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THE ECONOMIC REPORT OF THE PRESIDENT OF THE UNITED STATES

The Employment Act of 1946 requires the President of the United States to transmit to the Congress an Economic Report covering, in general, current and prospective developments, as well as to review the economic programs of the Federal Government and to submit a program for action with recommendations for supporting legislation. The Act also created a Council of Economic Advisers to keep informed of developments in all phases of the economy; to assist and advise with the President on economic matters and in the preparation of the Economic Report; to analyze and interpret economic developments; to appraise programs and activities of the Government in the light of the policy declared in the Act; and to formulate and recommend national economic policies to promote employment, production, and purchasing power under free competitive enterprise. Likewise, the Act established a Joint Committee on the Economic Report in the Congress to receive the Report and to function as a liaison body for studying matters relating to the Report and recommending actions to the Congress.

Under the reorganization plan adopted in 1953, all of the advisory functions of the Council are vested in the Chairman. At the same time, the President established under the chairmanship of the Chairman of the Council of Economic Advisers an "Advisory Board on Economic Growth and Stability," composed of the heads of several departments and agencies of the Government or their representatives, so that the work of the Council could be made more effective at the top policy level of the Executive Branch. Through this Board and the committees that have been or may be utilized, the Council can maintain, through its expert representatives, a watchful eye over developments in every major field of economics embraced by its responsibilities.

The 1954 Economic Report of the President was transmitted to the Congress on January 28. This Report is the first one submitted by the present Administration and the first prepared with the assistance of the reconstituted Council of Economic Advisers and its auxiliary committees. Moreover, the current Report has greater-than-usual significance, because it has appeared at a time when the economy is undergoing some readjustment on a broad front, with a downward trend noticeable in the major indexes of economic activity. All private groups in our economy will be in a better position to plan and direct their own activities to the end of achieving the objective of strengthening the basic structure of the econ-

omy and contributing to sustained economic growth if they have an understanding of the basic philosophy and policy recommendations of the President as presented in his Economic Report.

This article presents a summarization of some of the more important features of certain parts of the Report. In this summarization, no attempt is made to interpret or evaluate, to support, or to criticize any part of the Report. The material is presented in summary form, with the thought that the views expressed in the Report will be of value and interest to bankers, industrialists, businessmen, and others in the District who, in directing their own affairs, contribute so importantly to the utilization of the Nation's material and human resources.

Role of Government in Economic Progress

This chapter is devoted primarily to presenting the main lines along which the Federal Government proposes to carry out the mandate of the Congress as set forth in the Employment Act of 1946, as amended: "To promote maximum employment, production, and purchasing power . . . in a manner calculated to foster and promote competitive enterprise and the general welfare." At the outset, the Report states that our economic goal is an increasing national income, shared equitably among those who contribute to its growth and realized in dollars of stable buying power. It emphasizes that the achievement of this goal demands that the dynamic forces of society be fully released. Hence, it is held that Government programs must be designed to help maintain reasonable stability during periods of readjustment and to encourage long-term growth.

In stressing the importance of progress, the Report recognizes that the United States must continue its efforts to build security forces adequate to deter and to strike back at aggression and, at the same time, engage in parallel efforts to raise defense potentials and living standards of friendly peoples in other countries. If these needs are to be met and American living standards are improved, a high and sustained rate of economic growth and industrial production is necessary.

As a prelude to a discussion of the conditions of progress, the Report states that progress is the product of a people's

culture or "way of life," which includes such intangible and spiritual qualities as their religious ideals, belief in personal dignity, faith in self-improvement, capacity for cooperation, and receptiveness to change. Recognizing the importance of the atmosphere in which people pursue their productive activities and that progress can be nurtured by wise public policy, the Report discusses the following basic conditions of economic progress.

Individual Freedom

It is pointed out that progress can best be made in — and traditionally the Government has sought to create and maintain — a democracy of opportunity in which individuals have general freedom and the specific opportunities to work, to spend, to save, and to invest and the incentive to pursue these opportunities to the fullest extent.

Adequate Incentives

Recognizing that present conditions require a much larger role for Government and a much higher level of taxation, it is pointed out that Government must exercise greater care to shape its policies so as to strengthen economic incentives. These incentives should include reasonable assurance that the wage earners will be fairly rewarded for greater exertion and improvements in skill and capacity; that savers will receive a fair return for contributing capital; and that the risk-taking investors will obtain adequate rewards for successful ventures.

Effective Competition

The Report states that open markets and effective competition are the means of channeling productive efforts toward a private enterprise system. This can be accomplished because open markets provide opportunities for newcomers to enter the productive process, and competition performs the role of regulator and energizer to direct the economy into those lines which most accurately meet the needs or tastes of consumers. Since competitive markets are basic to the functioning of the economic order, the Government has a vital responsibility, free from restraints, to preserve and strengthen competition and to challenge through antitrust laws any outcropping of monopoly power.

Savings and Capital Formation

The Report takes the position that since the growth of real capital is dependent upon an ample supply of savings, it is essential that economic policy give encouragement to thrift and that the Government can make its contribution best through assurance that a dollar saved today will not go to waste through inflation of prices tomorrow. Moreover, savings are most effective when readily transformed into productive investment. To accomplish this, the economy must have an efficient, competitive financial system, capable of channeling the accumulated funds into those lines in which they appear likely to be most productive.

Research and Development

It is stated that a fundamental condition of economic progress is a growing fund of scientific and technological knowledge. Research and development, which are responsible for

such knowledge, create an endless roster of new industries and products, as well as more efficient processes and the improvement of old products.

Maintenance of Economic Stability

The Report recognizes that an economy cannot be absolutely stable under a competitive enterprise system, which gives freedom to individual initiative and encouragement to technological change and innovation. To meet this situation, the economic system needs fluidity and resilience, which will permit flexibility in individual prices and adjustments in productive activity under reasonably stable conditions. Price flexibility is essential to the shifting of resources from uses in which rewards of labor, management, and capital are low to uses in which rewards are high. Likewise, it encourages industries benefiting from advances in technology or shifts in demand to offer expanding opportunities for employment to fill the gap created by the fewer jobs in these industries which have lost public favor. The Report indicates that, in these circumstances, the proper role of Government is to foster conditions under which adjustments can be accomplished with a minimum of hardship or difficulty, the most important of which is a reasonable measure of stability in the over-all level of employment and incomes.

Floor of Individual Security

The Report states that since a dynamic urbanized economy poses numerous hazards for the individual, a condition of economic progress is a floor of security for him and that the Government should help to establish it. The Report recognizes that the spread of private pension and insurance plans and the social security programs have strengthened the forces of economic growth by helping to relieve individuals from the anxieties attached to sickness, accident, unemployment, and old age but indicates that a further strengthening is highly desirable. At the same time, it emphasizes that the individual has a responsibility to provide, as far as he can, for his own security, and Government can make its greatest contribution to the welfare of individuals by fostering improvements in their productivity.

World Community of Free Nations

Finally, the Report notes that economic progress in our country is tied closely to the progress of the rest of the world. This interdependence prevents this country from making maximum progress while other nations are suffering from economic stagnation or decline. Hence, a program for promoting economic progress in America must provide for an extension and strengthening of economic ties with the rest of the world. This can be accomplished, in part, through an accelerated flow of goods and of capital across national boundaries.

Performance of the American Economy

In its analysis of developments during 1953, the Report states that, despite the fact that economic activity receded somewhat at the close of the year, new records were established in industrial activity, employment, and distribution

of incomes, with unemployment dropping to the lowest level of any peacetime year in recent decades. The average level of prices showed remarkable stability. The fruits of expanding production and enterprise were distributed widely among the population. Nevertheless, some sections of industry, especially farming, did not participate in the widespread prosperity.

In appraising the general increase in the Nation's output in 1953, the Report indicates that it was achieved partly through additions to employment and partly through gains in productivity. In manufacturing, for instance, where the average length of the workweek was about the same in 1953 as in 1952, the number of employed rose 5 percent and output, 8 percent. Likewise, larger output occurred in agriculture and some other branches of production. According to the Report, the basis for this large increase in the output of the Nation's factories, mines, and construction yards is the \$180,000,000,000 spent by American business firms since 1946 for new plant and equipment to expand and modernize productive facilities.

In 1953 the increased production generated a larger flow of income to individuals, corporations, and the several levels of government. While both workers and investors shared in the larger personal income, the percentage of total income received by workers increased. Proprietors' incomes declined, both in dollars and relatively to other groups, largely as a result of the decline in farmers' incomes. Corporate profits, whether before or after taxes, showed a greater rate of increase than disposable personal income. It should be noted that the bulk of the Nation's huge output of goods and services, as represented by the gross national product, was distributed among consumers, business firms, and the Government in about the same manner in 1953 as in 1952. The Report indicates that, whereas the increase in gross national product in 1952 was utilized by the Government for an expansion of the defense program, the gain in 1953 was devoted principally to civilian uses.

The Report points out that, despite the high level of production and consumption, some important developments and readjustments could be noted in various sectors of the economy even before contraction became visible after midyear. These adjustments included a continuing shrinkage of the real income of farmers; a downward drift in stock prices after the turn of the year; a downturn in the average length of the workweek in manufacturing and in orders for durable goods received by manufacturers; a failure of retail trade to expand, while consumer debt and business inventories kept rising; a rise in business failures; and an increase in interest rates at an accelerated pace. The Report discloses two significant facts: One is that various indicators of economic activity reached peaks at different times during the year, but none declined significantly from these peaks; the other is that while the broad composites failed to convey the degree to which the decline had been diffused over the economic system, it was clear from the behavior of the components of the indexes that toward the close of the year a large portion of the economy was undergoing readjustment.

The Report indicates that the immediate cause of the contraction was an imbalance between production and sales that

developed earlier in the year. In the months following the settlement of the steel strike in July 1952, the strong consumer demand and a need for inventory replacement set in motion a period of intense productive activity. In the period from the fall of 1952 through the first half of 1953, this productive activity was induced, in part, by the fact that consumer spending, augmented by growing indebtedness, was increasing faster than disposable personal income. The Report indicates that the imbalance between production and sales in the early months of 1953 stemmed primarily from the following factors: Quicker deliveries lessened the need for businesses to add to their inventories; business firms had overestimated consumer demand; and after the turn of the year consumer spending turned more in the direction of services than of commodities.

Because of the sluggishness in retail sales, which fell below business expectations, inventories soon piled up in all hands, with the highest rate of accumulation concentrated in a few major durable goods industries — motor vehicles, other transportation equipment, and primary metals. The growing acuteness of the inventory problem, which was augmented by the reshaping of the defense program, had caused manufacturers in numerous industries to curtail operations to bring output and inventories into better alignment with orders and sales. As a result of the curtailment in manufacturing, overtime was reduced or eliminated, some workers were laid off, the rise in hourly earnings of factory workers was checked, and average weekly earnings stopped rising. During the last half of 1953, employment in areas other than manufacturing experienced little change in the aggregate, and basic wage rates, in general, continued to move upward.

The Report states that the contraction in economic activity since mid-1953 thus far has been largely in the nature of an inventory adjustment. It points out that total expenditures — exclusive of reduced expenditures by business firms or additions to inventories — have remained virtually unchanged. The decline in Federal expenditures has been offset by larger state and local outlays. The smaller expenditures by business firms for inventory additions reflect adjustments designed to bring production and inventories more nearly into line with current sales.

In discussing wholesale and retail prices, it was brought out that the differential between costs of industrial raw materials and prices of finished industrial commodities widened further in 1953, as industrial prices rose somewhat and prices of industrial raw materials and farm products continued to fall. The year's outstanding development in primary markets was the continued decline in prices of major farm products, reflecting record supplies and sharply curtailed exports. On the other hand, the consumer price index increased slightly, largely because of higher costs of rents, medical care, and transportation, which are still in the process of adjusting to the price revolution of the past 10 to 15 years.

It was pointed out that while the reduced farm income led to smaller purchases of farm equipment, machinery, and building materials, it appears that gross farm investment was larger than the normal wear and tear on existing farm plant

and equipment. In the international field, the outstanding development was the achievement of a broadly balanced pattern of trade and payments at high and growing levels of economic activity, which was accomplished in an environment of general monetary stability and diminishing controls.

Governmental Policy in a Year of Economic Change

In this section the Report indicates that the broad objectives which guided governmental actions were the stimulation of output and employment, the protection of the purchasing power of the dollar against further shrinkage, the wide distribution of the fruits of expanding activity, and the extension of international trade and investment. At the same time, it recognizes that the road to reasonably full employment without price inflation is narrow. Since there always exists the danger that the economy, by moving too far on one side, may enter the zone of inflation or, by moving too far to the other side, may slip into the zone of contraction, the essential need is to moderate economic movements before they acquire large momentum. It is recognized, however, that the ability to do so is limited, partly because the economy is subject to the shifting moods and modes of human behavior and partly because policy makers cannot predict with scientific accuracy the strength of the responses which their actions may generate.

The Report indicates that the policies pursued in 1953 included monetary and credit policies, debt management policies, and fiscal policies as instruments to influence general economic movements and other broad Government policies as a means of creating a more favorable climate in which the economy can operate.

During the early part of the year, when economic activity was increasing rapidly, inflation seemed to be the most critical and pressing problem, and the protection of the value of the people's money was the immediate concern of the Government. Hence, both credit policy and fiscal policy were aimed at this objective. The Federal Reserve System allowed the buoyant demand for credit to adjust itself to the restricted market supply and in January raised the discount rate from $1\frac{3}{4}$ percent to 2 percent to discourage member bank borrowing at the Federal Reserve banks. To reinforce this policy, the Treasury sought to obtain the funds needed to finance the Government from investors other than banks. In May the President recommended to the Congress that the excess profits tax be extended to the end of the year as a means of holding down the Government deficit when there was still a latent inflation.

The restrictive monetary and debt management policies pursued during the early months of the year had a more potent effect than was generally expected. Federal Reserve authorities met the situation quickly by augmenting reserves of member banks through substantial purchases of Government securities in the open market and by reducing reserve requirements of member banks. This prompt release of bank reserves ended the existing tightness of the credit market and gave assurance to the business community that the needs for private credit and Treasury financing during the months ahead could be met by the banks. In subsequent months the maintenance

of monetary ease in the money markets was facilitated by the coordination of debt management and credit policies, which not only strengthened the lending power of banks but also minimized the competition between Treasury borrowing and demands for long-term credit by business firms and state and local governments. In June and subsequent months, interest rates declined, and mortgage credit and credit for other needs became more plentiful.

In the field of fiscal policy, in addition to the retention of the excess profits tax during the last half of 1953, the Treasury announced during the fall that the Administration would not seek to postpone the reduction in personal income tax scheduled for January 1954.

With respect to credit policy, its role as a stabilizing tool was extended to the housing industry when the Congress created stand-by authority, which gives the President permissive authority to vary down payments and maturities under FHA-insured mortgages on certain properties.

In the field of agriculture, where difficult problems of adjustment were faced, steps were taken to provide needed assistance. These included increased commitments to the Commodity Credit Corporation, relief to drought-stricken areas, Government purchases of beef to assist in checking the collapse in cattle prices, and the institution of a program of famine relief to friendly nations.

To strengthen the basis of the economy, the Government took certain steps during the year. One was to remove the direct controls of prices and wages to restore to individuals and businesses greater freedom of action. Another was the re-drawing of the line separating public from private activities, so that the Government could divest itself of functions which can be performed more efficiently by private enterprise. A further step was the effort to broaden the scope of home ownership and of the social security system, so that more people might gain a greater measure of security in a dynamic environment.

According to the Report, the Government, recognizing the need for tax reductions to provide adequate economic incentives, set about energetically to bring down the rate of expenditures and thus pave the way for tax reductions which would enable the people to retain more of their incomes to spend themselves.

Appraisal of the Current Economic Situation

In this section the Report attempts to assess the strength and weakness of the economy and to give some indication of the probable course of the economy in the months ahead. It indicates that certain factors which contributed to the maintenance of a high level of business activity in 1953 are also elements of strength in the current situation and outlook. These include the following.

* The continued high level of final purchases of output by business, consumers, and Government will make it possible for business establishments to apply methods to ease adequately their inventory situations and to achieve gradually

a better balance between production and sales. Since substantial progress was made in the corrective process during the closing months of 1953, it was felt that a continuance of the high final expenditures would soon end the contraction in production.

* The downward adjustments that have occurred in prices of industrial raw materials and farm products may be reflected in downward adjustments in manufacturers' prices for finished goods.

* Business firms plan to maintain capital expenditures for plant and equipment at a high level; available measures seem to suggest that productive facilities are not excessive in relation to current rates of output.

* The financial position of business firms is strong, and their incentive to invest will be encouraged by the termination of the excess profits tax.

* Housing construction is expected to continue at a level close to that for 1953. Despite the record volume of home building in recent years, vacancies are relatively low, and the effect of the reduced rate of family formation should be largely offset by other factors, such as population movement to suburbs, improvement of incomes, and the recent easing of mortgage funds.

* The outlook for other consumer expenditures is likewise considered to be very favorable. During the next 6 months, disposable income of individuals (personal income after taxes) may well approximate the rate in the final quarter of 1953, mainly because of the 10-percent cut in personal income taxes, effective January 1, 1954, which may total \$3,000,000,000 for the year. The Report also indicates that an increase in consumer expenditures might occur through a reduction in the rate of savings, which has been at an exceptionally high average rate of 7 percent in the past 3 years, as compared with an average of about 4 percent in 1947-50. The latest survey of consumer attitudes (October 1953) indicates that more consumers consider the market favorable for the purchase of durable goods than at any time since the outbreak of the Korean War. Liquid assets of consumers are large and widely distributed, and while the proportion of consumer income absorbed by contractual obligations has increased substantially in recent years, it is no larger than the pre-World War II level.

* Federal Government expenditures will continue to be a strong sustaining factor. While the annual rate of these outlays may be reduced by \$2,000,000,000 by mid-1954, mainly in national security expenditures, it is expected that this reduction will be counteracted by a corresponding rise in expenditures by state and local governments. There is still an immense backlog of demand for schools, highways, hospitals, and other facilities, and public pressure for their expansion and improvement is mounting.

* Domestic demand for farm products remains near record levels, while export demand seems unlikely to weaken much further. With farm products prices apparently stabilizing, cash farm income should be near the 1952 level, and farmers' expenditures for consumption and equipment should be well sustained.

* Finally, the Report suggests other grounds which justify confidence in the future. (1) Financial institutions are fully capable of meeting all deserving credit demands and of withstanding successfully any strains imposed by business readjustments. (2) There have been no extensive speculative developments in the commodity, security, or financial markets during recent years. (3) Certain structural changes in the economy will serve to bolster consumer incomes as a key to prosperity, such as social security and private pension systems, unemployment compensations, and certain flexibilities in the Federal tax structure.

Toward a Stronger Economy

The Report takes the position that prudence, as well as zeal for economic improvement, requires that public policy contribute both to the immediate strength of the economy and to its long-term growth and indicates two classes of action that should be taken during the current year to build a stronger economy.

The first of these actions should be the protection and promotion of economic stability by modernizing unemployment insurance; by broadening the base and benefits of old-age and survivor insurance; by permitting a larger "carry-back" of losses for tax purposes; by granting broad discretionary authority to the Executive to alter, within limits and appropriate to changing circumstances, the terms of governmentally insured loans and mortgages; by establishing a secondary home mortgage market; and by making improvements in the planning of public works programs. The other is that steps should be taken to stimulate the expansive power of individual enterprise by revising the tax laws so as to increase incentives and to remove certain impediments to enterprise, especially of small business; by improving credit facilities for home building, modernization, and urban renewal; by strengthening the highway system; and by facilitating the adjustments of farming to current conditions of demand and technology.

The Report then outlines a program which includes recommendations for state and local governments, as well as for the Federal Government. It outlines specific suggestions in the fields of tax structure, housing and its financing, agriculture, social insurance and the minimum wage, and public works. In the field of international relations, the Report observes that the achievement of a mutually advantageous system of trade can be furthered by the maintenance of an expanding United States economy. It points out, however, that the favorable effects of the vigorous tariff-reducing programs in recent years have been partly neutralized by the atmosphere of uncertainty as to its continuity. It is expected that a specific program will be presented to the Congress later on the basis of the report of the Commission on Foreign Economic Policy.

In concluding, the Report states that these recommendations, like the analysis of the current situation on which they are based, envision a sustained improvement in American living standards and a broadly expanding economy. There is every reason for confidence that our system of individual enterprise, which is one of the wonders of the world, will long continue to be a producer of ever-increasing wealth and widely diffused well-being.

REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



District department store sales in January were 10 percent less than a year earlier; the corresponding loss in the first 2 weeks of February was 4 percent. Accounts receivable and inventories declined in January; compared with a year earlier, end-of-month accounts receivable were up 5 percent, while inventories were down 4 percent. Orders outstanding were 17 percent below a year ago.

Farmers in most parts of the District made good progress with field work in February. Planting of summer crops is active in southern counties; early cotton is up. The winter wheat crop is in generally satisfactory condition but needs moisture. Livestock are in fair to good condition, despite lack of green feed in western areas. Farm commodity prices in February were steady to strong; cotton advanced.

District crude oil production rose slightly in February, extending the upward trend which began in January. Crude stocks of District origin, declining since November, reached at mid-February a level substantially below a year earlier. Refinery activity continues at a lowered level to reduce stocks. Demand for petroleum products in January and early February was near record levels; price trends were mixed.

Large declines in construction and manufacturing activity caused a slump in nonagricultural employment in District states in December. Employment declined through February to a level 1 percent below February 1953.

The value of construction contracts awarded in the District in January totaled slightly less than a year earlier; residential awards gained. Latest figures on construction costs show a continuing but slow rise.

Effective February 15, the discount rate of this bank was reduced from 2 percent to 1¾ percent, following similar action by each of the other Reserve banks.

Deposits of the weekly reporting member banks declined sharply during the 4 weeks ended February 17, principally because of heavy withdrawals by individuals and businesses. Cash assets and investments were also reduced markedly. Total loans were practically unchanged, although commercial, industrial, and agricultural loans declined.



The total dollar volume of retail sales at department stores in the Eleventh Federal Reserve District during January showed a decline of 10 percent compared with January 1953. Part of that decline resulted from one less business day in January of this year. Sales continued under year-earlier totals during the early part of February and for the 2-week period ended February 13 were 4 percent below the comparable weeks a year earlier.

The declines in January and February projected into 1954 the lower level of consumer demand at department stores in the District that has been evident since September 1953. During November and December, net losses in sales compared with a year earlier resulted from lower demand for the more costly department store hard goods items. During January, however, there were declines from year-earlier figures in sales of both hard goods and soft goods.

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES		STOCKS ¹	
	January 1954 from		January 1954 from	
	January 1953	December 1953	January 1953	December 1953
DEPARTMENT STORES				
Total Eleventh District.....	-10	-57	-4	-2
Corpus Christi.....	-14	-62	-4	-4
Dallas.....	-9	-56	-5	-3
El Paso.....	-12	-57	-4	-3
Fort Worth.....	-15	-61	-3	3
Houston.....	-9	-56	-5	-4
San Antonio.....	-10	-53	-3	-7
Shreveport, La.....	-8	-58	-7	12
Waco.....	-14	-61	-2	-1
Other cities.....	-4	-57	-3	-1
FURNITURE STORES				
Total Eleventh District.....	-15	-41	-14	-2
Austin.....	-11	-44	—	—
Dallas.....	-19	-31	-20	-5
Houston.....	-15	-57	—	—
Fort Arthur.....	8	-18	—	—
San Antonio.....	-20	-50	—	—
Shreveport, La.....	-13	-37	-19	-6
Other cities.....	-14	-40	-10	3
HOUSEHOLD APPLIANCE STORES				
Total Eleventh District.....	-36	-39	—	—
Dallas.....	-30	-41	—	—

¹ Stocks at end of month.

On the basis of daily average sales, which is a better indicator of consumer demand when the number of trading days varies from month to month, January sales of hard goods were 12 percent below a year earlier, while sales of soft goods showed a moderate decline of 3 percent. Although consumer demand at department stores generally was at a lower level than a year earlier, there were areas in which gains in sales were recorded. Daily average sales of household textiles were unchanged from January 1953, while sales of men's clothing gained 6 percent. Among the hard goods lines, radios, phonographs, and records registered increases up to 27 percent. Total basement store sales, which scored gains in both November and December, showed a daily average gain during January of 1 percent above the same month last year.

WHOLESALE TRADE STATISTICS
Eleventh Federal Reserve District
(Percentage change)

Line of trade	NET SALES ^p		STOCKS ¹	
	January 1954 from		January 1954 from	
	January 1953	December 1953	January 1953	December 1953
Automotive supplies.....	-26	4	-5	7
Dry goods.....	-10	17	-16	5
Grocery (full-line wholesalers not sponsoring groups).....	-16	1	-23	1
Hardware.....	-2	-5	6	26
Industrial supplies.....	4	-25	-67	-57
Machinery equipment and supplies except electrical.....	-38	-3	-9	-2
Metals.....	-26	31	-21	-14
Tobacco products.....	-8	-8	2	-1
Wines and liquors.....	-6	-49	21	29

¹ Stocks at end of month.

^p—Preliminary.

⁷ Indicates change of less than one-half of 1 percent.

SOURCE: United States Bureau of the Census.

Accounts receivable at District department stores declined seasonally during January, with the end-of-month total 14 percent lower than at the close of December. The largest rate of decline was in charge accounts, which were reduced 22 percent. Over the same period, instalment accounts were reduced 3 percent. Despite these reductions, however, total accounts receivable at the end of January were 5 percent higher than on the same date last year; charge accounts were virtually unchanged, while instalment accounts were up 13 percent. Of the total amount of accounts outstanding, charge accounts and instalment accounts represented 56 percent and 44 percent, respectively.

January collections on charge accounts were 3 percent greater than during the same month last year; instalment collections were up 5 percent. On the whole, collections were reported firm, with no indication of softening.

Department store inventories were reduced 2 percent during January and on the 31st — which marked the end of the department store fiscal year — were 4 percent below the same date last year. This is the first year-to-year decline in inventories reported by District department stores since September 1952. Orders outstanding at the end of January were 17 percent below a year earlier.

Furniture store sales at reporting stores in the District during January were 15 percent under January 1953. Accounts receivable declined 2 percent from December but at the close of the month were 3 percent higher than a year earlier. Inventories were reduced 2 percent during the month

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED			ADJUSTED ¹				
	Jan. 1954	Dec. 1953	Nov. 1953	Jan. 1953	Jan. 1954	Dec. 1953	Nov. 1953	Jan. 1953
SALES—Daily average								
Eleventh District.....	94	209	144	100r	119	125	127	127
Dallas.....	92	203	141	98	115	122	122	122
Houston.....	110	238	166	115	139	141	148	146
STOCKS—End of month								
Eleventh District.....	116p	120r	151	121r	129p	131r	136	135

¹ Adjusted for seasonal variation.

r—Revised.

p—Preliminary.

and on January 31 were 14 percent lower than on the same date last year.



Field work made satisfactory progress during February in most parts of the District, favored by open weather. Subsoil moisture supplies generally are adequate in all crop-farming areas except south and southwest Texas. Surface moisture is needed in most western and southwestern counties of the District to retard blowing of soil and stimulate growth of small grains and grasses. However, over-all moisture conditions in the District are improved compared with a year ago.

The condition of the winter wheat crop is generally satisfactory in the major wheat-producing regions of the District. Some acreage in western and northwestern counties has been lost because of inadequate surface moisture and strong winds, but most plants have developed strong root systems and are being sustained by subsoil moisture. In the northern Blacklands of Texas and in eastern counties of the District, small grains have recovered from dry January freezes and are in excellent condition.

Cotton planting is in full swing in the Lower Rio Grande Valley of Texas and is making rapid progress in the Corpus Christi area. Many early fields are up to a stand. Satisfactory progress is being made in the preparation of land for cotton and corn in central and northern counties of the District and for cotton and sorghums in the irrigated sections of Arizona, New Mexico, and west Texas. Early planted corn fields in south Texas are up to a stand, and planting of sorghums and corn is well advanced in the Coastal Bend counties of Texas. Indications are that a substantial portion of the acreage taken out of cotton will be planted in grain sorghums or corn.

Production of winter commercial vegetables in Texas this season is estimated by the United States Department of Agriculture to be 17 percent larger than a year ago. Conditions have been generally favorable in most sections during January and February, and harvest is active in all areas. Preparation for spring commercial vegetable production is making rapid progress, with considerable acreage of cantaloupes up to a stand in the Lower Rio Grande Valley and Laredo section of Texas. Tomato plants in hotbeds in the east Texas area are making good growth, and the planting of the north Texas onion crop is virtually complete. Reports from the Panhandle of Texas on growers' planting intentions indicate a reduction of about 50 percent in summer potato acreage this year as compared with 1953.

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	January 1954	January 1953	December 1953	January 1954	January 1953	December 1953
Cattle.....	61,461	52,613	73,920	29,426	21,467	31,029
Calves.....	19,587	20,743	29,198	19,934	12,420	26,346
Hogs.....	44,269	87,728	44,522	—	—	—
Sheep.....	69,346	42,696	43,563	110,599	18,832	17,983

¹ Includes goats.

Ranges and pastures in the eastern half of the District are providing abundant grazing, while green feed is generally lacking in most other areas. Some small grain fields in west and northwest Texas continue to be grazed, but growth has been limited during the past month because of lack of moisture. In general, small grain pastures have provided good to excellent grazing during the winter months, with cattle and sheep making rapid gains. Severe drought continues to prevail in extreme southwest Texas and in southern New Mexico. There has been virtually no cured range feed in these sections during the winter, and surface moisture is badly needed to stimulate the growth of spring grasses. Supplemental feeding continues in these areas, and livestock numbers have been reduced substantially.

Cattle and calves are reported to be in fair to good condition in most sections of the District, except in the drought areas. Reports from the Edwards Plateau sheep country of Texas indicate that breeding ewes are being maintained with heavy supplemental feeding. Small grain pastures were grazed off in late December and early January, and lambs were moved to packers or to feed lots.

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended	Comparable	Comparable
		Feb. 18, 1954	week last month	week last year
COTTON, Middling 15/16-inch, Dallas...	lb.	\$.3410	\$.3292	\$.3250
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.68½	2.71¼	2.65¼
OATS, No. 2 white, Fort Worth.....	bu.	1.04¼	1.07½	1.01
CORN, No. 2 yellow, Fort Worth.....	bu.	1.81	1.81½	1.82½
SORGHUMS, No. 2 yellow, Fort Worth...	cwt.	2.93	2.97	3.20
HOGS, Choice, Fort Worth.....	cwt.	26.75	26.50	21.25
SLAUGHTER STEERS, Choice, Fort Worth...	cwt.	22.75	23.25	23.50
SLAUGHTER CALVES, Choice, Fort Worth...	cwt.	20.00	20.00	24.50
STOCKER STEERS, Choice, Fort Worth....	cwt.	22.00	21.00	24.00
HENS, 4 pounds and over, Fort Worth.....	lb.	.23	.25	.24
FRYERS, Commercial, Fort Worth.....	lb.	.23	.25½	.27
BROILERS, south Texas.....	lb.	.25	.25	.26
EGGS, Graded and candled, Fort Worth...	case	15.00	15.50	12.50

Prices of most agricultural commodities in the District continue steady to strong, compared with recent months. Prices of all livestock held steady during February, while seasonal increases were recorded for most grains and for cotton. Prices of commercial broilers continue weak.

Recent congressional action increased cotton acreage allotments. The national allotment was raised from 17,910,000 acres to 21,379,000 acres. All states shared in the increase, but the 1954 allotments for most states are below the acreages planted in 1953. Percentage declines in District states are: Arizona, 36; New Mexico, 27; Louisiana, 21; and Texas, 10. The allotment for Oklahoma is 4 percent above the acreage in cultivation in 1953 because of the reduction in plantings in 1953 due to drought.

The number of all cattle and calves on farms and ranches in the United States increased about 1,000,000 head during 1953, according to the United States Department of Agriculture. Increases were recorded in all but seven states. The Department also reports moderate increases in the numbers of milk cows, chickens, and turkeys. Declines were recorded for hogs, sheep, horses, and mules.

LIVESTOCK ON FARMS, JANUARY 1

Texas, Five Southwestern States, and United States

(in thousands)

	Texas		Five southwestern states ¹		United States	
	1954p	1953	1954p	1953	1954p	1953
All cattle.....	6,587	8,853	15,828	16,026	94,677	93,637
Milk cattle.....	1,554	1,621	3,137	3,179	37,587	36,744
Beef cattle.....	7,033	7,232	12,691	12,847	57,090	56,893
All sheep.....	5,291	5,574	7,362	7,637	30,902	31,861
Stock sheep.....	5,191	5,464	7,130	7,432	26,905	27,700
Feeders.....	100	110	232	205	3,997	4,161
Hogs.....	906	1,119	1,704	2,155	48,179	54,294
Goats ²	2,044	1,910	2,044	1,910	2,044	1,910
Horses.....	269	286	610	654	3,432	3,798
Mules.....	75	89	183	209	1,603	1,753
Total above species.....	17,172	17,831	27,731	28,591	180,837	187,253
Chickens ³	21,184	20,455	34,423	34,018	439,271	429,731
Turkeys.....	609	615	719	731	5,323	5,305

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.

Contrary to the national trend, the number of all cattle and calves declined 3 percent in Texas, 5 percent in New Mexico, and 4 percent in Arizona, reflecting the effects of the drought last year. Oklahoma and Louisiana showed increases of 3 and 4 percent, respectively. The net change for the five District states was a decline of about 1 percent.

The number of milk cattle showed little change in the District. Declines in Texas and New Mexico were offset by increases in Arizona and Louisiana; Oklahoma reported no change. In line with national trends, the numbers of sheep, hogs, horses, and mules in District states declined in 1953; the number of chickens, excluding commercial broilers, increased slightly. The number of goats on Texas farms and ranches also rose.



Net profits in 1953 of all member banks in the United States amounted to \$865,000,000, up 4.3 percent from 1952, according to preliminary figures released February 8 by the Board of Governors of the Federal Reserve System. The rise in net profits reflects principally an expansion of \$466,000,000, or 11.3 percent, in current operating earnings, with earnings on loans and United States Government securities increasing 14.1 percent and 8.4 percent, respectively. About four-fifths of the rise in current earnings was absorbed by increases of 11.2 percent in current operating expenses and 14.8 percent in taxes on net income. In 1953, member banks declared cash dividends (including interest on capital notes and debentures) of \$421,000,000, as compared with \$390,000,000 in 1952.

Member banks in the Eleventh District reported net profits of \$41,796,000 for 1953, an increase of 1.8 percent compared with 1952. Although earnings from Government securities and loans rose 10.7 percent and 7.1 percent, respectively, current operating expenses showed an even greater relative rise of 11.8 percent and absorbed most of the expansion in current earnings. Taxes on net income in 1953 were up 11.4 percent from 1952. Member banks in the District declared cash dividends of \$20,961,000 during the year, reflecting a year-to-year increase of \$955,000, or 4.8 percent.

Effective February 5, the Federal Reserve Banks of Boston, New York, Philadelphia, St. Louis, Minneapolis, and San Francisco reduced their discount rates (which apply to discounts for and advances to member banks under the provisions of Sections 13 and 13a of the Federal Reserve Act) from 2 percent to 1¾ percent. Subsequently, the discount rates of the other Reserve banks were reduced, effective within the period February 9-15. The lower rate at the Dallas bank became effective February 15. Lowering of the discount rates reflects principally a recognition of the general decline which has occurred during recent months in market rates for short-term funds.

The Secretary of the Treasury announced on February 15 that investors accepted \$7,012,000,000 of the new 1-year 1⅝-percent certificate of indebtedness and \$11,167,000,000 of the new 7-year and 9-month 2½-percent bond in exchange for their holdings of the February 15 and March 15 maturities and the bonds maturing or called for redemption on June 15. The five issues which were eligible, in whole or in part, for the exchange offerings were outstanding in the amount of \$20,796,000,000.

Holders of the 2¼-percent certificates which matured February 15 in the amount of \$8,114,000,000 and the 1⅝-percent notes maturing March 15 in the amount of \$4,675,000,000 were offered the choice of exchanging their securities for either the new certificate or the new bond. However, holders of the 2-percent bonds maturing June 15 (in the amount of \$5,825,000,000), the 2¼-percent bonds of 1952-55

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

(Amounts in thousands of dollars)

City	DEBITS ¹			DEPOSITS ²			
	January 1954	Jan. 1953	Dec. 1953	Jan. 31, 1954	Jan. 1954	Jan. 1953	Dec. 1953
		Percentage change from			Annual rate of turnover		
		Jan. 1953	Dec. 1953	Jan. 31, 1954	Jan. 1954	Jan. 1953	Dec. 1953
ARIZONA							
Tucson.....	\$ 107,160	-12	-2	\$ 84,984	15.0	15.8	15.2
LOUISIANA							
Monroe.....	51,472	-9	-2	43,356	13.9	15.4	14.4
Shreveport.....	218,831	3	‡	165,057	15.5	15.1	15.0
NEW MEXICO							
Roswell.....	27,526	-1	7	30,125	10.9	11.4	10.3
TEXAS							
Abilene.....	60,444	8	2	54,601	13.2	12.8	13.2
Amarillo.....	124,045	-14	-4	99,397	14.9	16.2	15.4
Austin.....	111,551	1	-3	101,327	13.0	13.4	13.7
Beaumont.....	122,087	-13	-12	101,463	14.3	17.0	16.4
Corpus Christi.....	152,229	-6	6	101,939	17.4	18.1	16.0
Corsicana.....	15,397	-4	-7	22,130	8.3	9.0	8.9
Dallas.....	1,892,512	6	-10	927,296	24.2	24.0	27.5
El Paso.....	210,835	-12	-7	126,943	19.4	21.7	21.4
Fort Worth.....	533,710	-5	-9	338,420	18.8	20.0	20.9
Galveston.....	77,992	-6	-2	79,731	11.6	14.3	11.8
Houston.....	1,724,281	-1	-9	1,095,861	18.4	20.0	20.0
Laredo.....	21,539	-13	‡	18,537	13.7	14.2	13.4
Lubbock.....	135,446	-6	-8	93,123	17.8	16.7	20.5
Port Arthur.....	45,801	-8	-8	38,430	14.3	15.4	15.6
San Angelo.....	39,212	3	2	45,772	10.3	9.6	10.3
San Antonio.....	381,159	-3	-4	307,165	14.6	14.9	15.1
Texarkana ³	18,094	-13	-2	18,310	11.9	11.8	12.2
Tyler.....	58,954	-3	-2	56,911	12.1	13.7	12.2
Waco.....	75,884	-4	-7	64,809	13.6	15.1	14.4
Wichita Falls.....	81,613	-9	-8	102,873	9.5	11.0	10.4
Total—24 cities.....	\$6,287,774	-1	-8	\$4,118,560	18.0	18.8	19.6

¹ Debits to demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.

² Demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.

³ These figures include only one bank in Texarkana, Texas. Total debits for all banks in exarkana, Texas-Arkansas, including two banks located in the Eighth District, amounted to \$138,022,000 for the month of January 1954.

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

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 15, 1954	Feb. 15, 1953	Jan. 15, 1954
Total gold certificate reserves.....	\$ 789,478	\$ 665,584	\$ 831,768
Discounts for member banks.....	25,000	49,180	0
Industrial advances.....	0	0	0
Foreign loans on gold.....	705	945	705
U. S. Government securities.....	985,366	1,153,318	997,078
Total earning assets.....	1,011,071	1,203,443	997,783
Member bank reserve deposits.....	1,001,038	1,081,871	1,090,408
Federal Reserve notes in actual circulation.....	712,860	728,979	723,407

which are called for redemption on June 15 (outstanding in the amount of \$1,501,000,000), and the 2¼-percent bonds of 1954-56 which also are called for redemption on June 15 (outstanding in the amount of \$681,000,000) were offered only the new bond in exchange for their holdings. Owners of about 98.6 percent of both the February maturity and the March maturity accepted the refunding issues.

Between January 15 and February 15, total earning assets of the Federal Reserve Bank of Dallas rose \$13,288,000, reflecting an increase in discounts for member banks and a less-than-offsetting reduction in holdings of United States Government securities. Other changes reflected in the condition statement of the bank included substantial decreases in member bank reserve deposits and gold certificate reserves. On February 15, Federal Reserve notes of this bank in actual circulation amounted to \$712,860,000, as compared with \$728,979,000 on February 15, 1953.

Marked reductions occurred in most major categories of assets and liabilities of the weekly reporting member banks between January 20 and February 17. These decreases were largely seasonal but, in most cases, were greater than a year ago. Reflecting these changes, total resources declined \$319,077,000, or 6.2 percent, to a total of \$4,854,526,000 on February 17.

Deposits of the weekly reporting member banks declined sharply during the 4 weeks, falling \$341,009,000, or 7.1 percent. Demand deposits accounted for practically all of the reduction. Individuals and businesses drew heavily against their demand accounts, reflecting in part income tax payments and a temporary "unfavorable" balance in interdistrict commercial and financial transactions. Interbank deposits and deposits of states and political subdivisions were reduced substantially, while Government deposits rose by about one-third. Time deposits of individuals and businesses increased.

In meeting the heavy decline in deposits, these banks drew down their cash and balances in the amount of \$253,684,000,

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
January 1952....	\$6,779,455	\$714,332	\$3,162,301	\$391,577	\$3,617,154	\$322,755
January 1953....	7,109,145	798,393	3,387,726	428,928	3,721,419	369,465
September 1953..	6,647,956	912,860	3,236,056	501,477	3,411,900	411,383
October 1953....	6,719,484	925,358	3,263,306	508,529	3,456,178	416,829
November 1953..	6,948,849	936,175	3,369,875	516,162	3,578,974	420,013
December 1953..	7,104,841	971,988	3,453,418	545,675	3,651,423	426,313
January 1954....	7,232,657	993,495	3,517,349	561,053	3,715,308	432,442

CONDITION STATISTICS OF WEEKLY REPORTING
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 17, 1954	Feb. 18, 1953	Jan. 20, 1954
ASSETS			
Commercial, industrial, and agricultural loans....	\$1,285,503	\$1,203,212	\$1,298,919
Loans to brokers and dealers in securities.....	10,782	11,452	10,965
Other loans for purchasing or carrying securities..	74,499	68,361	74,238
Real estate loans.....	131,051	131,028	132,106
Loans to banks.....	16,908	18,183	1,109
All other loans.....	399,729	376,239	402,189
Gross loans.....	1,918,472	1,808,475	1,919,526
Less reserves and unallocated charge-offs..	17,106	18,704	17,067
Net loans.....	1,901,366	1,789,771	1,902,459
U. S. Treasury bills.....	90,852	139,913	155,898
U. S. Treasury certificates of indebtedness.....	203,135	152,993	262,003
U. S. Treasury notes.....	160,083	128,233	199,869
U. S. Government bonds (inc. gtd. obligations)....	783,572	693,043	684,375
Other securities.....	200,684	176,254	197,518
Total investments.....	1,438,326	1,380,436	1,499,663
Cash items in process of collection.....	325,501	305,944	435,339
Balances with banks in the United States.....	445,450	412,063	550,077
Balances with banks in foreign countries.....	1,202	1,313	1,564
Currency and coin.....	44,764	45,053	47,562
Reserves with Federal Reserve Bank.....	589,123	605,349	625,182
Other assets.....	108,794	101,979	111,757
TOTAL ASSETS.....	4,854,526	4,641,908	5,173,603
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,584,421	2,490,623	2,776,411
United States Government.....	94,898	112,469	69,944
States and political subdivisions.....	203,104	221,835	230,410
Banks in the United States.....	853,841	840,242	977,978
Banks in foreign countries.....	9,653	10,334	10,575
Certified and officers' checks, etc.....	45,145	53,976	66,200
Total demand deposits.....	3,791,062	3,729,479	4,131,068
Time deposits			
Individuals, partnerships, and corporations....	527,767	447,994	519,202
United States Government.....	10,142	10,383	10,144
Postal savings.....	450	450	450
States and political subdivisions.....	106,338	56,649	115,904
Banks in the U. S. and foreign countries.....	1,388	1,070	1,388
Total time deposits.....	646,085	516,546	647,088
Total deposits.....	4,437,147	4,246,025	4,778,156
Bills payable, rediscounts, etc.....	32,250	35,150	14,000
All other liabilities.....	59,845	61,372	59,952
Total capital accounts.....	325,284	299,361	321,495
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	4,854,526	4,641,908	5,173,603

or 15.3 percent, and reduced their investments by \$61,337,000, or 4.1 percent. Holdings of Treasury bills, certificates, and notes declined markedly, while investments in Government bonds and other securities increased. Changes in holdings among certificates, notes, and bonds reflected, in part, Treasury refunding operations.

Commercial, industrial, and agricultural loans declined \$13,416,000, or 1.0 percent, between January 20 and February 17, which contrasts with a mild increase during the comparable weeks of 1953. Some loan reduction was offset by member bank purchases of CCC certificates of interest which were issued February 2. Sales finance companies, commodity

NEW PAR BANK

The First State Bank, Covington, 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 15, 1954. The officers are: R. L. Cowan, President; S. C. Thames, Vice President; and R. J. Capps, Cashier.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 27, 1954	Jan. 28, 1953	Dec. 30, 1953
ASSETS			
Loans and discounts.....	\$3,082	\$2,871	\$3,065
United States Government obligations.....	2,483	2,462	2,441
Other securities.....	460	421	460
Reserves with Federal Reserve Bank.....	1,019	1,041	1,024
Cash in vault.....	139	122	141
Balances with banks in the United States.....	1,092	999	1,264
Balances with banks in foreign countries ^e	2	1	1
Cash items in process of collection.....	320	279	340
Other assets ^e	157	141	155
TOTAL ASSETS^e.....	8,754	8,337	8,891
LIABILITIES AND CAPITAL			
Demand deposits of banks.....			
	1,052	969	1,158
Other demand deposits.....	6,057	5,961	6,109
Time deposits.....	1,001	801	983
Total deposits.....	8,110	7,731	8,250
Borrowings ^e	8	17	0
Other liabilities ^e	70	67	71
Total capital accounts ^e	566	522	570
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^e..	8,754	8,337	8,891

e—Estimated.

dealers, grain and milling concerns, and manufacturers in the food and liquor lines were among the more important borrowers who repaid substantial amounts of outstanding loans.

With the exception of an increase in loans to banks, changes in other categories of loans were relatively nominal. On February 17, loans of the weekly reporting member banks amounted to \$1,918,472,000, up 6.1 percent from the comparable year-earlier total.



The outstanding development in the petroleum picture during January and the early part of February was the sharp decline in the Nation's primary stocks of distillate fuel oil. In the 6 weeks ended February 13, distillate fuel oil stocks dropped almost 40,000,000 barrels, or 35 percent, compared with a decline of 25,000,000 barrels during the same period a year ago. The recent decline has improved greatly the position of distillate stocks. On February 13 they were about 2 percent lower than a year earlier; whereas, at the end of December, they showed a year-to-year increase of 13 percent.

The decline in distillate stocks was accompanied by a marked decrease in kerosene stocks and a moderate decrease in stocks of residual fuel oil. On February 13, primary stocks of kerosene were 8 percent less than a year earlier; residual fuel oil stocks were about the same as a year ago.

The improvement in the stock position of heating oils during this recent 6-week period was offset by seasonal increases in gasoline stocks. On February 13, gasoline stocks were at an all-time high of 176,000,000 barrels and were 21,000,000 barrels, or 14 percent, higher than a year earlier. If such stocks follow seasonal trends of the past, they may be expected to register further increases until the latter part of March.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	January 1954 ¹	January 1953 ²	December 1953 ¹	Change from	
				January 1953	December 1953
ELEVENTH DISTRICT.....	2,968.2	3,231.9	2,907.9	-263.7	60.3
Texas.....	2,663.5	2,934.3	2,609.2	-270.8	54.3
Gulf Coast.....	582.4	661.0	577.9	-78.6	4.5
West Texas.....	1,016.3	1,152.1	970.9	-135.8	45.4
East Texas (proper).....	230.9	260.8	231.5	-29.9	-6
Panhandle.....	78.6	75.0	77.6	3.6	1.0
Rest of State.....	755.3	785.4	751.3	-30.1	4.0
Southeastern New Mexico.....	195.8	176.1	190.6	19.7	5.2
Northern Louisiana.....	108.9	121.5	108.1	-12.6	.8
OUTSIDE ELEVENTH DISTRICT.....	3,341.1	3,323.4	3,312.1	17.7	29.0
UNITED STATES.....	6,309.3	6,555.3	6,220.0	-246.0	89.3

SOURCES: ¹ Estimated from American Petroleum Institute weekly reports.² United States Bureau of Mines.

A resumption of the declining trend of the Nation's crude stocks was apparent in late January and early February, after stocks leveled out following marked decreases in November and December. Crude oil stocks of District origin have shown an almost uninterrupted decline since mid-November. National crude stocks on February 13 totaled 266,100,000 barrels, or 5,800,000 barrels below a year earlier; crude stocks of District origin amounted to 134,600,000 barrels, or 10,200,000 barrels less than a year ago.

Demand for petroleum products during January and early February apparently reached record levels, as below-normal temperatures over widespread areas were a powerful stimulus to the lagging demand for home-heating oils. Total demand for major refined products at refineries and bulk terminals during the 5 weeks ended February 13 averaged 7,479,000 barrels per day, up about 8 percent from the same period last year. Demand for distillate fuel oil and kerosene was up 18 percent and 22 percent, respectively, over a year earlier. The demand for gasoline continued to show year-to-year increases, with a gain of 3 percent. On the other hand, demand for residual fuel oil was down 2 percent from a year ago. The relatively unfavorable showing by residual fuel oil is related to the downturn in industrial production, including the lower rate of steel mill operations.

Daily average crude oil production in the District rose moderately in January after five consecutive monthly declines, and a further slight increase was evident in the early part of February. Production in the first 2 weeks of February averaged an estimated 2,972,000 barrels per day, which is about 4,000 barrels higher than in January although 249,000 barrels lower than in February a year ago. The January rate was up about 60,000 barrels from December. A marked increase is expected in District production during March in view of the Texas Railroad Commission's raising the allowances for that month 159,266 barrels above the mid-February level. The March allowable is the highest for Texas since September 1953.

In the Nation, daily average crude oil production in the first part of February showed a small decline, which contrasts with the slight increase in District production. The Nation's crude oil production averaged an estimated 6,298,000 barrels per day, or 11,000 barrels less than in January and 264,000 barrels less than in February a year earlier.

Refinery activity in both the District and the Nation has continued to be held down in order to work off stocks. Crude runs to refinery stills in the District in January averaged an estimated 1,994,000 barrels per day, or 14,000 barrels less than in December and 127,000 barrels less than a year earlier. In the Nation, refinery crude runs averaged an estimated 6,985,000 barrels per day, which is about the same as in December and 57,000 barrels less than in January a year ago. During the first part of February, refinery crude runs in the United States averaged a little lower than in January but in the District were unchanged.



Nonagricultural employment in District states in December totaled 3,913,700, or 3,300 less than a year earlier. Manufacturing employment, at 718,100, was 4,100 workers below December 1952. Rising seasonally, trade and government categories accounted for most of the gains over November, but these were outweighed by heavy losses in manufacturing and construction employment.

The loss in manufacturing employment in the District from November to December was 12,600 workers, which is more than four times the largest November-to-December manufacturing employment loss in any of the past 5 years. This figure includes about 1,600 metal-fabricating industry workers in Texas who were on strike in December but returned to work in January. Nevertheless, the December reports show a continuation of the decline in manufacturing activity which started in August 1953. The rest of the November-to-December decrease in nonagricultural employment in District states stemmed from an earlier-than-usual seasonal decline in food-processing employment; a sharp reduction in lumber employment; and moderate decreases in ordnance, apparel, petroleum, machinery (except electrical), and primary metals employment.

Unofficial estimates of total nonagricultural employment in District states through February indicate a sharper-than-usual seasonal decline. The February total was 3,763,000, or 1 percent below a year earlier. Manufacturing employment in February is estimated at 705,000 workers, or more than 1

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Dec. 1953 from	
	December 1953p	December 1952	November 1953	Dec. 1952	Nov. 1953
Total nonagricultural wage and salary workers..	3,913,700	3,917,000	3,876,100	-.1	1.0
Manufacturing.....	718,100	722,200	730,700	-.6	-1.7
Nonmanufacturing.....	3,195,600	3,194,800	3,145,400	.02	1.6
Mining.....	226,800	224,300	227,200	1.1	-.2
Construction.....	286,100	290,600	292,200	-1.5	-2.1
Transportation and public utilities.....	405,900	419,100	408,200	-3.1	-.6
Trade.....	1,025,200	1,025,100	989,200	0	3.6
Finance.....	151,200	142,900	150,500	5.8	-.5
Service.....	445,500	435,700	446,800	2.2	-.3
Government.....	654,900	657,100	631,300	-.3	3.7

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

p—Preliminary.

SOURCE: State employment agencies.

LUMBER ACTIVITY IN TEXAS



SOURCES: Southern Pine Association, Texas Employment Commission.
* Includes entire lumber and wood products industry.
† As reported by a selected group of southern pine mills.

percent below a year ago. Hours worked per week by manufacturing employees in these states averaged 40.4 hours in February, compared with 41.7 in February 1953.

A recent Bureau of Mines report on iron ore production in 1953 shows that Texas ranked tenth among all the states. Texas produced 1,000,000 gross tons of iron ore last year, or 28 percent more than in 1952. The Bureau of Mines also reports that on a tonnage basis, metals mining in Arizona declined significantly in 1953. The decreases for individual metals were: Silver, 7 percent; copper, 1 percent; lead, 44 percent; and zinc, 42 percent. Gold production in Arizona was virtually unchanged from 1952. Because of a large price increase for copper, the value of Arizona's metal production last year was 9 percent more than in 1952. Arizona remained the largest copper-producing state in the United States and ranked fourth in silver production, fifth in gold, eighth in lead, and tenth in zinc. The State ranked first in the value of production of these five metals.

Important changes have been occurring in the lumber and wood products industry in Texas. One of the more significant has been a steady drop in employment. As of December 1953, there were 23 percent fewer workers employed in this industry than in August 1950; the number declined over 8 percent during 1953. In early 1950 the lumber and wood products industry in Texas was the third largest employer of manufacturing workers but was down to the ninth position in December 1953.

Although figures on the production of southern pine in Texas are limited to those from a number of regularly reporting producers and omit many small producers, they indicate that southern pine production in 1953 was only 2 percent below that of 1952. The industry has been able to maintain production, while reducing employment, by greater mechanization and centralization of operations and by a heavy overtime work schedule. Employees in lumber and wood products firms worked an average of 44.5 hours per week in 1953, compared with 43.8 hours in 1952. Average hourly earnings in December 1953 were about the same as a year earlier and 4 percent above the December 1951 level.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	January 1954p	January 1953	December 1953
ELEVENTH DISTRICT.....	\$ 96,769	\$ 99,325	\$ 118,403
Residential.....	49,876	48,404	29,507
All other.....	46,893	50,921	88,896
UNITED STATES ¹	1,151,987	1,075,868	1,299,764
Residential.....	462,482	460,036	433,500
All other.....	689,505	615,832	866,264

¹ 37 states east of the Rocky Mountains.

p—Preliminary.

SOURCE: F. W. Dodge Corporation.

Stocks of southern pine lumber held by producers increased considerably in the last 6 months of 1953. As shown in an accompanying chart, stocks of southern pine in December were 24 percent higher than in June and 34 percent above a year earlier.

The value of construction contracts awarded in the District in January is estimated at \$96,769,000, which is only about \$2,500,000 less than the January 1953 figure and lower than the January 1951 total but considerably higher than in any other January of record. Awards for residential building were valued at \$49,876,000; this is 3 percent above a year earlier and the second highest January value of record. All other construction contract awards totaled \$46,893,000, down about \$4,000,000 from January 1953.

Construction contracts awarded in the District in the fourth quarter of 1953 totaled \$343,000,000, which is below the record fourth-quarter total of \$384,000,000 a year earlier but is more than \$30,000,000 above awards in the last 3 months of any other year.

Since mid-1952 the number of residential units under construction in Dallas has moved upward slowly, according to reports of the Dallas Power and Light Company. The total of 2,420 units on January 30, 1954, was almost 800 more than a year earlier and the largest number reported in 3½ years. There were 8,057 one-family residential units completed in Dallas in 1953, or 122 units more than in 1952. The year 1953 was one of 4 years of record in which the number of residential units completed exceeded 8,000; the record of 10,641 occurred in 1950.

BUILDING PERMITS

City	January 1954		Percentage change in valuation from	
	Number	Valuation	January 1953	December 1953
LOUISIANA				
Shreveport.....	249	\$ 1,611,420	-36	-42
TEXAS				
Abilene.....	91	460,891	-17	26
Amarillo.....	137	1,003,149	-47	20
Austin.....	182	1,366,339	-51	-74
Beaumont.....	180	1,550,403	14	39.5
Corpus Christi.....	364	2,427,191	-12	-44
Dallas.....	1,248	10,577,802	-3	5.5
El Paso.....	325	1,847,167	-11	114
Fort Worth.....	418	2,483,255	-31	-69
Galveston.....	96	166,533	-83	-38
Houston.....	884	11,739,422	23	31
Lubbock.....	221	2,098,443	-#	161
Port Arthur.....	40	100,525	-56	-33
San Antonio.....	1,082	2,759,571	-20	-11
Waco.....	179	1,322,129	122	-5
Wichita Falls.....	68	374,116	-32	-2.5
Total.....	5,764	\$41,888,356	-9	-7

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