$2,726,047	\$2,613,166

SOURCE: United States Department of Agriculture.

Citrus fruit production in district states is the smallest in many years. Groves in Texas and Louisiana suffered serious damage from a freeze in February 1951, and the commercial production for the 1951-52 season will be negligible. In Texas, growing conditions were favorable during late 1951; supplies of irrigation water were ample. Most of the season's short crop was expected to move during the Christmas season, except for the small production of Valencias, which will not mature until later. Arizona oranges are estimated at 1,025,000 boxes, and grapefruit, at 2,800,000 boxes—down a fourth and a tenth, respectively, from last season.

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

	Average of 10 seasons ended 1950	1949-50	1950-51	Indicated 1951-52
	ARIZONA			
Oranges.....	905	985	1,400	1,025
Grapefruit.....	3,294	3,400	3,150	2,800
LOUISIANA				
Oranges.....	308	360	300	50
TEXAS				
Oranges.....	3,616	1,760	2,700	350
Grapefruit.....	17,387	6,400	7,500	250

SOURCE: United States Department of Agriculture.

The unfavorable outlook at present for crop production in the District in 1952, as well as estimates of production in 1951, reflects the widespread drought over the District during the past 6 months or more. The December 1 cotton production report shows a United States crop of 15,290,000 bales, or some 2,000,000 less than was indicated at the beginning of the harvest season. The Texas crop estimate was placed at 4,100,000 bales, as against a 5,000,000-bale estimate on

August 1. All states of the Eleventh District made substantial gains in cotton production in 1951, although yields per acre in Oklahoma, Texas, and New Mexico were well below average. Oklahoma with an average yield of 149 pounds of lint per harvested acre had the lowest yield in the Nation, while Texas reported 167 pounds per acre for the second lowest of any state. All parts of Texas reported lower yields than in 1950, with the exception of upper coastal and east Texas counties and irrigated sections in the west. Irrigated farms of Arizona produced 741 pounds per acre.

COTTON: YIELD AND PRODUCTION

Texas Crop Reporting Districts

Crop reporting district	YIELD per harvested acre (pounds)		PRODUCTION 500 lb. gross weight bales (thousands)			
	Average 1940-49	1950	1951 indicated Dec. 1	Average 1940-49	1950	1951 indicated Dec. 1
1-N Northern High Plains.....	203	272	298	81	89	320
1-S Southern High Plains.....	202	230	172	589	722	950
2 Red Bed Plains.....	178	207	109	569	548	515
3 Western Cross Timbers.....	135	110	63	40	16	25
4 Black and Grand Prairies..	158	157	114	723	557	640
5 East Texas Timbered Plains	145	121	126	253	120	190
6 Trans-Pecos.....	481	462	502	99	143	225
7 Edwards Plateau.....	140	201	43	43	48	17
8 Southern Texas Prairies...	184	198	137	296	230	288
9 Coastal Prairies.....	232	264	324	133	122	250
10 South Texas Plains.....	262	355	338	223	351	680
State.....	181	211	167	3,049	2,946	4,100

SOURCE: United States Department of Agriculture.

The continuation of the drought has had severe effects upon ranges and pastures throughout the western two-thirds of the District, and dry range and pasture feed is scarce in most areas. The condition of ranges in Texas on December 1 was estimated at 16 percent below normal for that date. Winter grain crops have provided relatively little grazing for livestock, and supplemental feeding of cottonseed cake, range cubes, and roughage has been necessary over much of the District. Feed shortages and chilling winds have caused further shrinkage of livestock. The condition of livestock in Texas in December was substantially below normal for the month, with cattle down 6 percent and sheep and goats down 13 percent.

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	November 1951	November 1950	October 1951	November 1951	November 1950	October 1951
Cattle.....	51,572	53,390	87,890	23,635	30,015	33,514
Calves.....	33,220	40,204	57,036	25,386	33,583	38,231
Hogs.....	77,730	76,365	57,799	5,436	6,769	8,755
Sheep.....	47,304	26,552	128,253	116,728	111,831	149,963

¹ Includes goats.

Meanwhile, livestock marketings continue at a relatively high level. During the 4 weeks ended December 15, receipts of cattle at the Fort Worth market totaled 34,000 head, up 1,000 from the same weeks of 1950. Receipts of calves, at 26,000 head, were up 3,000. Marketings of hogs totaled 18,500 head, or 3,000 more than a year earlier. Receipts of sheep and lambs reached 31,000 head, up 60 percent from the corresponding period of 1950. Commercial meat production in Texas during the first 10 months of 1951 totaled about 2 percent more than during the corresponding period in 1950,

compared with a 1-percent decline for the United States. More cattle and fewer hogs, calves, and sheep and lambs were slaughtered in the State during those months.

After a rise of about 7 percent from September to November, the average of farm commodity prices in the District tended to level off in December, although price trends for individual commodities were mixed. Prices of wheat, corn, sorghum grain, and poultry advanced. Corn prices on the Fort Worth market reached the highest level since 1919, as No. 2 white corn rose to \$2.67½ per bushel on December 10. Other grains are at the highest levels in more than 3 years. Middling 15/16-inch cotton in the Dallas market reached the season's high of 43.20 cents per pound on November 9 and held generally between 41 and 43 cents as late as December 20. Rice is holding at the support level. Prices of live-

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended Dec. 20, 1951	Comparable week last month	Comparable week last year
COTTON, Middling 15/16-inch, Dallas..	lb.	\$.4190	\$.4220	\$.4300
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.82¼	2.80¾	2.64¾
OATS, No. 2 white, Fort Worth.....	bu.	1.24½	1.29¼	1.18
CORN, No. 2 yellow, Fort Worth.....	bu.	2.28¼	2.22¼	1.88¼
SORGHUMS, No. 2 yellow milo, Fort Worth	cwt.	3.13	3.06	2.57
HOGS, Choice, Fort Worth.....	cwt.	19.00	19.00	20.00
SLAUGHTER STEERS, Choice, Fort Worth	cwt.	35.00	35.00	31.50
SLAUGHTER CALVES, Choice, Fort Worth	cwt.	34.00	33.50	31.50
SLAUGHTER LAMBS, Choice, Fort Worth.	cwt.	30.00	30.00	31.00
HENS, Heavy, Fort Worth.....	lb.	.26	.27	—
FRYERS, top grade, Fort Worth.....	lb.	.30	.27	—
TURKEYS, No. 1 hens, Fort Worth.....	lb.	.40	.40	—
BROILERS, East Texas.....	lb.	.28	.24	—
BROILERS, South Texas.....	lb.	.28	.25	—
EGGS, graded, Fort Worth.....	case	16.50	18.90	—
COTTONSEED OIL, Fort Worth.....	lb.	.13	.13%	—

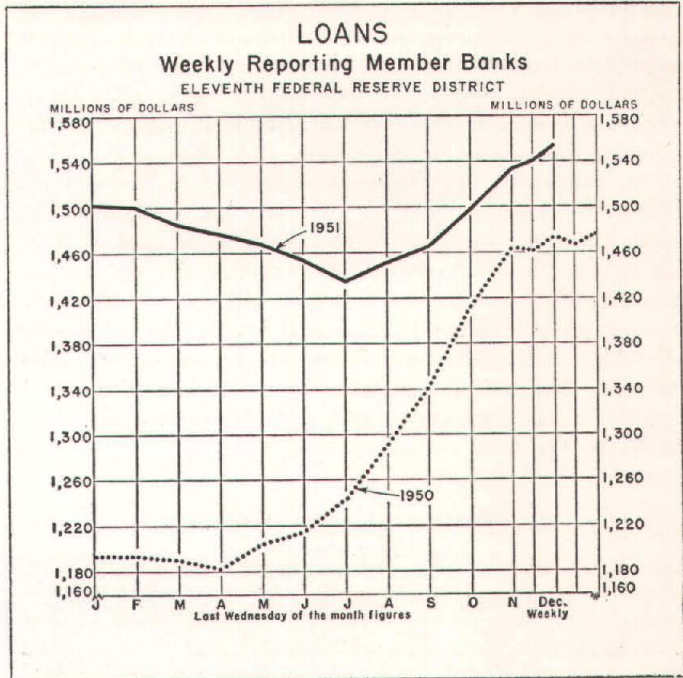
stock at Fort Worth were rather weak during early December, with many classes losing as much as \$2.00 per hundredweight. Price declines during late November and early December were noted also for cottonseed, peanuts, oats, and barley.



Loans of the weekly reporting member banks in the Eleventh District rose \$45,228,000 between November 21 and December 19 to a record of \$1,565,884,000,

continuing the rather sharp upward trend that had prevailed since October 3. This increase of about 3 percent compares with an expansion of about one-half of 1 percent during the comparable period of 1950. Commercial, industrial, and agricultural loans accounted for most of the increase during the 4 weeks ended December 19, although loans to banks and the category comprising consumer loans rose noticeably.

The expansion in loans at the weekly reporting member banks since early August reflects principally the extension of credit to meet the seasonal requirements of cotton and other commodity dealers. Loans to grain and milling concerns and manufacturers in the food and liquor lines also rose, but the decreases in other major categories of commercial and industrial loans were more than offsetting. During the 4 weeks ended December 19, new loans to defense contractors com-



prised almost 8 percent of all new commercial and industrial loans, a considerably higher proportion than in most other weeks.

Investments in United States Government securities rose \$53,225,000, with Treasury bills more than accounting for the increase. Holdings of the latter increased \$58,327,000, principally as a result of large subscriptions to the 201-day Tax Anticipation Series bills issued on November 27. Qualified depositaries were permitted to make payment for bills allotted for their own and customer accounts by credit to the Treasury Tax and Loan Accounts. Investments in Treasury

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 19, 1951	Dec. 20, 1950	Nov. 21, 1951
Total loans (gross) and investments.....	\$2,970,893	\$2,731,597	\$2,867,862
Total loans—Net ¹	1,549,565	1,453,555	1,504,273
Total loans—Gross.....	1,565,884	1,467,039	1,520,656
Commercial, industrial, and agricultural loans.....	1,091,473	1,025,463	1,046,318
Loans to brokers and dealers in securities..	9,080	7,697	8,955
Other loans for purchasing or carrying securities.....	54,767	57,935	57,881
Real estate loans.....	120,292	114,835	123,281
Loans to banks.....	2,336	0	923
All other loans.....	287,936	261,109	283,298
Total investments.....	1,405,009	1,264,558	1,347,206
U. S. Treasury bills.....	316,563	119,565	258,236
U. S. Treasury certificates of indebtedness..	158,243	27,626	151,140
U. S. Treasury notes.....	179,466	359,706	193,358
U. S. Government bonds (inc. gtd. obligations)	581,562	601,559	579,875
Other securities.....	169,175	156,102	164,597
Reserves with Federal Reserve Bank.....	585,931	517,904	596,089
Balances with domestic banks.....	465,030	439,606	432,052
Demand deposits—adjusted ²	2,377,288	2,212,100	2,300,777
Time deposits except Government.....	452,173	422,230	431,990
United States Government deposits.....	83,498	52,444	87,390
Interbank demand deposits.....	909,561	836,041	874,511
Borrowings from Federal Reserve Bank.....	8,500	0	6,000

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.

notes declined \$13,892,000, with almost two-thirds of the decrease offset by increases in certificates and bonds. Holdings of municipal and other non-Government securities rose \$4,578,000. On December 19 total investments of these banks amounted to \$1,405,009,000, which reflects an increase of 11 percent over the year-earlier total.

Deposit trends during the month included increases of \$114,931,000 in demand deposits and \$20,183,000 in time accounts. Demand deposits of individuals, partnerships, and corporations rose \$91,603,000, or 3.9 percent, principally as a result of the expansion in loans and investments but also reflecting the seasonal increase in business and personal receipts in the larger trade centers of the District. Banks in Dallas, Houston, and San Antonio, Texas, showed the larger gains in these personal and business deposit accounts. United States Government deposits declined somewhat, despite the sharp increase during the first week of the period due to the special offering of Treasury bills, while interbank deposits rose \$35,050,000. Time deposits rose \$20,183,000, principally as a result of the increase in deposits of states and political subdivisions. Total deposits of the District's weekly reporting member banks rose to a record of \$4,133,464,000 on December 19.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Date	COMBINED TOTAL		RESERVE CITY BANKS		COUNTRY BANKS	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
November 1949..	\$5,482,103	\$636,996	\$2,666,217	\$408,479	\$2,815,886	\$228,517
November 1950..	6,087,614	657,258	2,951,134	406,100	3,136,480	251,158
July 1951.....	5,855,513	673,533	2,746,696	376,455	3,108,817	297,078
August 1951.....	5,966,447	672,892	2,807,435	373,116	3,159,012	299,776
September 1951..	6,169,109	675,186	2,917,338	371,361	3,251,771	303,825
October 1951....	6,361,591	681,258	3,017,115	373,996	3,344,476	307,262
November 1951..	6,592,874	686,144	3,101,804	376,802	3,491,070	309,342

During recent weeks the sharp upward trend in currency circulation that began earlier in the year continued. Federal Reserve notes of this bank in actual circulation reached the low point for the year on March 26, or 4 to 6 weeks earlier than in other recent years, and rose \$89,440,000 between that date and December 15. This greater-than-seasonal increase compares with the expansion of \$31,574,000 during the similar period in 1950. In the Nation, money in circulation rose \$1,999,000,000 from March 28 to December 12, as compared with \$790,000,000 in the corresponding period of 1950.

The loan and investment commitments of life insurance companies, an important new series of financial data, were made public on December 20 by Governor Powell of the Federal Reserve Board, Chairman of the National Voluntary Credit Restraint Committee. These data, compiled for the National Voluntary Credit Restraint Committee by the Life Insurance Association of America, do not permit a full appraisal of the Voluntary Credit Restraint Program as applied to life insurance companies, since they do not cover loans and investments deferred in accordance with the principles of the Program. Nevertheless, they constitute a new and important source of information on the lending and investment activities of one of the major groups of financing institutions.

COMMITMENTS OF 45 LIFE INSURANCE COMPANIES TO ACQUIRE LOANS AND INVESTMENTS OCTOBER 1951¹

(In millions of dollars)

	New commitments during month		Total commitments outstanding at end of month		Commitments expected to be taken down within 6 months	
	Amount	Percent	Amount	Percent	Amount	Percent
Total commitments.....	\$758.1	100.0	\$4,036.8	100.0	\$2,505.5	100.0
State, provincial, and local governments....	\$11.5	1.5	\$50.7	1.3	\$36.4	1.4
Defense—total.....	\$362.8	47.9	\$1,867.1	46.2	\$1,026.4	41.0
Public utilities.....	41.3	5.5	395.4	9.8	239.5	9.6
Railroads.....	4.5	0.6	203.5	5.0	158.4	6.3
Business and industrial concerns....	317.0	41.8	1,268.2	31.4	628.4	25.1
Nondefense—total....	\$383.8	50.6	\$2,119.0	52.5	\$1,442.6	57.6
Business and industrial concerns....	157.3	20.8	944.8	23.4	564.2	22.5
Farm purchasers....	32.2	4.2	96.2	2.4	84.5	3.4
Nonfarm home purchasers.....	194.3	25.6	1,078.0	26.7	794.0	31.7

¹ Includes business mortgage loans of less than \$100,000 and foreign investments, neither of which was reported prior to September.
SOURCE: Compiled by the Life Insurance Association of America in accordance with the Program for Voluntary Credit Restraint.

Commitment figures reported by the 45 life insurance companies whose combined assets represent 85 percent of all life insurance company resources show that there has been an increase in the proportion of life insurance company funds earmarked for the financing of defense and defense-supporting activities. For example, 46 percent of the \$4,000,000,000 of commitments outstanding at the end of October were for these purposes, as compared with 37 percent on April 30. New commitments to finance defense and defense-supporting activities constituted 46 percent of total new commitments made in September, but this proportion rose to 48 percent in October. Newly earmarked funds for railroads and public utilities declined from September to October, whereas those for "business and industrial concerns"—principally manufacturing companies—rose sharply, both in absolute amount and in relation to total new commitments of all types.

Outstanding commitments of the reporting insurance companies declined approximately \$750,000,000 between the end of April and the end of August, with the funds allocated for residential real estate mortgage financing accounting for 56 percent of the total and other nondefense financing commitments, for 32 percent. Outstanding commitments rose in both September and October, but the increase in the former month reflects the inclusion of commitments which formerly were not reported. Financing of plant and equipment expansion accounts for the greater part of the proposed uses of funds by borrowers in nondefense industries, and the same is probably true in the case of defense and defense-supporting industries.

The reporting insurance companies estimate that \$2,500,000,000 of the \$4,000,000,000 in commitments outstanding on October 31 would be taken down within 6 months. Half of the funds allocated to businesses other than railroads and public utilities are expected to be utilized after April 1952, while the bulk of commitments to most other borrowers is

expected to be taken down during the fourth quarter of 1951 and the first quarter of 1952.

Debits to deposit accounts reported by banks in 24 cities of the District were only slightly higher in November than in October, with most cities showing decreases. Reflecting the high level of business activity, debits in November were 17 percent above the year-earlier total. The larger year-to-year increases in November were shown by banks in Amarillo and Port Arthur, Texas, while Abilene, Texas, was the only city reporting a decrease. The annual rate of turnover of deposits, or the annual rate of use of deposit accounts, was 15.0 in November, as compared with 15.4 in October and 14.0 in November 1950.

**BANK DEBITS, END-OF-MONTH DEPOSITS,
AND ANNUAL RATE OF TURNOVER OF DEPOSITS**
(Amounts in thousands of dollars)

City	DEBITS ¹			DEPOSITS ²			
	November 1951	Percentage change from		Nov. 30, 1951	Annual rate of turnover		
		Nov. 1950	Oct. 1951		Nov. 1951	Nov. 1950	Oct. 1951
ARIZONA							
Tucson.....	\$ 85,847	25	-4	\$ 99,697	10.4	9.7 11.2	
LOUISIANA							
Monroe.....	50,148	14	-#	49,081	12.4	11.0 12.7	
Shreveport.....	177,507	11	1	192,514	11.3	10.4 11.4	
NEW MEXICO							
Roswell.....	25,418	15	-1	29,506	10.6	10.3 11.5	
TEXAS							
Abilene.....	54,333	-6	-4	54,736	12.1	13.9 12.8	
Amarillo.....	157,075	28	-1	110,985	17.0	15.2 17.9	
Austin.....	134,961	16	1	115,923	13.9	12.2 14.2	
Beaumont.....	136,881	16	7	94,564	17.5	15.2 17.0	
Corpus Christi.....	127,200	16	-#	101,138	15.1	13.9 15.2	
Corsicana.....	13,883	4	-15	22,593	7.3	7.4 8.8	
Dallas.....	1,510,125	18	2	1,036,792	17.8	17.5 18.0	
El Paso.....	188,518	4	9	140,802	16.3	16.4 15.6	
Fort Worth.....	501,794	25	-2	375,578	16.1	14.6 16.7	
Galveston.....	78,623	16	-5	100,444	9.5	8.3 10.1	
Houston.....	1,562,749	19	2	1,130,935	16.8	15.0 16.8 ^r	
Laredo.....	19,171	7	-11	23,431	10.2	9.8 12.0	
Lubbock.....	147,543	20	23	104,088	17.9	16.7 15.7	
Port Arthur.....	47,825	32	14	44,585	13.2	10.6 12.0	
San Angelo.....	42,199	4	-9	55,010	9.2	9.7 10.2	
San Antonio.....	352,979	8	-5	387,567	11.0	10.8 11.8	
Texarkana ³	21,266	12	-9	23,960	10.7	10.0 11.9	
Tyler.....	51,002	8	-3	52,847	11.6	11.2 12.1	
Waco.....	68,423	4	-11	93,631	8.9	9.7 10.3	
Wichita Falls.....	83,381	17	-7	103,754	9.6	9.0 10.3	
Total—24 cities.....	\$5,638,851	17	1	\$4,544,161	15.0	14.0 15.4^r	

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 \$37,374,000 for the month of November 1951.

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

r—Revised.

Between November 15 and December 15 the principal changes in the condition of the Federal Reserve Bank of Dallas included increases of \$58,190,000 in member bank reserve deposits and \$26,783,000 in gold certificate reserves. Total earning assets remained virtually unchanged, since the reduction of \$6,470,000 in holdings of United States Government securities was approximately offset by the increase in discounts for member banks.

On December 14 the Secretary of the Treasury announced that holders of \$1,062,609,000 of the 2¼-percent Treasury bonds called for redemption on December 15 had accepted the new refunding issue, an 11½-month 1⅞-percent certificate of indebtedness. Cash redemptions of the called bonds amounted to \$55,442,000, or about 5 percent.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	December 15, 1951	December 15, 1950	November 15, 1951
Total gold certificate reserves.....	\$ 625,576	\$746,237	\$ 598,793
Discounts for member banks.....	5,000	2,000	0
Industrial advances.....	39	0	52
Foreign loans on gold.....	0	0	37
U. S. Government securities.....	1,112,029	923,801	1,118,499
Total earning assets.....	1,117,068	925,801	1,118,588
Member bank reserve deposits.....	1,062,096	920,381	1,003,906
Federal Reserve notes in actual circulation..	698,414	639,504	682,702

Recent weekly offerings of 91-day Treasury bills were sold at successively higher average rates of discount. For example, the issue dated November 23 was sold at an average rate of discount of 1.585 percent, with the rate rising to 1.725 percent for the issue dated December 20. The latter is the highest rate for this type of security since the early 1930's.

NEW PAR BANK

The Citizens State Bank, Earth, 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 10, 1951. The new bank has a capital structure consisting of common stock, \$75,000; surplus, \$25,000; and other capital funds, \$12,500. The officers are: W. R. Stockard, President; E. C. Hudson, Vice President; and W. R. Stockard, Jr., Vice President.



The high level of economic activity in the Southwest at the end of 1951 is indicated by the record volume of non-farm employment. In Texas the seasonal rise in employment at retail trade establishments accounted for an increase of about 24,000 persons from October to December. The continuing expansion of defense production during the same months resulted in the addition of about 1,000 aircraft workers and about 1,500 workers in the ordnance, metals, metal products, and machinery industries. On the other hand, government controls affecting construction led to a reduction of about 2,000 workers in that industry.

NONFARM EMPLOYMENT

Texas and Five Southwestern States¹

(Estimated numbers in thousands of persons)

Area and type of nonfarm employment	December 1951	December 1950	Increase	
			Number	Percent
FIVE SOUTHWESTERN STATES...	4,230	4,096	134	3
Manufacturing.....	762	704	58	8
Other.....	3,468	3,392	76	2
TEXAS.....	2,600	2,496	104	4
Manufacturing.....	467	426	41	10
Other.....	2,133	2,070	63	3

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

SOURCE: United States Bureau of Labor Statistics.
State employment agencies.

The gradual tightening of the labor market is indicated by the decline of unemployment in 17 major labor market areas of Texas to about 2.5 percent of the nonfarm labor force, as compared with 3.2 percent a year earlier. So far

during the defense program, continued migration to industrial cities has nearly matched the rise in labor requirements of such cities. However, certain technical and skilled worker groups have been insufficient in number for expanding defense industries, and many domestic workers have been attracted increasingly to better types of employment. Despite the tighter labor situation, industrial relations improved in 1951, with the number of Texas workers involved in labor disputes falling to an average of 1,526 during the first 10 months of the year, compared with 5,202 during the same period in 1950.

HOURS AND EARNINGS IN MANUFACTURING
Texas

	October 1951	October 1950	Change	
			Amount	Percent
Average weekly earnings.....	\$63.90	\$59.49	\$4.41	7.4
Average hourly earnings.....	\$1.50	\$1.39	\$0.11	7.9
Average weekly hours.....	42.6	42.8	-.2	-.5

SOURCE: Texas Employment Commission.
United States Bureau of Labor Statistics.

The petroleum industry at the year-end was faced with some major factors of uncertainty with regard to (1) the demand for burning oils, which is increasing seasonally and requires constant vigilance as to transportation and storage due to the vagaries of the weather; (2) military requirements, which are being met increasingly from southwestern sources; and (3) the international oil situation, including the rapid recovery in American imports during recent months, following the sharp reduction after the Iranian crisis. The preparations of the petroleum industry to cope with developments in these areas are indicated, in part, by its current and prospective positions with respect to production, international petroleum movements, over-all demand, and stocks.

Crude oil stocks on December 8 amounted to a near-record 259,000,000 barrels, equal to 37 days' requirements at the 1951 average rate. Stocks of each of the four major refined products—gasoline, kerosene, gas and distillate fuel oil, and

residual fuel oil—exceeded year-earlier levels, with the combined total amounting to 283,000,000 barrels, equivalent to 40 days' requirements. Total stocks of crude oil and these four products amounted to 542,000,000 barrels, which is 14,000,000 barrels below the November 3 record but 37,000,000 more than a year earlier.

This level of stocks appears ample despite the normal winter increase in consumption. During the colder months stocks are drawn down, as consumption almost inevitably exceeds the maximum feasible production and refining capacity of the industry. In addition to meeting these normal demands, over-all stocks appear adequate to take care of any probable increase in military requirements short of major war.

SUPPLY AND DEMAND FOR ALL OILS, UNITED STATES, 1951-52

(Amounts estimated in thousands of barrels per day)

	1952	1951	Change	Percent change
SUPPLY (New)	7,762	7,574	188	2.5
Production.....	6,865	6,704	161	2.4
Crude petroleum.....	6,290	6,149	141	2.3
Natural gasoline and related products.....	575	555	20	3.6
Imports.....	897	870	27	3.1
Crude petroleum.....	520	519	1	0.2
Refined products.....	377	351	26	7.4
CHANGE IN STOCKS	-13	129	-142	—
Crude petroleum.....	0	19	-19	—
Refined products.....	-13	110	-123	—
DEMAND¹	7,775	7,445	330	4.4
Domestic, total.....	7,454	7,039	415	5.9
Export, total.....	321	406	-85	-20.9
Crude petroleum.....	6,740	6,598	142	2.2
Domestic refinery runs.....	6,680	6,522	158	2.4
Export.....	60	76	-16	-21.1
Refined products.....	7,715	7,369	346	4.7
Gasoline.....	3,302	3,100	202	6.5
Kerosene.....	368	351	17	4.8
Distillate fuel oil.....	1,376	1,283	93	7.2
Residual fuel oil.....	1,602	1,623	-21	-1.3
Other.....	1,067	1,012	55	5.4
Domestic.....	7,454	7,039	415	5.9
Export.....	261	330	-69	-20.9

¹ Includes domestic and export demand for refined products and export demand for crude petroleum.

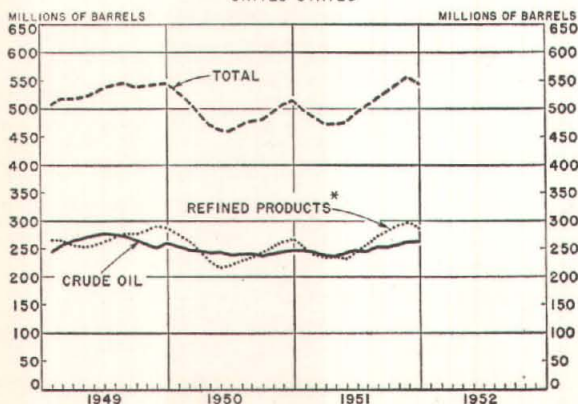
SOURCE: Petroleum Administration for Defense.

Currently, the petroleum industry is operating its refineries at a record rate, due to the seasonal excess of demand over new supply, while crude oil output is being cut back moderately to keep over-all stocks in line with probable year-round needs. Runs to refinery stills in the Nation averaged 6,648,000 barrels per day in November, up 165,000 barrels daily from October and 567,000 barrels daily from a year earlier. The production of natural gasoline and related products was also at or close to record levels in November. In this District, runs to refinery stills decreased 2,000 barrels per day in November but were 170,000 barrels daily above the rate in November 1950.

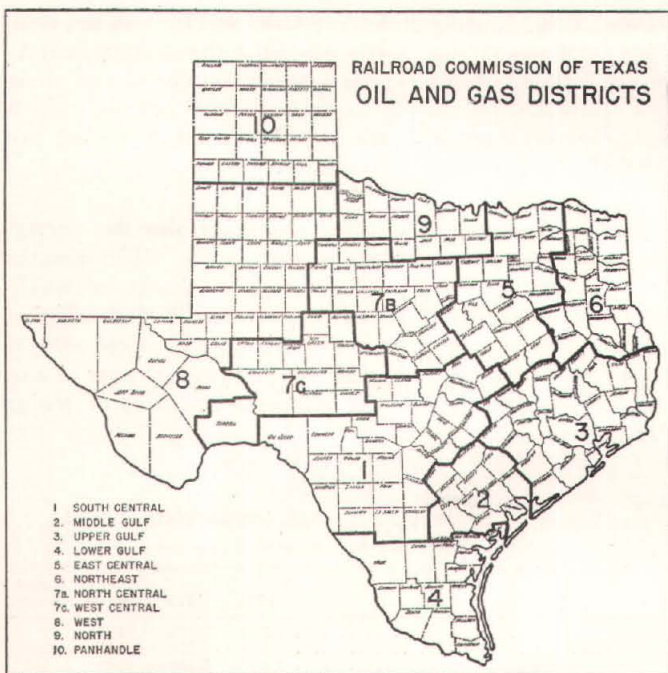
Crude oil production in the District in November averaged 3,107,000 barrels per day, or 61,000 barrels daily less than the October record but 276,000 barrels daily above a year earlier. The decrease from the previous month reflects cut-backs in production allowables, which declined still further in December and January. Production in the Nation continues to follow the trend in this District. Imports of petroleum—principally crude oil and residual fuel oil—have shown a substantial recovery since last summer and in November were only moderately below imports in that month of 1950.

STOCKS OF CRUDE OIL
AND FOUR MAJOR REFINED PRODUCTS

UNITED STATES



* Gasoline, kerosene, gas and distillate fuel oil, and residual fuel oil.
SOURCES: American Petroleum Institute.
U. S. Bureau of Mines.



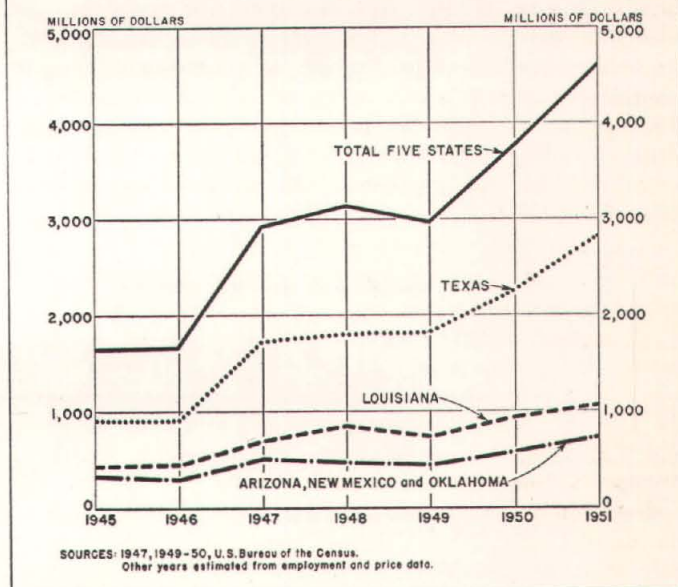
CRUDE OIL PRODUCTION (Barrels)

Area	November 1951		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Nov. 1950	Oct. 1951
ELEVENTH DISTRICT				
Texas R. R. Com. Districts				
1 South Central	1,006,550	33,552	2,317	-1,316
2 Middle Gulf	5,100,900	170,030	18,917	-4,949
3 Upper Gulf	14,745,750	491,525	28,491	-22,744
4 Lower Gulf	7,808,800	260,293	27,883	-10,634
5 East Central	1,632,300	54,410	11,412	-903
6 Northeast	12,063,450	402,115	9,650	8,262
East Texas	8,313,000	277,100	-13,170	6,029
Other fields	3,750,450	125,015	22,820	2,233
7b North Central	2,503,800	83,460	11,047	-3,153
7c West Central	3,603,000	120,100	40,850	2,506
8 West	29,336,100	977,870	105,305	-27,906
9 North	4,749,000	158,300	8,308	-3,058
10 Panhandle	2,477,800	83,260	-6,740	-942
Total Texas	85,047,450	2,834,915	257,440	-64,837
New Mexico	4,425,600	147,520	18,367	4,330
North Louisiana	3,740,250	124,675	-510	-654
Total Eleventh District	93,213,300	3,107,110	275,297	-61,161
OUTSIDE ELEVENTH DISTRICT	93,838,332	3,127,944	77,134	-37,093
UNITED STATES	187,051,632	6,235,054	352,431	-98,254

SOURCE: Estimated from American Petroleum Institute weekly reports.

The 1950 national survey of manufacturing, together with subsequent trends in manufacturing employment and prices of manufactured products, indicates that value added by manufacture increased each year from 1945 through 1951 in Texas and in each of those years except 1949 in the other states wholly or partly in this District. The 1945-51 gains amounted to about 213 percent in Texas and about 180 percent in the five district states. The years of fastest growth were 1947 and 1950-51. Conversion from wartime to post-war production was essentially completed in 1947. At the same time, there was rapid expansion in the chemical, oil refining, and other industries, with national concerns and others building many new plants in this District. In 1950-51 the defense program induced an increased output, expansion of capacity in many existing plants, and the construction of numerous new plants to produce aluminum, chemicals, petroleum products, and other defense items.

VALUE ADDED BY MANUFACTURE, 1945-51 FIVE SOUTHWESTERN STATES



The cottonseed products industry in the Southwest at the year-end was confronted with an appreciably larger demand for its feed products—cake, meal, and hulls—than a year earlier but a smaller demand for cottonseed oil and linters. The increased feed demand reflects the shortage of vegetable protein feeds resulting from the rise in the cattle population and from the drought in much of Texas and Oklahoma. Further stimulus to the use of cottonseed products as feed has been the relatively higher price of grains. The price of cottonseed in wagon lots in Texas was about \$75 in December, compared with about \$106 a year earlier. This price decline despite a strong demand for feed products resulted from the increased supply of seed from this season's larger cotton crop and the weakening of the markets for cottonseed oil and linters.

The Texas cottonseed products industry registered somewhat smaller gains than the Nation during the first 3 months of the 1951-52 season, with cottonseed receipts at mills in the State being 46 percent higher than a year earlier, while crushings were up 3 percent and cottonseed oil production up 1 percent.

COTTONSEED AND COTTONSEED PRODUCTS

	TEXAS		UNITED STATES	
	August 1 to October 31		August 1 to October 31	
	This season	Last season	This season	Last season
COTTONSEED (tons)				
Received at mills	787,684	538,058	3,196,173	1,942,286
Crushed	436,287	421,429	1,575,084	1,253,121
Stocks, end of period	401,275	324,420	1,687,370	973,665
COTTONSEED PRODUCTS				
Production				
Crude oil (thousand pounds)	132,462	131,479	483,567	389,583
Cake and meal (tons)	210,124	197,998	728,450	562,074
Hulls (tons)	98,389	99,152	346,644	289,561
Linters (running bales)	144,414	127,274	504,920	407,326
Stocks, end of period				
Crude oil (thousand pounds)	20,525	14,195	74,337	49,382
Cake and meal (tons)	18,028	75,884	72,611	214,226
Hulls (tons)	8,402	40,456	35,269	96,647
Linters (running bales)	33,976	14,982	135,369	89,757

SOURCE: United States Bureau of Census.

The cotton textile industry continues to feel the effects of excessive inventories in the distribution system and the relatively slow civilian demand for cotton goods, both of which factors to some extent reflect the heavy consumer buying during the months after Korea. Despite the substantial military demand, mill consumption of cotton during the first 3 months of the 1951-52 season was at a rate 7 percent lower than a year earlier in the Nation and 4 percent lower in Texas.

The value of construction contracts awarded in the District declined more than seasonally during November, with the total amounting to \$63,000,000, or 13 percent less than in October and 29 percent less than a year earlier. Residential awards were down 11 percent from the previous month and nonresidential down 16 percent, with decreases from a year earlier of 27 percent and 32 percent, respectively. The decrease in awards apparently was rather general throughout the District, reflecting shortages of some critical materials and tight controls over nonessential construction. The percentage declines in this District during November were appreciably greater than those in the Nation, although during the first 11 months of 1951 residential awards were up 6 percent in the District in contrast with a decline of 6 percent in the Nation. In nonresidential awards, there was less difference, the District gaining 24 percent and the Nation 22 percent over the first 11 months of 1950.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	November 1951p	November 1950	October 1951p	January — November	
				1951p	1950
ELEVENTH DISTRICT..	\$ 63,456	\$ 89,931	\$ 73,210	\$1,235,773	\$1,071,819
Residential.....	32,882	44,957	36,945	538,151	508,496
All other.....	30,574	44,974	36,265	697,622	563,323
UNITED STATES ¹	931,768	1,087,602	1,051,419	14,516,792	13,333,163
Residential.....	443,884	496,682	496,247	5,877,284	6,262,445
All other.....	487,884	590,920	555,172	8,639,508	7,070,718

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

Demand for housing in defense areas and for military purposes continues strong, partly offsetting the decline in residential building in many other areas.

BUILDING PERMITS

City	November 1951		Percentage change in valuation from		11 months 1951		Percentage change in valuation from 11 months 1950
	Number	Valuation	Nov. 1950	Oct. 1951	Number	Valuation	
LOUISIANA							
Shreveport....	241	\$ 693,262	-37	-44	3,575	\$ 15,176,932	-46
TEXAS							
Abilene.....	86	810,070	-22	118	1,092	6,746,756	-50
Amarillo.....	317	1,409,328	-5	-6	3,701	19,874,809	-7
Austin.....	158	1,639,558	29	12	2,463	27,663,431	-24
Beaumont....	222	354,587	8	-40	2,768	6,956,138	-25
Corpus Christi..	225	554,159	-58	-34	3,419	17,405,727	-32
Dallas.....	1,506	5,762,968	-45	-14	18,954	92,689,989	-21
El Paso.....	207	658,273	-66	-15	2,760	14,158,990	-41
Fort Worth....	606	1,727,776	-33	-29	7,643	41,118,803	-3
Galveston....	121	117,041	-66	-49	1,318	7,261,424	-1
Houston.....	808	8,072,262	-48	-52	10,292	122,906,675	-22
Lubbock.....	187	1,075,884	-32	-68	2,949	17,336,280	-27
Port Arthur....	148	502,251	149	-20	1,824	5,667,693	6
San Antonio... 1,028	1,944,751	-58	-51	13,465	42,305,968	-16	
Waco.....	254	997,250	52	-32	2,356	14,310,824	-23
Wichita Falls..	43	313,150	-25	-43	1,075	6,163,130	27
Total.....	6,157	\$26,632,570	-40	-15	79,654	\$457,743,569	-22

Present indications point to continued tight controls for the next several months over critical materials used in construction. However, many builders are still able to draw upon accumulated stocks or can find substitutes. Supplies of lumber, brick, cement, and most other nonmetallic materials are adequate, as well as the supply of construction labor. Mortgage funds gradually are becoming more plentiful in the large cities, where future economic growth is expected to support the real estate market, but are still difficult to obtain in many smaller towns.