MONTHLY BUSINESS REVIEW

FEDERAL RESERVE BANK OF DALLAS

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FEDERAL RESERVE BANKING

In recent weeks most of the direct controls of the Government over business and other forms of economic activity have been relaxed or removed. Price controls are being liquidated rapidly. Wage and salary controls have been eliminated, and allocations and limitation orders are being relaxed. Perhaps the first step in this direction was taken as long ago as March 1951, when the Federal Reserve System abandoned the policy of supporting prices of Government securties at par and thus regained the power to exercise greater control and influence over the volume of bank reserves and bank credit. Later, in 1952, such direct credit controls as Regulation W, covering consumer instalment credits, and Regulation X, applying to new real estate construction credits, were terminated. A few days ago, direct control over stock market credit was relaxed.

In taking these steps, the Government and the Federal Reserve System have not disinterested themselves in the course and level of economic activity. Rather, they have indicated that in so far as governmental and semigovernmental agencies are concerned, reliance and emphasis are being placed primarily and largely upon the so-called *general* means of influencing business and economic activity. Fiscal policies of government relating to taxation, the Federal budget, and debt management, together with Federal Reserve policies influencing the supply of money and credit, now are being relied upon more heavily. It is believed that if such basic financial policies are soundly conceived and administered, much can be done toward creating an economic atmosphere in which business can operate with vitality, profit, and stability and yet retain the freedom of decision that is an essential characteristic of a competitive private enterprise system.

The implications of these developments are of much significance to businessmen and bankers. One must admit that the greater the freedom of private decision on economic matters, the greater is the responsibility imposed on the individuals making such decisions. Standards of business and financial leadership and statesmanship must not be permitted to be set — or, in fact, even influenced — by the standards of those whose practices and policies fall in that narrow twilight zone between the sound and unsound, the constructive and destructive, or the public interest and selfish private interest. Moreover, leadership by a few enlightened businessmen and bankers will not get the job done; instead, there must be leadership by an enlightened majority.

As our economy has grown in size, the complexities of economic life and relationships have become much more involved and difficult. The many segments of the economy have become more interdependent, each with the other. National economic policies and actions, either public or private, are now so far-reaching in their effects that virtually no community or business can insulate itself from their consequences. This places a greater burden on the businessman of today. It means that not only must he be competent in terms of his own business but that also he should seek to understand those broader economic forces arising in other areas of economic activity that influence his operations.

One of the more important of these broad areas of economic activity is central banking, or what has come to be known in this country as Federal Reserve banking. In view of the greater reliance that is being placed on general monetary and credit measures, perhaps a brief excursion into the "mysteries" of Federal Reserve banking is pardonable. Furthermore, it is generally admitted that operations in this field of finance are not too widely understood; therefore, the emphasis given to the subject in this issue of the ***Review*** would not appear to be inappropriate.

The importance and place of commercial banking in our economic system generally are well understood. Wide use of checking and savings accounts and the occasional to frequent need for bank credit accommodations, as well as other services, have brought virtually all businesses and most people into day-to-day contact with commercial banks. They have come to know their commercial banker and to realize how important a commercial bank is in their daily personal and business lives. It is not particularly surprising, however, that they have not looked through the commercial banking processes to the Reserve banking processes and operations, even though the latter influence the character and volume of commercial banking operations and thus affect virtually the entire system of business finance.

Actually, very few people or businesses have any direct contact with the Federal Reserve banks. Seldom are they faced with a compelling reason to inquire into the services and operations of Reserve banks. Consequently, the average citizen — and, in fact, the average businessman — if he thinks about it at all, probably regards Federal Reserve banking as something which is beyond his understanding, rather mysterious, and not of particular interest to him in any event, since he is not especially aware that the policies and operations of the Reserve banks have a very important, direct effect upon him or his business.

The Federal Reserve System performs numerous functions in the interest of commercial banking, the Government, business, and the general public. This article, however, it not intended to be comprehensive in its coverage but is written merely to feature the principal objective of the System and to discuss some of the Federal Reserve banking operations that are designed to help achieve that objective. Also, as a result of attempting to reduce the explanation of complex and involved processes to brief, simple statements, there may be a tendency to sacrifice to some degree technical accuracy, although any such editorial liberties with the facts of the case will not be significant. This article is not written for the professional economist or for the person trained or experienced in Federal Reserve banking; instead, it is intended for the businessman or banker or individual who has neither the time nor the opportunity nor, in fact, the need to make an intensive, thorough study of the subject.

The primary objective of the Federal Reserve System is to influence the availability and cost of reserves to the commercial banking system in such a manner that their total volume will enable the commercial banks of the Nation to supply business, industry, agriculture, and others parts of our economy with the amount of bank credit that is necessary to support production, distribution, and consumption at most desirable sustainable levels without contributing to either inflationary or deflationary excesses. Perhaps another way of stating this objective is that the Federal Reserve System has the responsibility of regulating the Nation's money supply, with the view toward contributing as much as possible through monetary and credit means to the achievement of sound, progressive economic stability.

At this point it may be in order to consider the meaning of reserves as they relate to the commercial banking system and to the money supply, i.e., bank deposits and currency. Commercial banks are required by either state or Federal laws to maintain reserves against their deposits. Those banks that are members of the Federal Reserve System — almost 7,000 commercial banks, holding about 85 percent of the Nation's banking resources — are required by the Federal Reserve Act to keep on deposit with their Reserve banks an amount of funds equal to certain percentages of their deposits. The requirement against demand deposits of member banks in the reserve cities of Houston, Dallas, San Antonio, Fort Worth, and El Paso is now 20 percent; in all other cities and towns in the Eleventh Federal Reserve District the requirement is 14 percent. In addition, a reserve of 6 percent of time deposits is required of all member banks, regardless of location.

In certain respects, the reserve account of a member bank carried on the books of a Reserve bank is comparable to the deposit account of a business or an individual on the books of a commercial bank. The member bank can build up its account in approximately the same way that businesses build their deposit accounts — namely, through deposits of currency, coin, and checks against other banks and the proceeds of borrowings. Both reserve accounts of member banks and the deposit accounts of businesses are nonearning assets, since they represent uninvested funds. Moreover, just as businesses use their deposit accounts, so do member banks use their reserve accounts. Reserve accounts are not idle, unused balances, from the standpoint of the member banks. For instance, reserve funds are used in the settlement of adverse balances with other banks or perhaps to enable a member bank to obtain currency from its Reserve bank. Unlike the business firm, however, which can liquidate its deposit or maintain it at a level of its own choice, the member bank must be sure that it maintains an average amount in its account over the reserve computation period of a week or a half month, as the case may be, that will equal its reserve requirement.

Turning to the commercial banking system, its loans and investments create deposits which, in turn, must be backed by a certain percentage of reserve funds. Therefore, if the banking system as a whole does not have or cannot acquire unused reserve funds — i.e., excess reserves — it cannot expand the total volume of loans and investments. If it cannot do this, then it cannot increase the volume of bank deposits and, consequently, cannot increase the money supply, which is made up so largely of commercial bank deposits. Of course, existing deposits shift between commercial banks, with some banks gaining and others losing funds; in fact, there is a continuous flow of bank reserves from bank to bank. This flow or transfer of funds, however, does not change the total reserves of the commercial banking system. Whereas one bank losing reserves may find it necessary to contract its loans and investments, other banks gaining reserves will be able to expand credit. The potential supply of bank credit available to business, industry, and agriculture, however, remains unchanged, notwithstanding these shifts in deposits.

From the foregoing, it is apparent that member bank reserves are the basis of our system of commercial bank credit and of the money supply. The supply of reserves of the commercial banking system is influenced primarily by three factors: first, the expansion or contraction of Federal Reserve credit; second, imports and exports of gold; and third, the increase or decrease in currency circulation. Although the latter two factors are largely independent of Federal Reserve policy, the System, if desirable, can offset the effect of gold or currency movements upon bank reserves, it can prepare the way for such seasonal or other movements as can be anticipated, or it can initiate such independent action with respect to the volume of bank reserves as may seem appropriate in terms of economic conditions prevailing at the time.

Several conclusions may be summarized from this discussion of bank reserves.

First, the commercial banking system as a whole cannot increase its total volume of loans and investments unless it possesses or can obtain excess reserves to be used to meet the reserve requirements against the bank deposits that are created by the expansion of bank credit.

Second, the commercial banking system, acting independently, cannot increase the total volume of bank reserves. It cannot control the flow of gold, the movement of currency, or the policy of the Federal Reserve System.

Third, although the movements of gold and currency affect the volume of bank reserves, the net change in the total volume of reserves is the responsibility of the Federal Reserve System and reflects Federal Reserve policy with respect to the supply of money and credit.

Fourth, Federal Reserve banking, involving the making of loans and advances to member banks and purchases of United States Government securities, is the principal means by which the Federal Reserve creates new reserves for the commercial banking system and thus makes possible an expansion of commercial bank credit. Liquidation of loans to member banks and sales of Government securities by the Federal Reserve System, of course, extinguish bank reserves, with a consequent tendency to induce somewhat more restrictive commercial bank credit policies. It also should be noted that the Federal Reserve System is able to influence reserve positions of member banks, in so far as ease or tightness is concerned, by changing reserve requirement percentages. An increase in the percentage required against member bank deposits either absorbs excess reserves or requires the banking system to contract its total volume of loans and investments and, consequently, its deposits. On the other hand, a decrease in the percentage makes available for bank credit expansion reserves which were previously tied up against existing deposits.

Certain other characteristics of Federal Reserve banking should be recognized. The Federal Reserve System is a quasi-governmental system and, as such, is vested with certain regulatory and supervisory powers and responsibilities which are not possessed by commercial banks. The System has the responsibility and, in fact, an obligation arising out of its statutory directives to regulate the flow of its credit to and from the commercial banking system in such a manner as to contribute as much as is practicable through monetary and credit means to the achievement of a balanced sustainable high level of economic activity. In line with the discharge of this responsibility, the Federal Reserve System continuously must attempt to appraise economic forces and trends to determine whether greater or lesser availability of bank reserves or access to Reserve bank credit will be in the interest of over-all economic stability.

Another point which deserves some consideration relates to the source of funds which enables the Federal Reserve System to purchase Government securities and make loans and advances to its member banks, thus creating reserves for the banking system. Also, what limits this reserve creative power of the Federal Reserve System? Underlying this power to create bank reserves are the gold certificate reserves of the System and the power of note issue of the Reserve banks.

The note issue of the Reserve Banks — i.e., our most common form of paper money — is backed by a gold certificate reserve of at least 25 percent, with the remaining 75-percent collateral taking the form of Government securities or certain types of eligible paper which Reserve banks have discounted for their member banks. Deposits on the books of the Reserve banks also are backed by a 25-percent minimum gold certificate reserve. Consequently, as long as the Federal Reserve System possesses unpledged gold certificates, it can purchase or acquire assets through the creation of one or another of two liabilities — namely, either a deposit liability on its books to the credit of a member bank or the issuance of currency in the form of Federal Reserve notes. Thus, the factor limiting the Reserve banks' ability to acquire assets is the amount of unpledged gold certificates in their possession. Moreover, it should be noted that the Reserve banks do not use member bank deposits in the process of acquiring assets, such as Government securities or loans; in fact, it is the acquisition of these assets which creates the member bank reserves, or deposits, on the books of the Reserve banks.

As indicated above, the ultimate source of funds of the Reserve banks is their note-issue power supported by unpledged gold certificates. When a member bank borrows from its Reserve bank, it receives a deposit credit; in so far as the Reserve bank is concerned, it has increased its assets (loans) and its liabilities (member bank deposits) and, in addition, places the necessary amount of gold certificates as a reserve against the deposit created. Although that deposit may shift from one member bank to another, there is no drain of funds from the System. If the member bank should desire to withdraw its deposit in the form of currency, however, thus demanding final payment, the Reserve bank would resort to the use of its note-issue power, issuing its own currency which it creates in payment of the deposit. The same gold certificates which secured the original deposit, plus the member bank's note secured by eligible paper or Government securities, would serve as a reserve against the note issue.

Monetary and credit developments of the past several months may serve to illustrate, to some extent, the functioning of Federal Reserve banking and its relation to the reserves of the banking system and to business, industry, and agriculture. Each year the period from about the beginning of September to the latter part of December is one of strong seasonal pressure on bank reserves. This pressure arises primarily as a result of two developments. First, there is a steady and substantial increase in the business and public demand for currency, and, consequently, the amount of currency in circulation rises. Second, there is a relatively strong seasonal demand for bank credit. Business requirements for working capital purposes rise with the increasing tempo of fall and holiday trade. In addition, there is usually a strong demand for credit in connection with the movement of agricultural commodities from farms and ranches to markets.

Although the amount of additional reserves required by the banking system to meet these seasonal and other essential demands never can be predicted with precise accuracy, one can be reasonably certain that each year during this period the banking system will need to obtain additional reserves to discharge its responsibility to business, industry, and agriculture.

Near the end of December this seasonal demand upon bank reserves tends to relax as developments of the preceding few months are reversed. Currency in circulation begins to decline, often sharply, as businesses deposit such funds with their commercial banks, which in turn deposit amounts in excess of their requirements with their Reserve banks. Likewise, the loan demand of the preceding months slackens, and in its place there usually appears a decline in loans of the banking system and in total deposits as businesses and others use funds accumulated during the period of seasonal activity to reduce or liquidate their indebtedness.

Under conditions such as those outlined briefly above, one might expect that if the banking system is to meet its seasonal requirements during the last 4 months of the year, a flow of Federal Reserve credit into the commercial banking system would be appropriate and necessary. Then, as conditions change near the end of the year and reserves begin to accumulate, the Federal Reserve System should take steps toward extinguishing some of those reserves in order to avoid an unduly large excess and an undesirably easy reserve and money market situation. Of course, under either of these sets of circumstances, general economic conditions with respect to the fullness of production and employment and other factors that comprise the economic picture will be an important consideration in determining the magnitude of Federal Reserve activities in the market. It is conceivable, in fact, that the state of general economic conditions might even influence the direction of Federal Reserve activities during periods of seasonal change, although that would be unusual.

The point to be emphasized in this connection is simply that, disregarding the effects of gold movements, the source of reserves to the commercial banking system during a period of heavy seasonal demand is the Federal Reserve System. Through the processes of Federal Reserve banking, including the making of loans and advances to member banks and purchases of Government securities, the Federal Reserve is able to provide the banking system with the essential reserves. Likewise, short of absorption through bank credit expansion, which might not be desirable under the circumstances prevailing, excess reserves that have been created and are available to the commercial banking system can only be removed through Federal Reserve operations.

Without attempting to present a balanced statement of all developments affecting bank reserves during the past several months, certain major changes may be of interest in illustrating the processes involved.

Between August 27 and December 24, 1952, the amount of currency in circulation rose by more than $1,600,000,000. This increase in currency circulation came about because people and business firms needed more hand-to-hand money to transact their business affairs. It was not initiated or stimulated by either the Federal Reserve System or the commercial banking system. The public was the active factor; the commercial banking system and the Federal Reserve were largely passive. The public demanded more currency from their commercial banks; the commercial banks drew on their reserve accounts with the Federal Reserve to obtain the currency to meet this demand; and the Federal Reserve, through its note-issue power, made such currency available.

The effect of this development on bank reserves, however, was significant, for it absorbed an amount of bank reserves equal to the more than $1,600,000,000 increase in currency circulation. As commercial banks drew against their deposits (i.e, reserves) with their Reserve banks to obtain the currency to meet their customers' requirements, there occurred a reduction in reserves that might have been available for other purposes. Furthermore, this involved a more severe pressure on reserve accounts than would have been the case from an expansion of bank credit. A dollar of currency moving into circulation requires a dollar of bank reserves, whereas that same dollar of bank reserves would have supported several dollars of bank credit expansion — perhaps $5 or $6 — because of the fractional reserve requirements characteristic of our banking system.

A net loss of monetary gold during the same period also absorbed more than $150,000,000 of bank reserves, thus exerting further pressure upon commercial banks.

In response to the strong demand for bank credit by business, industry, agriculture, the general public, and the Government, loans and investments of the member banks rose by approximately $4,000,000,000 during the period. This increase in the total volume of bank credit was reflected in sharply rising bank deposits, against which reserves were required. Consequently, between August 27 and December 24 the required reserves of the member banks rose by almost $800,000,000.

These three factors of currency circulation, the gold stock, and required reserves placed a drain or requirement upon the reserves of the banking system involving more than $2,500,000,000.

The Federal Reserve System responded to this situation by increasing its loans and advances to member banks and its purchases of United States Government securities. There is little difference between a member bank borrowing from its Federal Reserve bank and a business borrowing from its commercial bank. Just as the commercial bank usually credits the deposit account of its borrower, the Federal Reserve bank credits the deposit account of the borrowing member bank. The deposits so created for the member banks serve as additional reserves and may become the basis of bank credit expansion. In this way, through increasing its loans and advances, the Federal Reserve System provided about $830,-000,000 in additional reserves to the banking system between the beginning and the end of the period involved.

As previously noted, purchases of United States Government securities by the Federal Reserve System also add to the total volume of bank reserves. Between August 27 and December 24, net purchases of Government securities by the System amounted to about $1,520,000,000. The process by which reserve funds are made available to member banks as a result of purchases of Government securities by the Federal Reserve System is a comparatively simple one.

The System might purchase securities from a dealer by means of a cashier's check drawn on the Federal Reserve Bank of New York. When the dealer deposits that check in his account at a commercial bank and his bank, in turn, deposits it to its account at a Federal Reserve bank, an addition to the reserve balance of the depositing member bank would result. Consequently, the collection of the New York Federal Reserve Bank's check resulted, in this case, in the creation of member bank reserves. To complete the transaction, the member bank for which the dealer might have sold the securities would receive his check in payment, which would be deposited by the member bank at its Reserve bank. This latter part of the transaction would involve a shift of the newly created reserves between member banks. Expressed in accounting terminology, the member bank selling the securities gave up a certain amount of one type of asset (Government securities) and received in exchange an amount of another asset (a deposit on the books of a Federal Reserve bank); the Federal Reserve System acquired an asset in the form of Government securities and created an offsetting liability in the form of member bank deposits.

Through these two means of loans and advances and purchases of Government securities, the Federal Reserve System made about $2,350,000,000 available to member banks in the form of reserves between August 27 and December 24. Additional reserves also were provided by the System through other operations. The fact that reserve positions were kept under some degree of pressure, however, is evidenced by member bank borrowing in substantial amounts from Reserve banks rather continuously during the period. The System, on its own initiative, placed funds in the market in the form of reserves through purchases of Government securities and then permitted the member banks to make such other reserve adjustments as were necessary through borrowing from their Reserve banks.

During the last week in December the situation began to change. The return flow of currency set in immediately after Christmas and by early in February had amounted to more than $950,000,000. As this currency was returned by businesses and the general public to commercial banks and then on to the Federal Reserve banks, reserves were created. Those reserves, if allowed to stand, would represent a basis of multiple credit expansion to the banking system. In addition, there occurred a decline in bank credit during the period and a reduction in deposits at member banks. Required reserves of the member banks declined between December 24 and February 11 by about $500,000,000, making the total gain in available reserves from these two major sources about $1,460,000,000.

To offset this increase in reserve funds, and thus avoid development of an undesirably easy money market situation, the Federal Reserve System allowed its holdings of United States Government securities to decline by more than $680,000,000. This reduction in holdings of Governments extinguished that amount of bank reserves. In addition, as member banks obtained funds from the return currency flow and the decline in required reserves, they reduced their loans and advances from Reserve banks by $395,000,000. At the same time, an outward flow of gold absorbed about $350,000,000 of bank reserves. Consequently, although during this period of about 7 weeks $1,460,000,000 of bank reserves were made available independent of Federal Reserve System action, approximately that same amount of reserves was absorbed through the combined effects of System operations, gold movements, and reduction of member bank borrowings. Consequently, bank reserve positions have continued under moderate pressure, and the money market and interest rates have been firm.

Activities of the types described above do not, of course, give a complete picture of the operations or responsibilities of Federal Reserve banks. They do indicate briefly, however, some of the practices followed by the System to influence the total volume of bank credit under certain types of economic conditions. They also reveal, to some extent, the nature of the relationship between the Federal Reserve and commercial banking systems and the very substantial degree of dependence of the commercial banking system upon the Federal Reserve for bank reserves. Finally, they show how the effects of policies and practices of the Federal Reserve are transmitted through the commercial banking system to business, industry, and agriculture.

When the Federal Reserve System is unwilling or reluctant to make excess bank reserves available, commercial banks become more restrictive in their lending policies than would be the case otherwise. Money rates tend to rise, and business and other sectors of the economy find that the stimulative force of "easy money" either is lacking or is reduced. If, on the other hand, the System eases reserve positions through greater availability and thus places commercial banks in a position to expand credit, the bankable loan demand of business, industry, and agriculture may be more favorably regarded by commercial banks or more fully satisfied.

In concluding, however, certain limitations must be emphasized. It does not lessen the significance of Federal Reserve banking to recognize that while the Federal Reserve can exercise much influence upon the supply of money, many other factors are very important in influencing the flow of money. There are such factors as taxes, debts, wage and price policies, bargaining strength of different groups in the economy, and foreign trade that exert a great influence on the money flow. In other words, Federal Reserve banking, no matter how soundly conceived and administered, cannot alone guarantee the achievement of the most satisfactory level of business activity. Nevertheless, the money supply is so basic and so important that Federal Reserve banking must be recognized as having a primary role in influencing the economic activity of the Nation.

REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS

DISTRICT SUMMARY

Retail sales at department stores in the Eleventh Federal Reserve District during January and the first half of February were substantially above a year earlier, although down seasonally from December. The proportion of merchandise sold for cash during January was about the same as a year ago. Although accounts receivable declined seasonally from the December record, charge accounts and instalment accounts at the end of the month were up 5 percent and 46 percent, respectively, as compared with a year earlier. End-of-month department store inventories in the District in January were 10 percent above the same date last year; stocks on order were up 13 percent. Sales at furniture stores in the District during January were 9 percent above a year ago.

Farm operations in the District are making good progress; cotton planting is active in south Texas. Moisture conditions are generally satisfactory in most of the eastern half of the District, but droughty conditions continue elsewhere. Farm prices are holding relatively stable. There are more milk cattle and beef cattle on district farms than a year ago, despite substantial liquidation of beef herds in drought-stricken areas.

The removal of price controls from crude oil and most refined petroleum products on February 12 caused no immediate reaction in the oil price situation in this District, which reflects partly the ample supplies on hand. Demand for oils is running above the first part of 1952. Refinery activity in the District declined during January and the first half of February. Daily average crude oil production in the first part of February was slightly above the same period last year. Allowables for March, however, have been cut back from the mid-February level.

Nonagricultural employment in the District in December was at an all-time high and 4 percent above a year earlier. Although seasonal declines occurred in January and February, employment continued above year-earlier levels. Manufacturing employment in December reflected a year-to-year gain of 6 percent. Weekly wages for manufacturing workers in the five states of the District in December averaged 7 percent above a year earlier.

The value of construction contracts awarded in the District in January was the second highest for any January on record, although down sharply from December. Awards for residential construction were higher than in all but two of the previous 18 months. Contracts for construction of dwelling units in new residential buildings in Texas in 1952 almost equaled the 1950 record.

Deposits of the weekly reporting member banks in the District declined 5.4 percent during the 4 weeks ended February 18, compared with a decline of 3.0 percent during the comparable weeks of last year. The decline occurred in demand deposits; time deposits rose 1.4 percent. Loans at the weekly reporting banks declined slightly during the period; however, on February 18, the total was 14 percent above a year ago. Gross demand deposits at all member banks in the District in January averaged 5 percent higher than a year earlier. Between January 15 and February 15, earning assets of the Federal Reserve Bank of Dallas rose; Federal Reserve notes in circulation declined.

TRADE

Retail sales at department stores in the Eleventh Federal Reserve District in January were 6 percent higher than in the same month last year, compared with a 1-percent gain for the Nation. Weekly reports received during the first half of February indicate that sales at district department stores were continuing ahead of sales during comparable weeks of 1952 by approximately 8 percent.

Demand was widespread during January in this District, and reporting stores indicate that most major departments participated in varying degrees in the gain over year-ago totals. A notable exception, particularly in view of the traditional January sales of white goods, was the decline of 8 percent in demand for household textiles. In the soft goods departments, men's and boys' wear led in percentage gain with an increase of 6 percent. Furniture, which is usually featured by the hard goods departments during January, showed a sales gain of 15 percent.

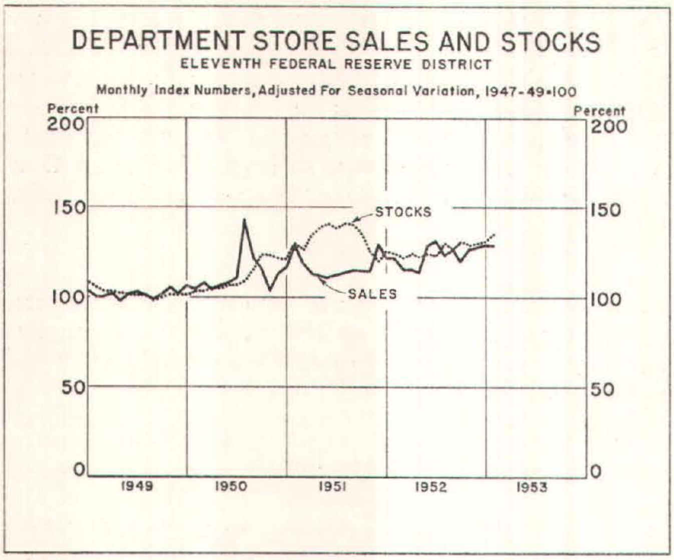
The proportion of merchandise sold for cash during January represented 32 percent of total sales, while charge account sales and instalment sales accounted for 54 percent and 14 percent, respectively. That distribution is not significantly different from January 1952.

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES — January 1953 from January 1952	NET SALES — January 1953 from December 1952	STOCKS[1] — January 1953 from January 1952	STOCKS[1] — January 1953 from December 1952
DEPARTMENT STORES				
Total Eleventh District	6	—53	10	2
Corpus Christi	20	—56	25	—1
Dallas	4	—53	6	4
El Paso	13	—53	9	#
Fort Worth	3	—56	7	1
Houston	11	—54	13	4
San Antonio	—2	—50	9	—2
Shreveport, La.	13	—56	18	2
Waco	10	—55	11	6
Other cities	4	—55	10	4
FURNITURE STORES				
Total Eleventh District	9	—38	—6	—2
Austin	29	—44	—	—
Dallas	31	—20	—9	—10
Houston	7	—55	—	—
Port Arthur	7	—23	—20	—11
San Antonio	1	—53	—	—
Shreveport, La.	4	—35	—4	—1
HOUSEHOLD APPLIANCE STORES				
Total Eleventh District	28	—28	—	—
Dallas	10	—34	—	—

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



WHOLESALE TRADE STATISTICS

Eleventh Federal Reserve District

(Percentage change)

Line of trade	NET SALESp January 1953 from January 1952	NET SALESp January 1953 from December 1952	STOCKS[1]p January 1953 from January 1952	STOCKS[1]p January 1953 from December 1952
Automotive supplies	—1	10	—	—
Drugs and sundries	17	28	10	8
Dry goods	4	24	26	24
Grocery (full-line wholesalers not sponsoring groups)	6	3	—#	2
Hardware	—10	2	—1	12
Industrial supplies	—5	—27	—29	23
Machinery equipment and supplies except electrical	—10	19	14	3
Metals	43	37	8	3
Tobacco products	—10	—14	0	—6
Wines and liquors	13	—50	—24	18
Wiring supplies, construction materials distributors	—34	—15	39	—3

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

Accounts receivable declined during January in both major types of credit from the all-time peaks reached during the previous month. Regular charge accounts declined 19 percent; instalment accounts, 1 percent. The decline in charge accounts from December reflected about the usual seasonal contraction. Compared with the same month in 1952, charge accounts in January were 5 percent greater and instalments showed an increase of 46 percent. The growth in instalment accounts outstanding is due partly to increased volume of instalment sales during recent months and partly to longer credit terms. The current average collection period for charge accounts is approximately 65 days, virtually unchanged from a year earlier. The average collection time for instalment accounts was extended during the course of the past year from about 10 months to approximately 16 months.

Inventories at reporting department stores in this District at the end of January were 10 percent above a year earlier and were considered by the trade to be in good balance in relation to both current sales volume and character of demand. Stocks on order were reported 13 percent greater than a year earlier.

Furniture store sales in the District during January gained 9 percent in dollar volume over January 1952. Accounts receivable at the end of the month were off 4 percent from December but were 25 percent higher than on the same date last year. Collections during January were 10 percent larger than during December and were in approximately the same volume as in the comparable month a year earlier. For the fifteenth consecutive month, furniture stores in this District in January reported end-of-month inventories on hand at lower retail value than for the year earlier — being 6 percent lower than in January 1952.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED Jan. 1953	Dec. 1952	Nov. 1952	Jan. 1952	ADJUSTED[1] Jan. 1953	Dec. 1952	Nov. 1952	Jan. 1952
SALES—Daily average								
Eleventh District	101	215	145	95	129	130	129	122
Dallas	98	206	138	94	127	127	119	122
Houston	115	248	162	104	148	148	145	134
STOCKS—End of month								
Eleventh District	123p	120	146	112	137p	130	130	124

[1] Adjusted for seasonal variation.
p Preliminary.

With government controls largely removed from production, prices, and wages, and stable to slightly rising real personal incomes in prospect, it is expected that competition for the consumer dollar will be strong. The retail merchant of 1953 is no longer engaged in doing business in a seller's market; he is operating in a market in which there is no shortage of consumer goods. He must be particularly alert and sensitive to both internal and external factors, all the way from salesmanship behind the counter to changes in economic conditions affecting the Nation, as well as his community. This is basically a healthy condition of free enterprise, but it carries with it a grave responsibility for sound business leadership.

Preparation of land for spring-planted crops is making rapid progress in the District. The mild, open weather that prevailed during most of February permitted working of fields in all sections. Cotton planting is active in the Coastal Bend counties of Texas and in the southern irrigated areas of New Mexico. Some early fields of cotton are up to a stand in the Lower Rio Grande Valley of Texas, but planting is being retarded in that area by lack of moisture. Transplanting of the north Texas onion crop was completed early in February, and planting of early commercial vegetables in east and south Texas is well advanced.

Moisture conditions are generally satisfactory in northern Louisiana and in the eastern half of Texas. Reports from the Lower Rio Grande Valley indicate that moisture conditions in that section are much more favorable than a year ago but that additional water will be needed if the 1,000,000 acres of cotton privately forecast for that area are to be planted. Elsewhere in the District, soils are generally dry, with subsoil moisture reserves very low and surface moisture barely ade-

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended Feb. 19, 1953	Comparable week last month	Comparable week last year
COTTON, Middling 15/16-inch, Dallas	lb.	$ .3250	$ .3215	$ .3995
WHEAT, No. 1 hard, Fort Worth	bu.	2.65¾	2.67¾	2.75¾
OATS, No. 2 white, Fort Worth	bu.	1.02¼	1.09¾	1.14
CORN, No. 2 yellow, Fort Worth	bu.	1.84	1.88½	2.12½
SORGHUMS, No. 2 yellow milo, Fort Worth	cwt.	3.20	3.18	3.14
HOGS, Choice, Fort Worth	cwt.	21.25	19.75	18.75
SLAUGHTER STEERS, Choice, Fort Worth	cwt.	24.00	25.25	34.00
SLAUGHTER CALVES, Choice, Fort Worth	cwt.	24.50	25.00	34.00
STOCKER STEERS, Choice, Fort Worth	cwt.	23.00	23.50	34.00
SLAUGHTER LAMBS, Choice, Fort Worth	cwt.	21.50	22.50	26.00
HENS, 3-4 pounds, Fort Worth	lb.	.20	.18	.20
FRYERS, Commercial, Fort Worth	lb.	.27	.28	.30
BROILERS, south Texas	lb.	.26	.27	—

quate to prevent deterioration of fall-sown crops. In west Texas and eastern New Mexico, dust storms during February caused considerable wind erosion and some damage to small grains.

In northwest Texas, timely snow and freezing rain in mid-February enabled the winter wheat crop to hold its own, although moisture reserves are virtually nonexistent. Cutworms are reported to be doing some damage in northern Low Rolling Plains counties. Much of the crop was seeded late and is extremely vulnerable to high winds or extended dry weather.

Ranges and pastures are short in western portions of the District. In central, northern, and eastern Texas counties and in northern Louisiana, small grains, legumes, and grasses are providing an increasing amount of pasturage. In the range areas of Texas, New Mexico, and Arizona, heavy supplemental feeding continues, with ranges providing virtually no cured or green feed. Livestock are losing some weight, and calf and lamb losses are reported to be heavier than usual, because of the poor feed conditions.

On the whole, prices received by district farmers have tended to stabilize at the lower levels reached in November and December, although some strengthening occurred in the cotton market and in livestock prices during the past month. Grain prices broke sharply in early February but recovered much of the loss later in the month. Cotton prices in recent weeks have been at or near the loan level for most grades.

Failure of export demand for American cotton to develop has raised the possibility of a carry-over next August 1 of

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

State	November 1951	November 1952	December 1951	December 1952	Cumulative receipts January—December 1951	Cumulative receipts January—December 1952
Arizona	$ 67,794	$ 62,275	$ 53,401	$ 61,972	$ 357,653	$ 415,773
Louisiana	63,179	59,439	43,879	54,944	381,448	420,369
New Mexico	42,413	37,243	23,591	21,034	235,905	242,559
Oklahoma	75,758	58,524	60,859	40,836	622,436	704,311
Texas	278,729	234,420	232,935	157,182	2,186,609	2,121,173
Total	$527,873	$451,901	$414,665	$335,968	$3,784,051	$3,904,185

SOURCE: United States Department of Agriculture.

around 4,000,000 or more bales, and despite a rate of domestic consumption equal to or slightly above a year ago, cotton prices have shown a great reluctance to rise much above the loan rate. Shortages of some of the better grades and staples have developed, and this has caused a strengthening of the basis of these particular grades. Through February 13, Commodity Credit Corporation loans had been made on 1,850,000 bales of 1952-crop cotton.

Cattle numbers, despite severe liquidation in some parts of the Southwest, increased 455,000 head, or 3 percent, during the year, with increases reported for both milk cattle and beef animals.

LIVESTOCK RECEIPTS

(Number)

Class	Fort Worth Market January 1953	Fort Worth Market January 1952	Fort Worth Market December 1952	San Antonio Market January 1953	San Antonio Market January 1952	San Antonio Market December 1952
Cattle	52,613	28,730	59,335	21,467	23,651	19,276
Calves	20,743	14,375	22,734	12,420	18,899	11,060
Hogs	87,728	105,708	83,215	—	8,856	3,132
Sheep	42,696	40,214	45,677	[1]8,832	[1]15,485	[1]10,392

[1] Includes goats.

The year 1952 was the fourth consecutive year in which the number of cattle and calves increased in the Nation, and the record 93,696,000 head on farms on January 1, 1953, exceeds the previous record reported a year earlier by about 6,000,000. The 16,066,000 head reported in states of the Eleventh Federal Reserve District on January 1 is just short of the record 16,185,000 head reported in 1945. During the extremely dry years of 1951 and 1952, substantial liquidation of cattle herds took place in the range areas of west Texas, New Mexico, and Arizona but was more than offset by a general increase in the number and size of cattle herds in other parts of the Southwest, particularly in Louisiana and in eastern parts of Texas and Oklahoma.

The number of sheep and lambs in the five states of the District on January 1 was down 9 percent from a year ago and was the lowest since 1925. Louisiana and Arizona re-

LIVESTOCK ON FARMS, JANUARY 1

(In thousands)

	Texas 1952	Texas 1953p	Five southwestern states[1] 1952	Five southwestern states[1] 1953p	United States 1952	United States 1953p
All cattle	8,853	8,853	15,611	16,066	87,844	93,696
Milk cattle	1,602	1,652	3,162	3,231	35,637	36,879
Beef cattle	7,251	7,201	12,449	12,835	52,207	56,817
All sheep	6,188	5,511	8,324	7,613	32,088	31,611
Stock sheep	6,071	5,464	8,066	7,480	28,050	27,857
Feeders	117	47	258	133	4,038	3,754
Hogs	1,645	1,119	3,057	2,163	63,582	54,632
Goats[2]	2,054	1,890	2,054	1,890	2,054	1,890
Horses	321	286	728	654	4,330	3,870
Mules	96	89	227	210	1,913	1,766
Total above species	19,157	17,748	30,001	28,596	191,811	187,465
Chickens[3]	22,992	20,455	38,281	34,004	449,925	431,410
Turkeys	549	615	688	731	5,822	5,339

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] Goat numbers shown for Texas only; estimates for other states not available.
[3] Does not include commercial broilers.
p—Preliminary.
SOURCE: United States Department of Agriculture.

port increases, while sharp declines occurred in Oklahoma and Texas. There was also a sharp decline in the number of sheep and lambs on feed in Texas, which resulted primarily from the lack of available grazing from the current winter wheat crop.

Hog numbers in the District declined more sharply than any other species of livestock; numbers in Texas and Oklahoma were reduced one-third, while substantial declines occurred in other district states. The number of goats on Texas ranges declined sharply for the eighth consecutive year, with the 1,890,000 head reported on January 1 the lowest since records were begun in 1920.

The number of chickens on farms, excluding commercial broilers, declined during 1952 in all five district states. The number of turkeys on farms in Texas increased 12 percent, while numbers in other district states held constant or declined.

Deposits of the weekly reporting member banks in the District declined sharply between January 21 and February 18. The decrease reflects principally a reduction of demand deposits of individuals and businesses. Other changes in major categories of assets and liabilities during the 4 weeks include rather sharp reductions in total investments and cash assets and a nominal decrease in loans.

Deposits declined $241,649,000, or 5.4 percent, during the 4 weeks ended February 18. This decrease compares with a contraction of $121,301,000, or 3.0 percent, during the comparable period last year. Demand deposits of individuals, partnerships, and corporations declined $167,018,000, or 6.3 percent, accounting for 69 percent of the over-all deposit decrease. Contraction in these deposit accounts of individuals and businesses occurred principally during the week ended January 28 and is associated, in part, with income tax payments due January 15.

Other changes in deposits include a decrease of $99,986,000 in interbank deposits and an increase of $37,414,000 in United States Government deposits. Time deposits rose $7,198,000, or 1.4 percent, with slightly more than the total increase occurring in the accounts of individuals and businesses.

The weekly reporting member banks met these deposit losses principally through a reduction in investments and a drawing down of cash and balances. Investments declined $82,059,000, or 5.6 percent. Approximately 88 percent of this reduction was reflected in sales or redemptions of Treasury bills. Holdings of Treasury certificates of indebtedness, United States Government bonds, and municipal and other non-Government securities declined, while investments in Treasury notes increased. Cash and balances of these banks declined $122,171,000, or 8.3 percent, reflecting principally decreases in cash collection items and balances with other banks.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	February 18, 1953	February 20, 1952	January 21, 1953
Total loans (gross) and investments	$3,154,678	$2,904,371	$3,242,583
Total loans—Net[1]	1,765,068	1,548,067	1,770,649
Total loans—Gross	1,783,632	1,564,351	1,789,478
Commercial, industrial, and agricultural loans	1,191,203	1,085,496	1,188,331
Loans to brokers and dealers in securities	11,452	7,660	10,297
Other loans for purchasing or carrying securities	66,153	55,639	64,948
Real estate loans	128,756	113,081	128,127
Loans to banks	18,183	10,884	32,535
All other loans	367,885	291,591	365,240
Total investments	1,371,046	1,340,020	1,453,105
U. S. Treasury bills	137,527	225,762	209,688
U. S. Treasury certificates of indebtedness	151,649	162,571	153,029
U. S. Treasury notes	216,034	180,584	211,163
U. S. Government bonds (including guaranteed obligations)	692,155	605,995	704,678
Other securities	173,681	165,108	174,547
Reserves with Federal Reserve Bank	598,897	564,512	577,962
Balances with domestic banks	407,740	411,031	455,876
Demand deposits—adjusted[2]	2,438,508	2,337,890	2,528,817
Time deposits except Government	497,463	452,425	490,262
United States Government deposits	121,984	77,076	84,570
Interbank demand deposits	838,657	794,894	938,643
Borrowings from Federal Reserve Bank	35,150	3,200	8,000

[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.

Loans of the weekly reporting member banks declined $5,846,000 during the 4 weeks ended February 18. The decrease in loans to banks more than accounted for the over-all reduction. Other categories of loans rose, although the amount of expansion was nominal. On February 18, loans of these banks amounted to $1,783,632,000, reflecting an increase of $219,281,000, or 14.0 percent, over the comparable total for last year.

During January, gross demand deposits of all member banks in the District averaged $7,109,145,000, reflecting an increase of $18,841,000 over December and an expansion of $329,690,000, or 5 percent, as compared with January 1952. Country banks accounted for 60 percent of the increase from December to January. Time deposits of the member banks increased $13,654,000, or 2 percent, in January, continuing the upward trend that had prevailed in most months since March 1951. Reserve city and country member banks shared about evenly in the more recent rise.

Debits to deposit accounts reported by banks in 24 cities of the District declined 2 percent during January as compared with the total for December 1952. The decline in the volume of spending which these figures reflect — a reduction due principally to seasonal factors — was common among

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

	COMBINED TOTAL		RESERVE CITY BANKS		COUNTRY BANKS	
Date	Gross demand	Time	Gross demand	Time	Gross demand	Time
January 1951	$6,349,754	$657,601	$3,098,119	$400,388	$3,251,635	$257,213
January 1952	6,779,455	714,332	3,162,301	391,577	3,617,154	322,755
September 1952	6,692,788	767,553	3,190,957	421,871	3,501,831	345,682
October 1952	6,828,512	770,099	3,262,180	420,233	3,566,332	349,866
November 1952	7,025,207	780,156	3,338,376	421,427	3,686,831	358,729
December 1952	7,090,304	784,739	3,380,098	422,356	3,710,206	362,383
January 1953	7,109,145	798,393	3,387,726	428,928	3,721,419	369,465

most reporting centers, although some cities showed substantial increases. Charges to deposit accounts during January of this year were 11 percent above the comparable total for 1952. The annual rate of turnover of deposits was 16.0 in both December 1952 and January 1953. This rate compares with 15.5 for January 1952.

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

(Amounts in thousands of dollars)

	DEBITS[1]			DEPOSITS[2]			
		Percentage change from			Annual rate of turnover		
City	January 1953	Jan. 1952	Dec. 1952	January 31, 1953	Jan. 1953	Jan. 1952	Dec. 1952
ARIZONA							
Tucson	$ 123,378	30	13	$ 117,676	12.6	10.8	11.3
LOUISIANA							
Monroe	57,031	8	6	52,605	12.5	12.0	11.8
Shreveport	243,186	17	14	202,198	14.2	12.1	12.2
NEW MEXICO							
Roswell	27,959	—3	—4	31,840	10.4	11.8	10.9
TEXAS							
Abilene	56,305	—#	—4	56,812	11.6	12.0	12.1
Amarillo	146,239	3	1	119,935	14.4	14.8	14.2
Austin	218,154	10	61	122,686	20.8	19.8	13.1
Beaumont	141,344	10	#	105,576	16.0	15.4	16.1
Corpus Christi	163,217	12	7	115,127	16.6	16.7	15.1
Corsicana	16,139	3	—7	23,007	8.3	8.3	9.0
Dallas	1,779,369	14	—8	1,090,273	19.1	18.4	19.3
El Paso	243,174	26	—1	169,946	16.8	15.6	17.4
Fort Worth	570,425	10	—3	399,394	16.4	16.7	16.6
Galveston	83,200	2	—1	103,845	9.6	9.7	9.7
Houston	1,809,031	11	—3	1,195,273	17.8	17.0	18.2
Laredo	25,112	13	—5	25,965	11.5	11.6	11.9
Lubbock	144,973	7	—5	120,833	14.0	14.9	15.2
Port Arthur	50,171	1	1	43,986	13.6	13.4	13.3
San Angelo	38,437	—9	—#	53,197	8.5	9.2	8.6
San Antonio	398,207	6	—2	400,916	11.8	11.6	11.9
Texarkana[3]	21,227	#	5	27,096	9.1	10.1	8.5
Tyler	61,245	8	3	58,175	12.4	12.4	12.1
Waco	78,323	8	—7	90,808	10.0	9.6	10.3
Wichita Falls	90,447	#	—6	107,808	9.8	10.1	10.3
Total—24 cities	$6,586,293	11	—2	$4,834,977	16.0	15.5	16.0

[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] These figures include only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including two banks located in the Eighth District, amounted to $40,375,000 for the month of January 1953.

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

The principal changes in the condition of the Federal Reserve Bank of Dallas between January 15 and February 15 include an increase of $41,116,000 in earning assets and decreases of $51,090,000 in gold certificate reserves and $5,855,000 in Federal Reserve notes in actual circulation. Member bank reserve deposits declined $5,630,000. The increase in earning assets reflects principally an expansion of $48,150,000 in discounts for member banks, inasmuch as holdings of Government securities declined $7,034,000. On February 15, notes of this bank in actual circulation amounted to $728,979,000, as compared with a circulation of $673,080,000 on the same date last year.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	February 15, 1953	February 15, 1952	January 15, 1953
Total gold certificate reserves	$ 665,584	$ 653,176	$ 716,674
Discounts for member banks	49,180	8,500	1,030
Industrial advances	0	16	0
Foreign loans on gold	945	0	945
U. S. Government securities	1,153,318	1,060,941	1,160,352
Total earning assets	1,203,443	1,069,457	1,162,327
Member bank reserve deposits	1,081,871	1,023,353	1,087,501
Federal Reserve notes in actual circulation	728,979	673,080	734,834

NEW PAR BANKS

The Home State Bank, Marble Falls, Texas, an 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 February 2, 1953. The officers are: Carter Stewart, President; H. E. Faubion, Vice President; and H. J. Schnelle, Cashier.

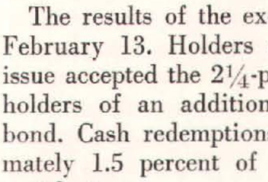
The Donie State Bank, Donie, Texas, an insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on February 16, 1953. The officers are: Mrs. Ettie Hudson, President; Ida Belle Gilliam, Vice President; and Cloner Gilliam, Cashier.

The Lytle State Bank, Lytle, Texas, an insured, nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on February 16, 1953. The officers are: Ed M. Wells, President; A. J. Gidley, Executive Vice President; and Zack H. Pruett, Cashier.

The Secretary of the Treasury announced on January 27 that holders of the $1\frac{7}{8}$-percent certificates maturing February 15 and outstanding in the amount of $8,868,000,000 would be given a choice of exchanging their holdings either for a 1-year certificate of indebtedness or for a 5- to 6-year security. On January 30 the Secretary announced that the certificate would have a coupon rate of $2\frac{1}{4}$ percent, while the 5- to 6-year security would be a $2\frac{1}{2}$-percent bond with a term of 5 years, 10 months to maturity. Subscription books for the new issues were open from February 2 to February 5.

The results of the exchange offering were announced on February 13. Holders of $8,114,000,000 of the maturing issue accepted the $2\frac{1}{4}$-percent certificate in exchange, while holders of an additional $620,000,000 accepted the new bond. Cash redemptions totaled $134,000,000, or approximately 1.5 percent of the total amount of the maturing certificates.

The Secretary of the Treasury also announced on February 13 that all outstanding 2-percent Treasury bonds of 1953-55 which are due June 15, 1955, are called for redemption on June 15, 1953. This bond issue, which is one of the few remaining partially tax-exempts, is outstanding in the amount of $724,678,000. The Secretary declined to call for redemption on June 15 the two issues of 2-percent bonds of 1952-54, the 2-percent bonds of 1951-55, and the $2\frac{1}{4}$-percent bonds of 1952-55.



The removal of price controls from crude oil and all refined products except No. 2 fuel oil on February 12 had no immediate effect on prices of these items in this District or in most other parts of the country. On the West Coast, however, prices of crude oil, gasoline, and heating oils were raised. At the same time, higher prices for Pennsylvania Grade crude were offered by principal buyers.

There has been no general increase in the price of crude oil in the Nation during the past 5 years. While increases in costs of drilling, production, and other operations during this period might portend a general rise in the price of crude, the ample supply situation in both crude and refined products tends to discourage such an increase, despite the removal of price controls.

National stocks of crude oil totaled 271,900,000 barrels on February 14, which is 16,900,000 barrels, or 7 percent, higher than a year earlier. Most of the increase occurred in this District, where stocks on that date totaled 144,800,000 barrels. Stocks of major refined products in the Nation, meanwhile, were up 25,800,000 barrels, or 10 percent, as compared with a year ago. Although stocks of gasoline and kerosene showed relatively moderate year-to-year increases of 3 percent and 6 percent, respectively, distillate fuel oil stocks were 21 percent higher than a year earlier and residual fuel oil stocks were up 19 percent. In contrast with the position of refined stocks in the Nation, district stocks of all major refined products, except residual fuel oil, were appreciably lower in early February than a year earlier.

Total demand for all oils in the last quarter of 1952 is estimated by the Bureau of Mines to have been about 4 percent higher than in the same period of the previous year. The demand in January 1953 also appears to have been up moderately from a year earlier. Therefore, some increase in national stocks of crude oil and refined products over levels of early 1952 appears desirable. Nevertheless, a feeling that crude and refined stocks are somewhat high relative to prospective demand is reflected in replies by major oil companies to questions posed by the Texas Railroad Commission in connection with a statewide oil proration hearing around mid-February.

Refinery activity in the District averaged 2 percent higher in January than in December; however, crude runs to refinery stills, after reaching a high point in the week ended January 3, showed declines for five successive weeks. Refinery activity in the Nation followed a similar pattern. Daily average crude runs to refinery stills in the District in January were 7 percent higher than a year earlier, with the Nation showing a comparable gain of 6 percent.

Texas oil allowables for March were cut back 118,400 barrels from the mid-February level, in recognition of the heavy stock position. This is the third reduction in a period of 4 months.

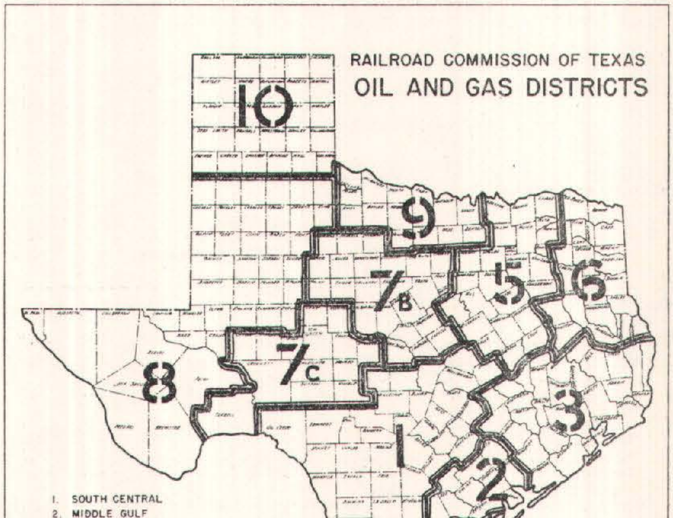
Crude oil production in the District during the first half of February averaged 3,225,000 barrels per day, which is slightly higher than in January and also larger than during the corresponding period of last year. Daily average production in January was off from the December daily average rate but substantially higher than in January a year ago. Production trends in the Nation were similar to those in the District.

CRUDE OIL PRODUCTION

(Barrels)

Area	January 1953		Increase or decrease in daily average production from	
	Total production	Daily avg. production	January 1952	Dec. 1952
ELEVENTH DISTRICT				
Texas R. R. Com. Districts				
1 South Central	1,160,050	37,421	5,015	—1,398
2 Middle Gulf	5,175,650	166,956	7,143	—7,379
3 Upper Gulf	15,489,250	499,654	24,062	—9,785
4 Lower Gulf	8,183,600	263,987	12,840	—9,007
5 East Central	1,640,000	52,903	638	—2,155
6 Northeast	12,199,600	393,535	860	—9,065
East Texas	8,142,000	262,645	—5,716	—2,357
Other fields	4,057,600	130,890	6,576	—6,708
7b North Central	3,478,600	112,213	28,113	—5,782
7c West Central	5,448,500	175,758	45,774	269
8 West	29,597,100	954,746	15,536	—34,396
9 North	5,827,450	187,982	30,366	—1,999
10 Panhandle	2,475,450	79,853	—3,681	—845
Total Texas	90,675,250	2,925,008	166,666	—81,542
New Mexico	5,404,650	174,344	22,618	2,302
North Louisiana	3,526,650	113,763	—14,180	279
Total Eleventh District	99,606,550	3,213,115	175,104	—78,961
OUTSIDE ELEVENTH DISTRICT	101,985,750	3,289,862	132,893	24,219
UNITED STATES	201,592,300	6,502,977	307,997	—54,742

SOURCE: Estimated from American Petroleum Institute weekly reports.



Imports of crude oil and refined products are estimated to have reached an all-time high in January, averaging more than 1,100,000 barrels per day, compared with 950,000 barrels a year earlier.

The requirement that natural gas distributors in designated states in the Northeast secure approval of the Petroleum Administration for Defense before extending services to new customers — industrial as well as residential — has been rescinded, effective March 1. This order, imposed August 22, 1951, was designed to prevent shortages of gas which would deprive defense plants of essential fuel. Despite the rescinding of the order, gas supplies still are not entirely adequate; in fact, the potential demand is expected to exceed the supply in certain areas for some time. The PAD deputy administrator indicated that some local controls over the extension of natural gas use probably will have to be retained.

Final estimates by state employment commissions show that total nonagricultural wage and salary workers in the five states lying wholly or partly within the District numbered a record 3,915,400 workers in December, 2 percent more than in November and 4 percent above December 1951. Manufacturing wage and salary workers totaled 732,600, for a year-to-year gain of 6 percent.

Employment in the District was down seasonally in January and February, although still above year-earlier levels. It is estimated unofficially that nonagricultural wage and salary workers in February totaled approximately 3,835,000 workers and that manufacturing employment declined to about 726,000 workers.

Weekly wages for manufacturing workers in the five states in December averaged $68.39, reflecting an increase of approximately $4.38 over a year earlier. On the other hand, their hours worked per week averaged lower, or about 43 hours per week.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

	Number of persons			Percent change Dec. 1952 from	
Type of employment	December 1952p	December 1951	November 1952	Dec. 1951	Nov. 1952
Total nonagricultural wage and salary workers	3,915,400	3,763,400	3,845,500	4.0	1.8
Manufacturing	732,600	689,000	736,100	6.3	—.5
Nonmanufacturing	3,182,800	3,074,400	3,109,400	3.5	2.4
Mining	229,000	221,200	228,300	3.5	.3
Construction	283,600	277,900	287,100	2.1	—1.2
Transportation and public utilities	414,800	410,300	412,100	1.1	.7
Trade	1,018,900	984,200	976,000	3.5	4.4
Finance	145,300	133,300	144,300	9.0	.7
Service	440,800	423,300	441,500	4.1	—.2
Government	650,400	624,200	620,100	4.2	4.9

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
p—Preliminary.
SOURCE: State employment agencies.

A report released by the Texas Employment Commission indicates that 442 new firms employing eight or more workers each opened in Texas in 1952. Total employment for these new firms is estimated at 17,896 workers. Wholesale and retail trade establishments represented 41 percent of the new firms, while manufacturing and contract construction accounted for 20 percent each. Of the total number of workers hired by these new firms, manufacturing establishments and wholesale and retail trade firms employed about one-third each, while new contract construction firms employed about 17 percent.

Recent reports show that the sulphur producing capacity of facilities in the District was increased by 520,000 long tons on an annual basis in 1952. Of this increase, 77 percent is being produced by the Frasch process, 17 percent from sour gas, and 6 percent from refinery gas. New plants in Texas account for 99 percent of the total increase.

The Interstate Commerce Commission has announced a change in the formula for the division of revenue from joint rates between eastern and southwestern railroads. The new formula eliminates the bonus granted southwestern railroads because of a lower total revenue compared to eastern railroads. In taking this step, the Commission recognized the industrial and population growth in this area. The division of the revenues will now be made on a straight mileage basis. The change ordered by the Commission affects the division of the revenues between participating carriers but does not affect existing rates.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	January 1953	January 1952	December 1952
ELEVENTH DISTRICT	$ 95,669	$ 76,190	$ 178,167
Residential	48,613	34,730	37,048
All other	47,056	41,460	141,119
UNITED STATES[1]	1,075,868	902,091	1,467,384
Residential	460,036	337,721	438,580
All other	615,832	564,370	1,028,804

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

The value of construction contracts awarded in the District in January totaled $95,669,000, the second highest for any January on record, although only about half the all-time monthly record established in December. The January total was divided almost equally between residential and nonresidential construction, as shown in an accompanying table. Contracts awarded for residential construction were valued at $48,613,000, which had been exceeded in only two of the previous 18 months. Awards for nonresidential construction were valued at $47,056,000, which is below most months of 1952. Construction trends in the United States in the past few months followed a pattern similar to that in this District.

BUILDING PERMITS

	January 1953		Percentage change in valuation from	
City	Number	Valuation	Jan. 1952	Dec. 1952
LOUISIANA				
Shreveport	327	$ 2,531,627	127	87
TEXAS				
Abilene	109	556,665	—10	113
Amarillo	278	1,902,836	2	19
Austin	236	2,801,691	89	72
Beaumont	233	1,364,159	16	696
Corpus Christi	458	2,748,342	126	86
Dallas	1,528	10,899,096	77	72
El Paso	249	2,085,635	148	63
Fort Worth	837	3,620,130	21	13
Galveston	76	960,291	356	707
Houston	1,026	9,553,209	3	15
Lubbock	274	2,104,238	87	81
Port Arthur	123	228,132	—11	—63
San Antonio	1,801	3,436,524	10	—45
Waco	203	596,551	—53	—11
Wichita Falls	74	553,675	—91	—26
Total	7,832	$45,942,801	18	31

Final reports on construction activity in Texas in 1952 show that construction contracts were signed providing for 55,240 dwelling units in new residential buildings. This compares with 50,276 in 1951 and is only slightly below the record 55,284 reported in 1950. The gain in 1952 over the previous year was in the construction of one-family dwellings, as construction of apartments and duplexes was off substantially.