

MONTHLY



BUSINESS

REVIEW

FEDERAL RESERVE BANK OF DALLAS

Vol. 39, No. 8

DALLAS, TEXAS

August 1, 1954

MIDYEAR ECONOMIC REVIEW

In retrospect, the first half of 1954 presents an economic scene of contrasts, of moderate deflationary forces, and of comparatively small changes in the levels of production and consumption, combined with elements of pronounced strength in certain sectors. Seldom has there been a period in which so much attention was directed to such minor changes in the measurements of economic activity. Certainly, Americans — and, indeed, people throughout the world — have been observing very closely the progress of readjustment in the United States because of the widespread feeling here and abroad that an American recession is likely to degenerate into a world-wide depression. The fact that recovery in economic conditions in leading foreign countries continued unabated in the face of the American recession generated confidence in both the United States and foreign countries.

The effects of the recession have been distributed unevenly among the various groups of the population. Although perhaps its most impressive characteristic has been its mildness, the recession has affected most industrial sectors of the economy and most geographic areas, some quite severely. Yet, other sectors of the economy — such as construction — have continued at a record pace. To most Americans, the first 6 months of 1954 was a period of continuing prosperity. Total individual incomes remained high, prices at both wholesale and retail continued generally stable, the cost of borrowing money was reduced further to low levels, and the supply and quality of consumer goods were even better than in previous years. To some extent, actual benefits could be discerned, such as lower costs of raw materials and some competitive reductions in the effective price of consumer goods — particularly durable goods.

To that shifting group of unemployed workers, averaging about 5 percent of the labor force, the first half of 1954 was a period of varying degrees of hardship, consisting of lowered incomes, a declining standard of living, and perhaps a major upheaval in their customary way of life. In addition, many other workers felt some of the effects of declining production schedules, as their hours of work were reduced from an overtime level to which they had become accustomed to a point below 35 hours a week, and they were virtually unemployed at

irregular intervals. While unemployment benefits softened the effect of income loss, they did not compensate for the full pay envelope.

Likewise, the businessmen of the Nation were unevenly affected by the readjustment period. In general, those dealing in durables — either producers or distributors — were more directly and adversely affected than those manufacturing or distributing nondurable goods. However, nearly all businessmen had to contend with the more vigorous competitive spirit which prevailed in most markets. This renewed competition has meant some shading of quoted prices, as well as some price reductions and a narrowing of profit margins; but most of the competition has been on the basis of stronger sales efforts, more active solicitation of accounts, and more liberal credit terms, rather than price reductions. Some businesses have been forced to close as profit margins narrowed, while others actually have sold more goods in response to the competitive stimulant.

There is no unanimity of opinion regarding the factors that generated the adjustment or recession which has affected so many people in so many ways. Nevertheless, it appears that three factors have been of major importance. Perhaps the most potent of these was the rapid build-up of inventories, particularly of durable goods, that accompanied the upsurge in production during the year following the settlement of the prolonged steel strike in the summer of 1952. It was inevitable that production substantially in excess of final consumption ultimately would create a top-heavy inventory situation which would necessitate a cutback in production in the absence of an increase of final sales.

A second factor of major significance has been the substantial cutback in Government spending, especially on military goods, which has meant a sizable drop in the production of primary metals, ordnance, machinery, and aircraft. A third factor has been the marked shifts in consumer purchases. Although total personal consumption expenditures have held comparatively steady since the second quarter of 1953, this outward stability obscures the internal shifts among categories. Even in the nondurable goods category, where

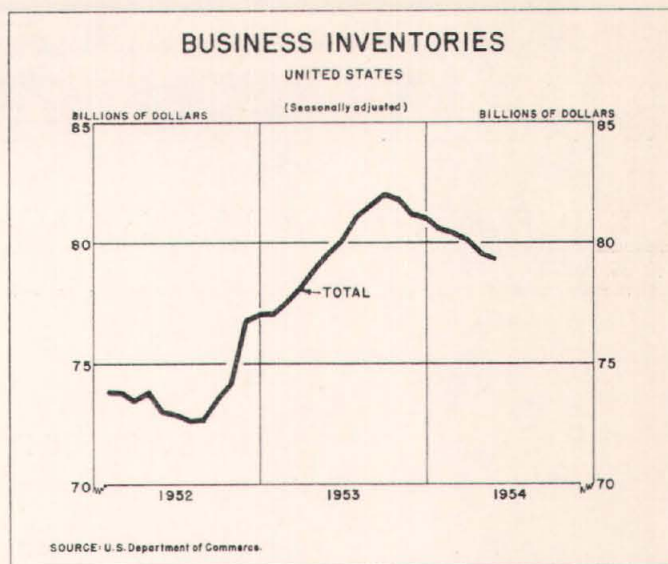
over-all changes have been relatively minor, substantial changes have occurred in the buying of particular goods. In the durable goods category, where overproduction and inventory accumulation were most pronounced, the volume of buying showed a sharp decline through the first quarter of 1954 but a slight increase in the second quarter. The substantial rise in consumer expenditures on services has more than compensated for the total drop in purchases of durable goods. These shifts, while accentuating the problems of the producers and distributors of durable goods, have spurred activity in other sectors.

In some quarters, the accumulation of excessive inventories and the necessity for their reduction to levels commensurate with the current volume of sales are associated with excess plant capacity, which has been expanded greatly during the postwar period. Capacity was constructed to meet abnormal requirements growing out of an unfilled backlog of demand created by shortages during the war period and the emergency defense demands. It should be recognized that, in some industrial sectors, existing productive capacity is capable of producing a volume of goods somewhat greater than that being consumed currently and that this excess may be accentuating the problems of readjustment. At the same time, offsetting factors should be evaluated properly. For several years, industry has been operating, often on an over-time basis, plants which are obsolete to varying degrees. This type of operation is expensive and will be resorted to only as long as it is justified by demand. Over the longer run, the expanding demand emanating from the rising standard of living and growth in population should solve whatever over-capacity problem may exist. In the meantime, it seems improbable that excess capacity, if it exists, will retard significantly the recovery of economic activity from current levels.

The relative importance of these three factors in causing or accentuating the adjustments of the past year and their probable contributions to recovery may be understood better after a review of trends in recent months and an appraisal of the current economic situation.

The persistent downward trend in the important measures of economic activity during the later months of 1953 gave clear evidence that a readjustment was in process. The declines, some of which were of significant proportions, created an air of uncertainty and pessimism among a large segment of the Nation's businessmen. Early in 1954, however, this pessimism began to disappear as the pace of readjustment slowed; in the spring, when the measures of economic activity showed signs of stabilizing, pessimism was replaced by an undertone of confidence. Developments in May and June tended to confirm earlier appraisals, causing a further strengthening of confidence. As changes were recorded in most business measurements during the 6-month period, perhaps the most significant developments were the leveling off of the decline in some sectors of business activity, a slight upturn in other sectors, and a slowing down of the rate of decline in still other areas. Some of the more important changes are reviewed in the following discussion.

Because of the peculiarities of the current adjustment, inventory changes have been observed closely. The growth of



total business inventories, which was unusually rapid during the first half of 1953, continued upward in the third quarter as the decline in sales was more pronounced than the curtailment of production. From the peak inventory level of \$82,000,000,000, seasonally adjusted, in September 1953, there has been a steady liquidation which reduced the total to \$79,422,000,000 at the end of May this year. This total is \$2,600,000,000 under the peak and \$450,000,000 lower than in May 1953.

The decline of \$2,282,000,000 in manufacturers' inventories from September 1953 to May 1954 accounts for nearly all the reduction in total business inventories, with over-all retail and wholesale inventories down only slightly. This reduction, which has occurred chiefly in durable goods, has had, in turn, a noticeable effect on the production of such goods. There is considerable evidence that some inventory readjustments are nearly complete. However, in some lines—such as steel, automobiles, and petroleum—the weight of present opinion sustains the belief that further liquidation must be accomplished before production schedules can be improved.

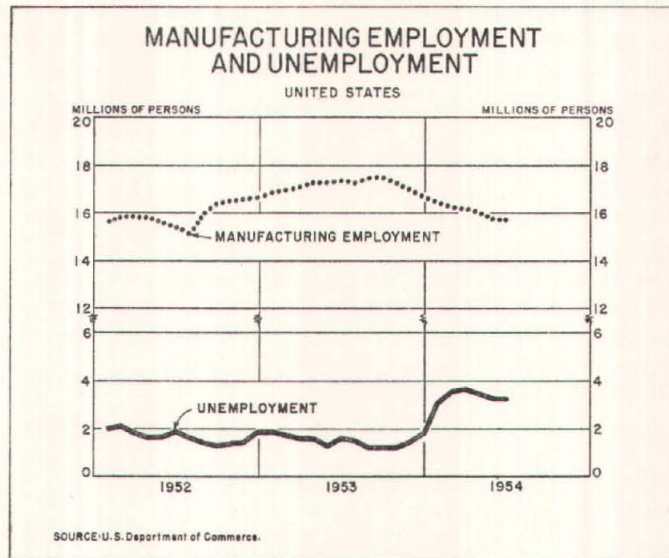
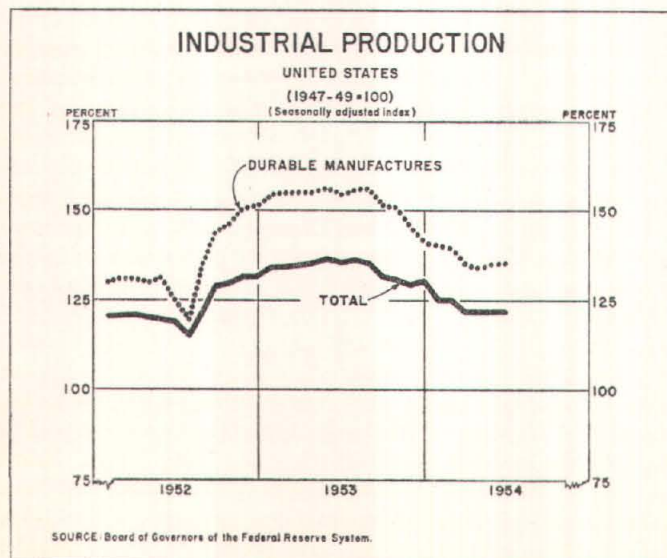
The process of liquidating and balancing inventories has necessitated a sharp reduction in new orders to manufacturers. Durable goods producers have taken most of this reduction; consequently, their unfilled orders decreased nearly \$23,000,000,000 in the past year. When inventories are again in balance with current demand, the downward trend of unfilled orders for durable goods manufacturers should end. Until such time, the lower production schedules occasioned by the decline in new orders probably will continue.

Industrial production, as measured by the seasonally adjusted physical output index, shows in sharp detail the steady declines of late 1953 and early 1954. The index, at 137 in July 1953, declined to 126 in December and 123 in March and April and then recovered slightly to 124 in May and June. The best performance of the three major groups—durables, nondurables, and minerals—has been in the nondurables

category. The index for this group declined from 121 in July 1953 to a low of 112 in December but increased to 116 in June. In general, this reflects the stability of nondurable goods production and the steady demand for such goods. However, within the nondurables category, the rather large reductions in individual production schedules not only have caused some hardships but also have considerable significance to the trend of business in the immediate future.

In both the textiles and apparel group and the rubber and leather products group, rather clear-cut evidence of cyclical movements can be shown for the 1950-54 period. Production in each of these groups reached a peak in late 1950 and a low point 1 year later. A second cycle, with a peak in mid-1953 and a trough in mid-1954, apparently is developing. Consequently, each of these groups could show a rather strong upward trend in the latter half of this year. Conversely, the declining trend evident in refinery runs of crude petroleum may be expected to continue until needed readjustments are made in inventories. The rather large stocks of gasoline and the maintenance of a fairly high level of imports continue to place pressure upon the price structure and the refinery operations of most of the companies in this industry.

Changes in durable goods production were much more pronounced, as the adjusted index moved from 157 in July 1953 to 142 in December and 135 in June. Within the durable goods category, attention has been directed primarily at the production, sales, and inventories of automobile and steel producers. Automobile production, after a record 1953, subsided in early 1954 and for the first half of the year was 11 percent below production in the comparable period a year earlier. Sales of new automobiles during the first 6 months of 1954 were 6 percent below those during the same period of 1953. The monthly changes during the first half of 1954 reflected a greater than seasonal rise, and press releases from Detroit indicate unusually strong sales in June. Inventories of new automobiles in May were 48 percent above a year earlier, but the high level of June sales reduced inventories to a point only 23 percent above June 1953.



Steel production, as shown by the operating rate, indicated a declining trend through April and a moderate increase in May and June but another decline in July. The operating rate declined from 97 percent in June 1953 to 79 percent in December 1953 and 68 percent in April 1954. Since then, some improvement in orders has boosted the operating rate to 71 percent in May and 72 percent in June. The total tonnage of steel produced in the first 6 months of 1954 was approximately 44,129,000 tons, or 24 percent below the 57,946,000 tons produced in the comparable period of 1953.

A further indication of the trend of economic activity is provided by the changes in employment and unemployment. The steady decline in employment was halted in January 1954 at 59,778,000; since then, seasonal forces have caused employment to expand to 62,098,000 in June. Factory employment, however, declined steadily from 17,537,000 in August 1953 to 16,765,000 in December and 15,829,000 in June 1954. To a large extent, the decline in factory employment explains the decrease in total employment and the rather substantial increase in unemployment. Unemployment, which dropped to the abnormally low level of 1,162,000 in October 1953, rose to 1,850,000 in December and reached a peak of 3,725,000 in March this year. Seasonal influences caused a reduction during April and May, although a much less than seasonal increase of only 42,000 occurred in June. The June total of 3,347,000 reflects an increase of 1,785,000 over the unemployment level of June a year ago.

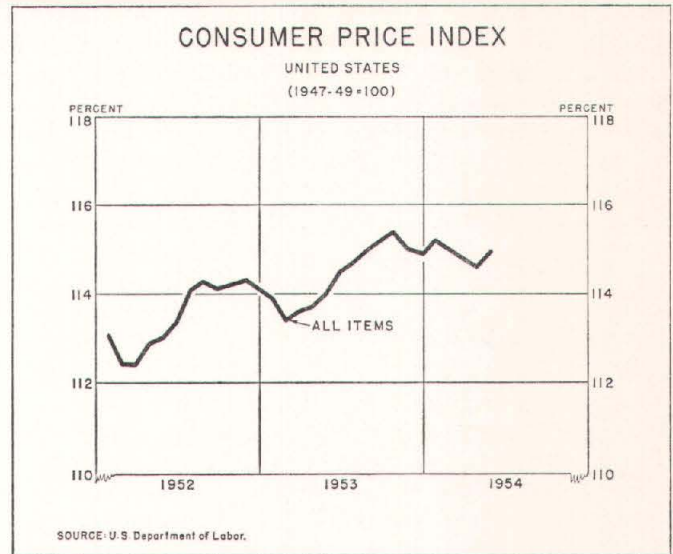
The size of the reduction in governmental expenditures has had a substantial influence on the movement of total economic activity. Comparing the annual rate of expenditures in the second quarter of this year against those in the second quarter of 1953, the decline in defense expenditures more than accounts for the \$5,500,000,000 decrease in total government expenditures, with an increase in state and local government expenditures partially offsetting the decline in Federal Government expenditures.

The changes in many economic indicators have shown clearly the progress of the readjustment period, although

others have exhibited remarkable stability throughout the entire period. For example, personal income, at a seasonally adjusted annual rate of \$286,900,000,000 in May 1953, declined to \$284,900,000,000 in January but increased to \$285,200,000,000 in May to show a gain of \$600,000,000 in the first 5 months of 1954 compared with the January-May period in 1953. Income, excise, and excess profits tax reductions early in 1954 appeared to be of considerable help in maintaining the high level of disposable income, which, in the second quarter of 1954, was \$2,000,000,000 more than in the second quarter of 1953. This has been a major factor in the maintenance of consumer purchases. Some declines in farm income have been reported in 1954, but, generally, those declines have been very moderate.

Throughout the period of readjustment, retail sales, on a seasonally adjusted annual-rate basis, have remained at levels within 5 percent of corresponding 1953 totals and in June were only 1 percent below a year ago. Department store sales for the first 6 months of 1954 were also within 5 percent of those of the comparable period a year ago. Not only have retail sales remained near their early 1953 pace, but prices have been steady. The consumer price index in June, at 115.1, was less than 1 point above that of June 1953. Even if allowance is made for some price shading, which is an outgrowth of competitive haggling and does not show in the indexes, the price stability is quite remarkable in view of the production and employment declines of the past year; however, if viewed in reference to the steadying influences of personal income and retail sales, it is not wholly unexpected. The wholesale price index also has shown relative stability, although its fluctuations, as expected, exceeded those of the consumer price index. The June level of the wholesale price index, at 110.0, was only slightly above the 109.5 level existing in June 1953 and was slightly below the January level of 110.9.

The various factors affecting the agricultural situation — such as the larger export market for some crops and the continuing drought — likewise show contrasting positions, although, on balance, they reveal a mildly deflationary aspect. The outlook at this time is another year of relatively high



crop production, with declines in the production of wheat, cotton, and corn largely offset by increases in sorghums, hay, barley, oats, rice, and soybeans. Total output is not expected to equal the near-record level of 1953. Acreage controls on wheat and cotton lowered the seeded acreage of these crops, and intense heat in the southern sections of the Corn Belt reduced sharply prospective production of this crop.

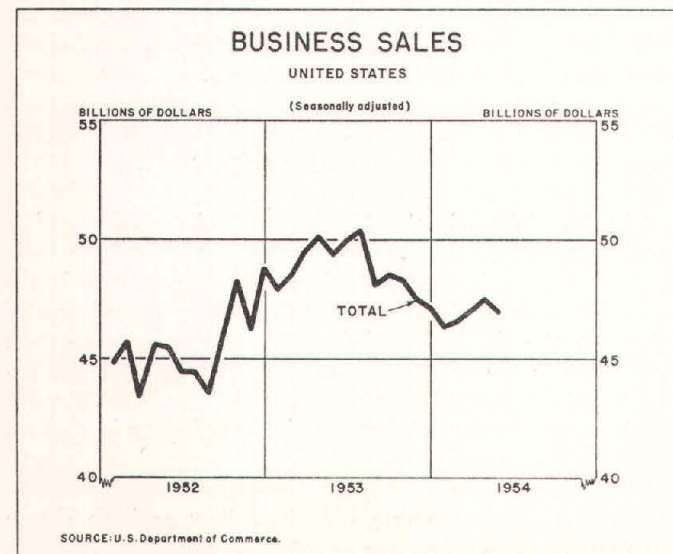
A record-high cattle population and rapid curing of pastures in many areas are expected to cause continued heavy marketings for the remainder of 1954. Production of poultry and of livestock products probably will equal or exceed the volume in 1953.

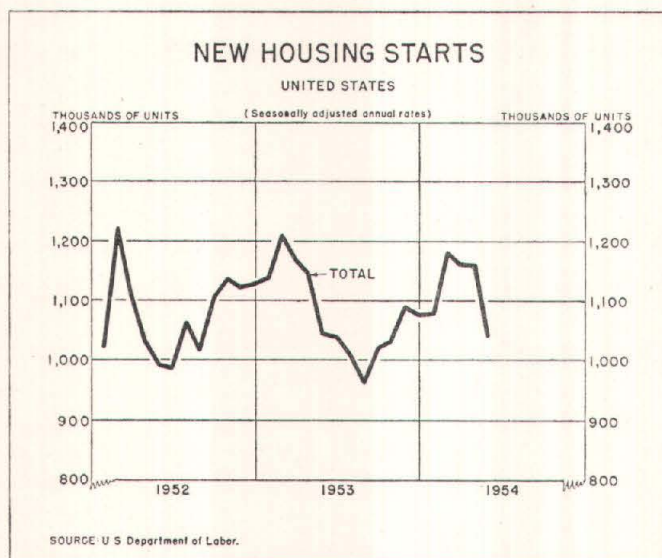
Prices of agricultural commodities during the first 6 months of 1954 averaged about 2½ percent below a year earlier but compared favorably with prices which prevailed in the last half of 1953. Cash farm income during the first 5 months of 1954 was about 4 percent less than during the corresponding period a year earlier.

In many parts of the country, the drought is continuing to cause some damage to crops. In certain sections the situation has become acute, although there has been some relief in other areas. Moisture conditions were much improved in the spring, but the extreme heat in late June and July dissipated the moisture rapidly.

Another stabilizing force has been the continued high level of expenditures for plant and equipment. From the peak of \$28,920,000,000, the seasonally adjusted annual rate in the third quarter of 1953, the rate of such expenditures has declined to an estimated \$26,940,000,000 in the second quarter of this year. Total plant and equipment expenditures for 1954 are expected to be within 5 percent of last year's record. Such expenditures have contributed significantly to the support of the construction industry, the strongest element of economic activity in the first half of this year.

Total new construction, at \$16,600,000,000 for the first 6 months of 1954, was slightly above that of the first 6 months





of 1953 and has been consistently above the previous year's figures for many months. The value of construction contract awards for the 6-month period was 17 percent greater than that of the comparable 1953 period. The strongest segment of construction in the first half of 1954 was residential home building, awards for which have been valued at nearly 22 percent above those of the first half of 1953. The adjusted annual rate of new housing starts was maintained at levels in excess of 1,000,000 throughout the first 6 months of 1954. Some of the impetus toward increased residential construction has been generated by changes in the interest rate structure and a substantial increase in loanable funds.

These shifting currents of economic activity were accompanied by changes in Federal Reserve monetary and credit policy. The policy of moderate restraint in effect early in 1953 was tempered during the spring for the purpose of increasing the availability of credit by enlarging the supply of reserve funds. As the year progressed, System policy was modified to give recognition to the receding levels of economic activity and to create easy credit conditions, with the objective of contributing to stability and growth in the economy.

The initial change in System policy occurred in the period between early May and early July 1953, when a substantial volume of Government securities was purchased to supply reserves to the banking system to ease somewhat the condition of stringency in the money market. Also, effective early in July 1953, reserve requirements against net demand deposits of member banks were lowered to release an estimated \$1,156,000,000 of funds carried as required reserves. During the August-December period, further injections of moderate amounts of Reserve bank credit were made through open market operations to relieve recurring, although temporary, tightness and to facilitate the meeting of seasonal and growth demands for bank credit. A substantial volume of reserves also was provided through the repurchase agreement facility in November and December, when seasonal pressures on member bank reserve positions were at a peak.

In the first half of 1954, Federal Reserve credit policy was effected through its various instruments. Throughout the period, transactions in Government securities were closely attuned to maintaining a condition of active ease in the money market. On balance, holdings of Government securities in the System Account declined moderately — due to net redemptions or sales of Treasury bills largely to absorb reserves created by a return flow of currency in early 1954 — but member bank reserve positions remained comfortably easy, almost without interruption. On a daily average basis, excess reserves of member banks, less borrowings at the Reserve banks, were well over \$500,000,000 in most weeks and fell below \$400,000,000 in only 5 weeks during the period.

Discount rates of the Reserve banks were lowered on two occasions during the 6 months. Effective within the period February 5-15, 1954, discount rates were reduced from 2 percent to $1\frac{3}{4}$ percent, principally in recognition of the general decline which had occurred in market rates for short-term funds. A further reduction, from $1\frac{3}{4}$ percent to $1\frac{1}{2}$ percent, was made in April and May.

In June 1954, a reduction in reserve requirements was announced by the Board of Governors, to become effective within the period from June 16 to August 1, which released an estimated \$1,555,000,000 of reserves. The announcement indicated that the action was taken in anticipation of estimated demands on bank reserves during the summer and fall, including probable private financing requirements as well as the Treasury's financing needs.

The downward readjustment of economic activity since mid-1953 has been accompanied by an expansion in total bank credit demands, with a large increase in investments and a moderate increase in loans. As might be expected, the demand for business loans at commercial banks contracted as sales leveled off and excess inventories were liquidated, even though total loans increased. In contrast to other recent years, commercial and industrial loans of commercial banks declined in the second half of 1953, and the reduction in the first 6 months of 1954 was substantial. The demand for consumer instalment credit, which was well maintained during the latter half of 1953, declined rather sharply in the first quarter of 1954. The increase that occurred in April and May was much smaller than is usual at that season.

The general rise in market rates of interest (as compared with the less attractive yields on guaranteed and insured loans) during the spring and summer of 1953 created a temporary congestion in the market for FHA and VA mortgages, although funds for conventional loans appeared to be in adequate supply at the higher rates. As funds became more plentiful, market rates declined and, together with the attraction provided by an increase in FHA and VA rates to $4\frac{1}{2}$ percent, gradually relieved the congestion in the market for FHA and VA loans. By the spring of 1954, mortgage funds became generally adequate at favorable rates.

Corporate demands for new capital showed a tendency to level off or decline slightly during the first half of 1954, as compared with the very strong demand which had prevailed

throughout 1953. This development stemmed principally from the completion of capital expansion programs, the decline in finance company issues, and the readjustment in business. Corporate demands for capital to finance the modernization of plant and equipment—under the stimulus of a more competitive business climate—have been well sustained.

Borrowing by states and local governments—which has shown a marked rise in recent years—has continued at a high level, as evidenced by the heavy volume of new security issues. These capital demands for the construction of highways, schools, and a wide range of other projects have constituted one of the principal factors in maintaining total credit demands.

Treasury cash requirements, growing out of the excess of expenditures over receipts and the seasonal pattern of Treasury tax collections and other cash flows, necessitated heavy reliance on borrowing in the July-December half of the fiscal year and added substantially to the total demand for funds in that period. These financing requirements fell at a time, however, when private demands for mortgage credit and loans at commercial banks were showing signs of leveling off or easing.

On balance, the foregoing changes have resulted in a general decline in money and capital rates. This development is particularly evident in the changes in yields on Government securities. Market rates on 3-month Treasury bills declined from 2.11 percent in June 1953 to .64 percent in June 1954; 9- to 12-month taxable issues, from 2.46 percent to .76 percent; and 3- to 5-year taxable issues, from 2.92 percent to 1.79 percent. The yield on long-term Treasury bonds, as re-

flected by the fully taxable 2½-percent issues due or first callable in over 12 years, declined from 3.09 percent in June 1953 to 2.54 percent in June 1954.

It is seldom, if ever, possible to formulate a clear picture of the future course of economic activity, but it is possible to gain some impressions from the past movements and to project the trends that seem to be the most likely to occur over the months ahead. Few, if any, qualified observers are anticipating a major upturn in the economy during the last half of the current year; also, few foresee a further retreat of substantial proportions from current levels.

The major factors supporting the position of a business upturn are the trend toward higher levels of consumer spending, prospects for increases in production in certain lines, continued high levels of construction, the anticipated renewal of buying for inventory replacements, and the expected increase in defense expenditures.

The prospect of another downturn in business could be based upon the continued need for inventory liquidation in some lines; the declining trend in expenditures for plant and equipment; and the uncertainties regarding future production of durable goods, notably automobiles and steel.

In view of the limited possibilities in the areas which are expected to exert the strongest influence on movements over the next several months, it would appear that the trend of economic activity is more likely to remain generally stable or to increase slightly than to show a sharp upward or downward movement.



REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Total retail sales at department stores in the Eleventh District during June declined 6 percent from May and 5 percent from June 1953. The May-

June decrease was less than seasonal for the District and compares with a 7-percent decline during the same period last year.

Cumulative monthly sales of District department stores for the first half of 1954 trailed those for the first half of 1953 by 5 percent. Inventories at the end of June were down 8 percent from a year earlier. Collection ratios during June showed virtually no change from either a month ago or a year ago.

Prospects for agricultural production in the District deteriorated somewhat in July, as a prolonged heat wave and poorer moisture conditions adversely affected crops and pastures. Record acreages of rice and sorghums have been seeded.

Crude oil production in the District declined substantially in July, and reduced allowables for Texas, Louisiana, and New Mexico foreshadow a further decrease in August. For the first 6 months of 1954, production averaged 3,046,000 barrels per day, or 111,000 barrels less than in the same period of 1953.

Total nonagricultural employment in the five states of the District is estimated to have declined from June to July. However, manufacturing employment is estimated to have increased slightly.

The value of construction contracts awarded in the District in June was 6 percent below the value of May awards but 17 percent above the total in June 1953. The value of awards for the first half of 1954 was 10 percent above that of the comparable period of 1953.

Commercial, industrial, and agricultural loans of the weekly reporting member banks in the District declined moderately during the 5 weeks ended July 21, while loans secured by real estate and consumer-type loans increased. Investments were reduced, due principally to decreases in holdings of Treasury bills and notes and somewhat smaller additions to Government bonds and certificates. Deposits were down 1 percent over the 5 weeks, with demand deposits of individuals and businesses accounting for most of the change.



Retail sales at District department stores during June declined 6 percent from May and were 5 percent below June 1953. The month-to-month decrease was approximately

3 percentage points less than that usually expected in the District from May to June and compares with a 7-percent decline during the same period last year. The seasonally adjusted index of department store sales in the Eleventh District (1947-49 = 100) rose from 123 percent for May to 127 percent for June, compared with 134 percent for June a year earlier. During the 3 weeks ended July 17, the dollar volume of sales was 9 percent above that in the comparable 3-week period in 1953.

Cumulative sales for the first 6 months of 1954 were 5 percent below those for the same months of 1953. Dollarwise, losses in sales from the preceding year were about equally divided between household durables and the combined total of all other departments. Percentagewise, however, sales of durables declined 13 percent, while sales of all other departments — mainly soft goods — declined only 2 percent. Base-ment store sales were maintained at close to the high level of 1953, showing a cumulative loss of 2 percent over the 6 months. The nonmerchandise departments registered a 6-month gain of nearly 4 percent: The barber and beauty shop trade increased 18 percent, while the volume of business of the restaurant, fountain, and bakery departments, combined, gained 6 percent.

Although year-to-year losses were reported in most of the main store departments during the January-June period, slight to moderate offsetting gains were reported in particular lines. Sales of cotton yard goods rose 3 percent over a year earlier, and sales of junior coats, suits, and dresses

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES			STOCKS ¹	
	June 1954 from		6 mo. 1954 comp. with 6 mo. 1953	June 1954 from	
	June 1953	May 1954		June 1953	May 1954
DEPARTMENT STORES					
Total Eleventh District.....	-5	-6	-5	-8	-7
Corpus Christi.....	6	13	-7	2	-#
Dallas.....	-3	-9	-4	-7	-6
El Paso.....	-7	-4	-8	-7	-11
Fort Worth.....	-5	-6	-6	-5	-6
Houston.....	-5	-7	-5	-11	-8
San Antonio.....	-12	-4	-11	-9	-6
Shreveport, La.....	3	6	-3	-3	-1
Waco.....	-23	-7	-6	-5	-7
Other cities.....	-2	-6	-2	-8	-11
FURNITURE STORES					
Total Eleventh District.....	-12	4	—	-13	-1
Austin.....	3	-5	—	-13	4
Dallas.....	2	4	—	-23	-5
Houston.....	-16	11	—	—	—
Port Arthur.....	-23	10	—	—	—
San Antonio.....	-24	6	—	—	—
Shreveport, La.....	-24	-3	—	-16	-1
Other cities.....	-6	11	—	-7	1
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	-25	18	—	—	—
Dallas.....	-24	29	—	—	—

¹ Stocks at end of month.

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED			ADJUSTED ¹				
	June 1954	May 1954	April 1954	June 1953	June 1954	May 1954	April 1954	June 1953
SALES—Daily average								
Eleventh District.....	112	119	119	118	127	123	120	134
Dallas.....	103	113	116	107	126	115	122	130
Houston.....	128	138	133	135	141	139	134	148
STOCKS—End of month								
Eleventh District.....	121p	130	135	131r	131p	128	127	142r

¹ Adjusted for seasonal variation.

p—Preliminary.

r—Revised.

rose 4 percent. In the shoe departments, cumulative gains of 6 percent and 3 percent were recorded in sales of children's shoes and women's shoes, respectively, while a gain of about 1 percent was reported in sales of men's shoes. Also, during the 6-month periods being compared, sales of fine jewelry and watches increased 16 percent this year.

Inventory policies of District department stores during the first half of 1954 were conservative. Buying was close to current needs, long-term commitments were held to a minimum, cancellations were minimized, and stocks on hand were held at levels consistent with the lower volume of sales. Reflecting the more conservative buying policy, end-of-month orders outstanding through May averaged 22 percent lower than in the same months of 1953; nevertheless, new orders actually placed over the period were only 6 percent below a year earlier, and receipts of new merchandise exceeded sales by approximately 3 percent. At the end of June, total inventories were 7 percent lower than a month earlier and 8 percent lower than a year ago. The seasonally adjusted index of District department store stocks rose 3 points during June to 131 percent of the 1947-49 base period, compared with the 142 percent for June 1953.

Department store credit outstanding at the close of June was about equally divided between regular charge accounts and instalment accounts, and the volume of both types of credit was approximately 1 percent lower than on the same date last year. From January 1 to June 30 this year, charge

account receivables declined 40 percent, compared with a 38-percent decline during the first half of 1953. Over the same period, instalment receivables declined 10 percent this year, in contrast with a 5-percent rise during the same months last year. Collection ratios during June were virtually unchanged from a year earlier, reflecting an average collection period of 65 days for charge accounts and 16 months for instalment accounts.

At reporting furniture stores in the District during June, sales rose 4 percent above those in May but were 12 percent lower than in June 1953. Accounts receivable outstanding declined 1 percent during the month to a total 6 percent lower than a year earlier. Total inventories declined 1 percent from May and on June 30 were 13 percent below the same date last year.



Total acreage of crops for harvest in the District in 1954 is estimated to be slightly larger than in 1953. Reductions in the acreages of cotton and wheat, resulting from the im-

position of acreage controls on these crops, were more than offset by increases in acreages of sorghums, corn, oats, barley, rice, peanuts, and hay, according to estimates by the United States Department of Agriculture. In Texas the acreage planted in the principal crops is estimated at 26,100,000 acres, 13 percent above 1953 and the largest acreage since 1949. Record acreages of rice and sorghums have been seeded. Production estimates of District crops indicate a larger output of corn, wheat, oats, barley, rice, and citrus fruits than in 1953. The first estimate of cotton production will be issued by the Department of Agriculture on August 9.

Crop production prospects in central, northern, and southeastern parts of Texas deteriorated somewhat during July. High temperatures and lack of rainfall retarded the development of cotton and caused some shedding of bolls, reduced late-corn yields, and lowered prospects for sorghums production. However, in virtually all other areas of the District, growing crops made satisfactory development. Widely scattered showers in west Texas, northern Louisiana, and parts

WHOLESALE TRADE STATISTICS

Eleventh Federal Reserve District

(Percentage change)

Line of trade	NET SALES ^p			STOCKS ¹ p	
	June 1954 from		6 mo. 1954 comp. with 6 mo. 1953	June 1954 from	
	June 1953	May 1954		June 1953	May 1954
Drugs and sundries.....	-7	-3	—	-6	2
Dry goods.....	5	9	-11	-15	8
Grocery (full-line wholesalers not sponsoring groups)....	0	2	1	-4	-8
Hardware.....	-8	8	-5	-6	1
Industrial supplies.....	6	-4	3	5	-#
Metals.....	-4	-22	-1	-4	-1
Tobacco products.....	-20	8	-9	-1	-1
Wines and liquors.....	15	9	-7	44	-2

¹ Stocks at end of month.

p—Preliminary.

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

SOURCE: United States Bureau of the Census.

CROP ACREAGE

Texas and Five Southwestern States

(In thousands of acres)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	For harvest 1954	Harvested		For harvest 1954	Harvested	
		1953	Average 1943-52		1953	Average 1943-52
Cotton.....	8,000	8,900	8,642	10,331	11,875	11,275
Winter wheat....	3,116	2,710	4,628	7,922	8,734	10,494
Corn.....	2,197	2,053	3,026	3,338	3,176	5,322
Oats.....	1,885	1,450	1,229	2,757	2,095	2,238
Barley.....	180	90	160	703	289	420
Rye.....	35	35	24	154	133	94
Rice.....	620	574	474	1,243	1,167	1,066
Sorghums.....	9,122	6,516	6,946	11,713	8,812	9,321
Hay.....	1,593	1,473	1,591	4,011	3,739	3,791
Peanuts (alone)...	364	343	728	507	472	997
Flaxseed.....	105	124	119	108	124	138
Irish potatoes....	20	23	39	40	45	90
Sweet potatoes...	33	30	51	131	129	157

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

SOURCE: United States Department of Agriculture.

of the northern Blacklands of Texas brought some relief from the high temperatures. Supplies of irrigation water are ample in the Lower Rio Grande Valley, as a result of torrential rains in the Del Rio area in late June, but are extremely short in the Upper Rio Grande Valley, and cotton production in that area may fall short of earlier expectations.

Cotton acreage in cultivation on July 1 in District states is estimated by the Department of Agriculture at 10,331,000 acres, 18 percent below a year earlier and 7 percent below the 1954 cotton acreage allotment. The 1943-52 average for the five states is 11,344,000 acres. Percentage declines from a year ago for individual states are: Arizona, 40 percent; New Mexico, 35 percent; Louisiana, 27 percent; Texas, 16 percent; and Oklahoma, 6 percent. In the Nation, cotton acreage in cultivation on July 1 is estimated at 19,961,000 acres, 21 percent below the acreage in cultivation a year ago and 11 percent lower than the 1943-52 average.

In Texas the largest declines in cotton acreage were in the northern Blacklands and upper coastal sections. Sharp percentage declines also were reported for the Lower Rio Grande Valley, Trans-Pecos area, and extreme northwest Texas. In the South Plains and the southern part of the Low Rolling Plains, where drought caused a reduction in cotton planting in 1953, the acreage in cultivation on July 1 this year was above a year earlier. The acreage of American-Egyptian cotton in cultivation in Texas, New Mexico, and Arizona — estimated at 33,000 acres — is approximately one-third of that in cultivation a year ago.

The cotton crop is making generally satisfactory development, except in central and southeastern Texas, where drought and high temperatures have caused stunting of plant growth and shedding of bolls. The number of boll weevils, bollworms, and pink bollworms has increased rapidly in the Lower Rio Grande Valley and Coastal Bend section, but damage has been limited by extensive control measures. Flea hoppers did considerable damage to the crop in the Low Rolling and southern High Plains of Texas, especially in fields where no control measures were applied.

PLANTED COTTON ACREAGE, JULY 1

Texas Crop Reporting Districts

(In thousands of acres)

Crop reporting district	1951r	1952r	1953r	1954	1954 as percent of 1953
1-N.....	584	773	799	525	66
1-S.....	2,784	2,894	1,695	1,910	113
2-N.....	1,086	1,073	630	655	104
2-S.....	1,411	1,325	1,132	850	75
3.....	229	176	119	145	122
4.....	2,630	2,288	2,165	1,635	76
5-N.....	456	316	282	300	106
5-S.....	239	227	222	160	72
6.....	226	230	223	140	63
7.....	289	242	176	155	88
8-N.....	639	559	493	400	81
8-S.....	427	364	305	245	80
9.....	394	394	410	255	62
10-N.....	293	194	177	150	85
10-S.....	826	701	740	475	64
State.....	12,513	11,756	9,568	8,000	84

r—Revised.

SOURCE: United States Department of Agriculture.

CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	Estimated July 1, 1954	1953	Average 1943-52	Estimated July 1, 1954	1953	Average 1943-52
Winter wheat....	31,160	23,035	57,221	102,853	94,924	136,509
Corn.....	38,448	33,874	51,266	61,958	52,991	91,286
Oats.....	42,412	39,150	26,309	64,642	54,141	46,983
Barley.....	3,150	1,755	2,628	20,358	10,641	9,877
Rice ²	16,120	14,924	10,162	29,203	27,080	20,839
Hay ³	1,678	1,705	1,546	5,408	5,063	4,740
Flaxseed.....	578	868	819	677	868	1,288
Irish potatoes....	2,160	2,484	3,818	5,137	6,099	8,303
Sweet potatoes....	2,475	2,550	4,047	11,740	11,511	13,894

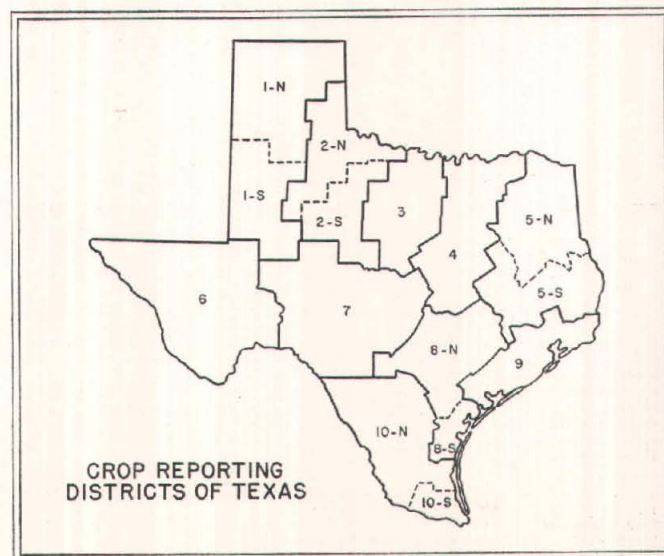
¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.² In thousands of bags containing 100 pounds each.³ In thousands of tons.

SOURCE: United States Department of Agriculture.

The estimated acreage and production of principal crops in District states are shown in the accompanying table. As had been anticipated, the acreage taken out of cotton and wheat generally was shifted into feed crops, especially sorghums, corn, and oats. Sorghums accounted for the largest proportion of the shift, with an increase in Texas from 5,249,000 acres in 1953 to 8,661,000 in 1954 — a new record acreage. In Arizona, a substantial increase occurred in barley production.

More favorable weather during the planting season in the fall of 1953 and during the late spring of 1954 resulted in substantially larger crops of oats, barley, corn, and wheat. Preharvest forecasts of corn production were above present estimates, as lack of rain and high temperatures late in June substantially reduced production on late-planted acres.

The estimate of 620,000 acres of rice for Texas in 1954 is 8 percent above a year ago and a new record. The indicated per acre yield as of July 1, at 2,600 pounds per acre, is the same as in 1953. The estimate of production, placed at 16,120,000 100-pound bags, is 8 percent above last year's harvest and 59 percent above the 1943-52 average. The crop is reported to be in excellent condition, with some early fields expected to be ready for harvest about August 1.



LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	June 1954	June 1953	May 1954	June 1954	June 1953	May 1954
Cattle.....	98,808	130,631	79,298	35,389	36,391	37,220
Calves.....	24,548	27,497	16,465	17,257	21,283	17,208
Hogs.....	33,550	35,049	40,252	2,947	276	2,256
Sheep.....	155,932	144,095	171,306	127,942	131,423	135,172

¹ Includes goats.

Grapefruit production in Texas is estimated at 1,200,000 boxes — three times larger than last year's crop but still far below the 1942-51 average of 15,342,000. Orange production is forecast at 900,000 boxes, or 100,000 boxes below last season's harvest.

Production of spring and summer commercial vegetables in Texas was somewhat lower than forecast earlier, as high temperatures and lack of rainfall in late June and early July reduced yields. However, production was about 16 percent above a year ago and 26 percent above the 10-year average. Preparation of seedbeds for fall and early winter commercial vegetables is making good progress in south Texas, and considerable planting, especially in the Lower Rio Grande Valley, has been done a little earlier than usual.

Ranges and pastures dried rapidly during the past month throughout central, southeastern, and northern Texas. Some cured range feed was generally available in northwestern and western areas, while there was considerable green feed in south and southwest Texas. Scattered showers were received in southern New Mexico, but there is virtually no cured or green range feed in that area. Cattle and calves lost weight rapidly in the dry, hot areas of the District during July; elsewhere, cattle and sheep generally are in fair to good condition. Marketings of cattle and calves during July were about 19 percent below a year ago. During the first 5 months of 1954, total slaughter of cattle and calves in Texas exceeded that of a year ago by 15 percent.

Following a sharp dip from May 15 to mid-June, prices received by farmers for most agricultural commodities rose. Grain prices dropped sharply during the peak of the harvest

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended July 21, 1954	Comparable week last month	Comparable week last year
COTTON, Middling 15/16-inch, Dallas....	lb.	\$.3400	\$.3380	\$.3265
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.60	2.40	2.44%
OATS, No. 2 white, Fort Worth.....	bu.	.96%	1.01%	1.01
CORN, No. 2 yellow, Fort Worth.....	bu.	1.91	1.92%	1.90%
SORGHUMS, No. 2 yellow, Fort Worth....	cwt.	2.75	2.40	2.92
HOGS, Choice, Fort Worth.....	cwt.	24.50	24.25	27.00
SLAUGHTER STEERS, Choice, Fort Worth...	cwt.	24.00	23.00	22.50
SLAUGHTER CALVES, Choice, Fort Worth...	cwt.	19.00	20.00	20.00
STOCKER STEERS, Choice, Fort Worth....	cwt.	20.00	21.50	17.00
SLAUGHTER SPRING LAMBS, Choice, Fort Worth.....	cwt.	19.50	22.00	23.00
BROILERS, south Texas.....	lb.	.28	.25	.29
EGGS, graded and candled, Fort Worth...	case	9.00	8.25	16.00
WOOL, 12-months, west Texas.....	lb.	1.80	1.81	1.80

¹ Clean basis.

but since have recovered to levels about in line with the Commodity Credit Corporation loan rates. Cotton prices have shown improvement since the release of the estimate of acreage in cultivation and currently are about 1/2 cent above a month ago and 1 1/2 cents above a year earlier. Cattle prices declined seasonally in late June and early July but have shown considerable stability, despite heavy marketings. On July 19, prices were slightly lower than a year ago.



Commercial, industrial, and agricultural loans of the weekly reporting member banks in the District declined \$6,301,000, or less than 1 percent, during the 5 weeks ended July 21 to reach a total of \$1,298,560,000. During the comparable weeks of last year, these loans showed virtually no change. Commodity dealers made rather large repayments in most weeks, and, on balance, wholesale and retail trade establishments and public utilities also reduced their borrowings. Among the other principal categories of commercial and industrial borrowers, construction firms added substantially to their outstanding bank indebtedness. Credit demands of grain and milling concerns, sales finance companies, and manufacturers of metal and metal products also increased.

Changes in other categories of loans included increases of \$7,327,000, or 5 percent, in loans secured by real estate and \$1,873,000, or less than 1 percent, in consumer-type loans. Loans to banks and loans for financing security transactions declined. On July 21, total loans of the weekly reporting member banks amounted to \$1,941,177,000, reflecting an increase of \$133,422,000 over the year-earlier level.

Total investments of these banks declined \$17,307,000, or 1 percent, between June 16 and July 21. A sharp reduction in holdings of Treasury bills and a somewhat smaller decline in Treasury note portfolios were partly offset by increases in certificates and bonds. Investments in municipal and other

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	June 30, 1954	June 24, 1953	May 26, 1954
ASSETS			
Loans and discounts.....	\$3,191	\$2,879	\$3,134
United States Government obligations.....	2,334	2,252	2,365
Other securities.....	468	430	478
Reserves with Federal Reserve Bank.....	971	972	986
Cash in vault.....	119	118e	124e
Balances with banks in the United States.....	1,199	989	983
Balances with banks in foreign countries.....	1	1e	1e
Cash items in process of collection.....	433	318	305
Other assets.....	148	127e	143e
TOTAL ASSETS.....	8,864	8,086e	8,519e
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,193	840	934
Other demand deposits.....	5,951	5,695	5,857
Time deposits.....	1,084	899	1,080
Total deposits.....	8,228	7,434	7,871
Borrowings.....	—	48e	1e
Other liabilities.....	48	49e	56e
Total capital accounts.....	588	555e	591e
TOTAL LIABILITIES AND CAPITAL.....	8,864	8,086e	8,519e

e—Estimated.

CONDITION STATISTICS OF WEEKLY REPORTING
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	July 21, 1954	July 22, 1953	June 16, 1954
ASSETS			
Commercial, industrial, and agricultural loans....	\$1,298,560	\$1,154,428	\$1,304,861
Loans to brokers and dealers in securities.....	7,925	10,982	10,628
Other loans for purchasing or carrying securities..	86,354	73,478	84,568
Real estate loans.....	145,294	134,863	137,967
Loans to banks.....	3,633	30,018	4,604
All other loans.....	399,411	403,986	397,538
Gross loans.....	1,941,177	1,807,755	1,940,166
Less reserves and unallocated charge-offs..	17,160	18,753	17,043
Net loans.....	1,924,017	1,789,002	1,923,123
U. S. Treasury bills.....	116,493	153,546	138,573
U. S. Treasury certificates of indebtedness.....	134,096	196,752	123,119
U. S. Treasury notes.....	201,080	177,999	268,905
U. S. Government bonds (inc. gtd. obligations)...	790,324	702,977	779,568
Other securities.....	214,793	184,438	223,928
Total investments.....	1,456,786	1,415,712	1,474,093
Cash items in process of collection.....	296,259	294,891	308,268
Balances with banks in the United States.....	482,519	463,023	528,892
Balances with banks in foreign countries.....	1,505	999	1,207
Currency and coin.....	45,424	46,102	44,817
Reserves with Federal Reserve Bank.....	592,696	555,397	558,157
Other assets.....	96,744	84,384	93,935
TOTAL ASSETS.....	4,895,950	4,649,510	4,932,492
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,646,065	2,532,395	2,683,581
United States Government.....	76,269	123,454	78,072
States and political subdivisions.....	159,140	201,572	165,291
Banks in the United States.....	868,443	763,960	858,358
Banks in foreign countries.....	10,120	9,756	9,140
Certified and officers' checks, etc.....	54,421	41,354	53,318
Total demand deposits.....	3,814,458	3,672,491	3,847,760
Time deposits			
Individuals, partnerships, and corporations....	575,513	486,499	564,131
United States Government.....	9,805	10,408	9,809
Postal savings.....	450	450	450
States and political subdivisions.....	109,047	77,497	128,092
Banks in the U. S. and foreign countries.....	1,883	2,208	1,883
Total time deposits.....	696,698	577,062	704,365
Total deposits.....	4,511,156	4,249,553	4,552,125
Bills payable, rediscounts, etc.....	4,250	43,500	4,500
All other liabilities.....	37,852	40,919	39,832
Total capital accounts.....	342,692	315,538	336,035
TOTAL LIABILITIES AND CAPITAL.....	4,895,950	4,649,510	4,932,492

non-Government securities were reduced substantially during the 5 weeks.

On July 21, deposits of the weekly reporting member banks were down \$40,969,000, or 1 percent, from the level of 5 weeks earlier, with demand deposits of individuals, partnerships, and corporations accounting for most of the change. Demand accounts of individuals and businesses were drawn down rather sharply during the first week of the period, as

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
June 1952....	\$6,416,878	\$741,154	\$3,035,241	\$405,007	\$3,381,637	\$336,147
June 1953....	6,523,407	891,731	3,106,229	492,983	3,417,178	398,748
February 1954..	6,886,847	1,008,497	3,277,961	565,389	3,608,886	443,108
March 1954....	6,821,245	1,031,005	3,277,128	579,324	3,544,117	451,681
April 1954....	6,802,386	1,057,137	3,295,363	594,744	3,507,023	462,393
May 1954....	6,752,376	1,073,865	3,263,439	599,299	3,488,937	474,566
June 1954....	6,804,576	1,083,140	3,313,244	605,899	3,491,332	477,241

checks in payment of Federal taxes due June 15 were cleared. Another decline was noticeable in the week following the midyear statement date. Time deposits of individuals and businesses rose substantially. These deposit trends contrast rather sharply with changes during the comparable weeks of 1953, when total deposits increased \$76,324,000, or 2 percent.

Gross demand deposits of all member banks in the District averaged \$6,804,576,000 in June, reflecting increases of \$52,200,000 over May and \$281,169,000 over June 1953. The May-to-June rise was weighted heavily by the gain at reserve city member banks. Time deposits averaged \$9,275,000 higher in June than in May, rising to a level of \$1,083,140,000. Reserve city member banks accounted for somewhat more than two-thirds of the increase. The rise of time deposits in June marked a further extension of the almost uninterrupted month-to-month increases in these accounts which began in March 1951.

Debits to deposit accounts reported by banks in 24 cities of the District rose 5 percent above those for May and 2 percent above those of June 1953. The annual rate of turnover of deposits was 18.0 in June, up from the level of 17.3 for May. The rate of turnover a year earlier was 18.2.

Gold certificate reserves of the Federal Reserve Bank of Dallas rose \$75,325,000 between June 15 and July 15, as the District gained funds (on balance) through interdistrict transactions with the rest of the country. The flow of funds

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

(Amounts in thousands of dollars)

City	DEBITS ¹			DEPOSITS ²				
	June 1954	Percentage change from		June 30, 1954	Annual rate of turnover			
		June 1953	May 1954		June 1954	June 1953	May 1954	
ARIZONA								
Tucson.....	\$ 103,990	—1	—#	\$ 83,143	14.8	14.4	14.5	
LOUISIANA								
Monroe.....	45,559	—5	—9	44,732	12.6	15.1	14.2	
Shreveport.....	201,481	1	—2	168,964	14.6	14.6	15.0	
NEW MEXICO								
Roswell.....	25,941	8	5	28,977	10.7	10.3	10.2	
TEXAS								
Abilene.....	53,825	5	4	53,363	12.2	12.2	12.0	
Amarillo.....	126,768	—4	5	99,082	15.5	15.4	14.9	
Austin.....	119,612	3	3	112,508	13.1	13.8	13.3	
Beaumont.....	119,347	—8	7	93,838	15.2	16.3	14.0	
Corpus Christi.....	157,063	3	7	117,169	16.1	16.7	15.8	
Corsicana.....	13,317	7	7	20,953	7.7	7.7	7.2	
Dallas.....	1,737,833	7	4	953,579	22.3	22.1	22.2	
El Paso.....	180,655	—7	4	123,190	17.9	19.8	17.4	
Fort Worth.....	568,476	—12	12	339,404	20.3	23.4	18.4	
Galveston.....	70,494	—11	2	68,397	12.5	11.9	12.4	
Houston.....	1,808,221	6	6	1,095,927	19.6	19.6	18.0	
Laredo.....	19,359	—4	3	18,698	12.4	12.7	12.2	
Lubbock.....	91,720	—4	#	82,612	13.6	14.2	13.7	
Port Arthur.....	47,541	—7	6	37,568	15.1	16.4	13.8	
San Angelo.....	39,350	—1	7	44,456	10.9	10.6	10.4	
San Antonio.....	410,181	1	8	312,466	16.0	15.2	14.9	
Texarkana ³	16,732	—11	9	17,626	11.4	11.8	10.3	
Tyler.....	64,365	14	7	58,060	13.3	12.8	12.7	
Waco.....	75,922	—3	4	62,960	14.6	15.6	14.3	
Wichita Falls.....	90,402	9	15	103,712	10.8	10.3	9.6	
Total—24 cities....	\$6,188,154	2	5	\$4,141,384	18.0	18.2	17.3	

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 Texarkana, Texas-Arkansas, including two banks located in the Eighth District, amounted to \$35,699,000 for the month of June 1954.

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

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 15, 1954	July 15, 1953	June 15, 1954
Total gold certificate reserves.....	\$ 829,591	\$ 501,648	\$754,266
Discounts for member banks.....	3,001	28,423	5,659
Other discounts and advances.....	705	428	1,880
U. S. Government securities.....	973,683	1,205,271	978,835
Total earning assets.....	977,389	1,234,122	986,374
Member bank reserve deposits.....	1,014,585	934,172	961,919
Federal Reserve notes in actual circulation.....	723,683	727,953	717,622

which gave rise to the increase also was reflected, in part, in an expansion of \$52,666,000 in member bank reserve deposits at the Federal Reserve bank. Other changes during the month in the condition of this bank included a reduction of \$8,985,000 in total earning assets, due principally to a decline of \$5,152,000 in holdings of Government securities but also reflecting decreases in discounts for member banks and in other discounts and advances. On July 15, Federal Reserve notes of this bank in actual circulation amounted to \$723,683,000, compared with \$717,622,000 on June 15 and \$727,953,000 on July 15, 1953.

On July 16 the Secretary of the Treasury announced an offering of \$3,500,000,000 of 1-percent Tax Anticipation certificates for cash subscription on July 21. The new securities will be dated August 2 and will mature March 22, 1955. However, they will be receivable at par plus accrued interest to maturity in payment of income and profits taxes due on March 15, 1955. Subscriptions from individual commercial banks for their own account were limited, in each case, to an amount not exceeding one-half of combined capital, surplus, and undivided profits as of June 30, 1954. Payment for the new certificates allotted to a commercial bank for its own account and for the account of its customers may be made, up to 75 percent of the allotment, by credit to Treasury Tax and Loan Account.

On July 23 the Treasury announced a 40-percent allotment on subscriptions for the new certificates. It was indicated, however, that subscriptions for \$50,000 or less would be allotted in full, with subscriptions in excess of that amount to be allotted not less than \$50,000. Preliminary reports showed that total subscriptions for the offering amounted to about \$9,250,000,000.

At the time of announcement of the cash offering, the Treasury also stated that, near the end of July, it would announce an exchange offering open to holders of \$2,788,000,-

000 of 2½-percent certificates maturing August 15 and of \$4,724,000,000 of 2½-percent certificates maturing September 15. Holders of the maturing issues will be given a choice between a 1-year certificate and a long note or a short bond.



The continued weakness in petroleum markets, which is apparent in most sections of the Nation, has embraced crude oil and practically all major refined products. Prob-

ably the softest product in the petroleum markets has been gasoline. The decline in wholesale gasoline prices, which has been going on for over 6 months, has more than wiped out the increase instituted following the general rise in crude prices in June 1953. With crude prices holding unchanged for the most part, the decrease in gasoline prices has reduced substantially refiners' profit margins.

A number of smaller refineries have shut down, and some others have cut back crude runs. Although refinery production in the first 6 months of this year dropped moderately below year-earlier levels, it has remained too high to permit an appreciable improvement in the stock situation, which has been creating pressure on refined products prices. Crude runs to refinery stills in the Nation during the first half of 1954 averaged 6,943,000 barrels per day, compared with 6,980,000 barrels in the same period of last year. The decrease from a year ago in the District was somewhat greater than that in the Nation as a whole, amounting to 82,000 barrels per day, compared with 37,000 barrels in the Nation.

Crude oil production in both the District and the Nation also has been running below a year earlier. During the first part of July, crude production in the District declined substantially from June and, at 2,951,000 barrels per day, was 233,000 barrels lower than a year ago. Production in the Nation showed a corresponding pattern. In the first 6 months of this year, crude production in the District averaged 3,046,000 barrels per day, which is 111,000 barrels lower than in the same period of 1953; the Nation's production averaged 6,444,000 barrels per day, down 68,000 barrels.

District crude production may be expected to show a further decline in August, in view of the reductions in oil allowances announced for Texas, Louisiana, and New Mexico. The

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	June 1954 ¹	June 1953 ²	May 1954 ¹	Change from	
				June 1953	May 1954
ELEVENTH DISTRICT.....	3,080.6	3,179.6	3,014.3	—99.0	66.3
Texas.....	2,764.2	2,874.8	2,699.1	—110.6	65.1
Gulf Coast.....	606.5	648.1	587.8	—41.6	18.7
West Texas.....	1,069.7	1,088.5	1,043.6	—18.8	26.1
East Texas (proper).....	234.9	258.2	230.4	—23.3	4.5
Panhandle.....	80.2	78.3	80.3	1.9	—1
Rest of State.....	772.9	801.7	757.0	—28.8	15.9
Southeastern New Mexico.....	203.6	191.2	202.7	12.4	.9
Northern Louisiana.....	112.8	113.6	112.5	—0.8	.3
OUTSIDE ELEVENTH DISTRICT.....	3,405.1	3,415.0	3,423.5	—9.9	—18.4
UNITED STATES.....	6,485.7	6,594.6	6,437.8	—108.9	47.9

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

NEW PAR BANK

The First State Bank, Alice, Texas, a newly organized, 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 its opening date, July 19, 1954. The officers are: J. C. McGill, President; C. M. Edwards, Executive Vice President; and John H. Lipps, Cashier.

Texas daily allowables for August, at 2,721,104 barrels, are down 121,692 barrels from the mid-July level and are the lowest since July 1952. Moreover, the 15 state-wide producing days permitted in a 31-day month represent the smallest proportion of allowed producing time for any month since before World War II.

Imports in the United States declined appreciably during June and early July and were slightly below a year ago. During the first 6 months of this year, imports averaged an estimated 1,060,000 barrels per day, which is about 18,000 barrels lower than in the same period last year.

The stock situation in the petroleum industry has shown no improvement in recent months. Although gasoline stocks have declined, the magnitude of the decrease has been smaller than in most recent years, and, on July 16, stocks were still 14 percent higher than a year earlier. Residual fuel oil stocks also continue substantially higher than a year ago. After rising markedly during March, April, and May, crude stocks have shown little change more recently.

In the Nation, total demand for all oils in the second quarter of 1954 was down 1 percent from a year earlier. For the first 6 months, however, total demand averaged slightly higher than in the previous year.



Total nonagricultural employment in the five states lying wholly or partly within the District is estimated to have declined nearly 13,000 workers from June to July, marking a reversal of an upward trend in employment which had been under way since February. The primary cause of the decline was a seasonal decrease in government employment. The July estimate of nonagricultural employment, at 3,835,000, is 1 percent below that recorded in July 1953.

An improvement in manufacturing employment occurred in June and July, as new food-processing workers were required to meet seasonal demands. However, the July manufacturing employment estimate, at 709,000, was 4 percent below the comparable month a year ago. Some further gains

NONAGRICULTURAL EMPLOYMENT
Five Southwestern States¹

Type of employment	Number of persons			Percent change May 1954 from	
	May 1954p	May 1953	April 1954	May 1953	April 1954
Total nonagricultural wage and salary workers..	3,824,300	3,837,600	3,823,400	-.3	.02
Manufacturing.....	700,500	727,300	700,800	-3.7	-.04
Nonmanufacturing.....	3,123,800	3,110,300	3,122,600	.4	.03
Mining.....	226,100	224,700	225,600	.6	.2
Construction.....	288,400	290,200	282,800	-.6	2.0
Transportation and public utilities.....	390,200	404,500	390,300	-3.5	-.02
Trade.....	976,200	974,000	982,100	.2	-.6
Finance.....	156,800	150,900	156,600	3.9	.1
Service.....	453,400	443,500	451,400	2.2	.4
Government.....	632,700	622,500	633,800	1.6	-.2

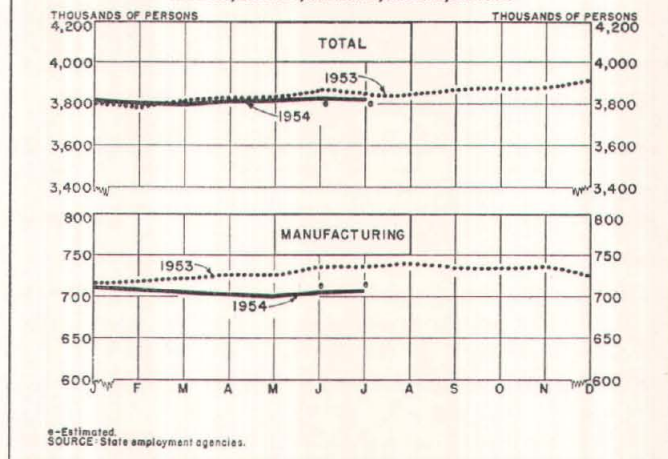
¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

p—Preliminary.

SOURCE: State employment agencies

NONAGRICULTURAL WAGE AND SALARY WORKERS

Arkansas, Louisiana, New Mexico, Oklahoma, and Texas



VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	June 1954p	June 1953	May 1954	January—June	
				1954p	1953
ELEVENTH DISTRICT....	\$ 114,364	\$ 97,683	\$ 126,005	\$ 666,862	\$ 608,422
Residential.....	47,703	44,392	57,936	311,138	287,006
All other.....	66,661	53,291	68,069	355,724	321,416
UNITED STATES ¹	1,733,264	1,115,509	1,925,253	9,251,209	7,907,838
Residential.....	720,266	463,084	825,300	3,980,691	3,258,496
All other.....	1,012,998	652,425	1,099,953	5,270,518	4,649,342

¹ 37 states east of the Rocky Mountains.

p—Preliminary.

SOURCE: F. W. Dodge Corporation.

Construction contracts awarded in the District in the January-June period this year were valued at about \$667,000,000, up 10 percent from the first 6 months of 1953. Awards for residential construction totaled \$311,000,000 for a year-to-year gain of 8 percent. All other awards were valued at \$356,000,000, up 11 percent from a year earlier. Construction contracts awarded in the United States in the first half of 1954 had an estimated value of \$9,251,000,000, up 17 percent from a year ago. This is the largest value of record for the period and exceeds the previous record established in 1951 by \$400,000,000.

Expenditures for new construction in the United States rose seasonally in June to \$3,300,000,000, bringing the 1954

first-half total to a record \$16,600,000,000, or slightly above the comparable 1953 total, according to preliminary estimates prepared jointly by the United States Departments of Commerce and Labor. Private expenditures for new construction were 3 percent above last year's volume and set a new record for the January-June period, even after adjustment for price changes. Public expenditures for new construction in the January-June period were about the same as a year earlier; declines in Federal spending were about offset by increased state and local government spending.

A recent report indicates that, from July 1950 through March 1954, about \$5,497,000,000 in military prime contracts was awarded in the five states of the District. The value of contracts awarded in the first quarter of 1954 was approximately \$50,000,000, which reflects a sharp decline in the quarterly dollar volume of prime contracts awarded in the five states when compared with the \$220,000,000 contract value in the last quarter of 1953. In contrast, the value of military prime contracts awarded in the Nation in the first quarter of 1954, at \$1,877,000,000, was \$412,000,000 more than the value of contracts awarded in the last 3 months of 1953.

However, changes in the value of military construction contracts (which are included in the military prime contracts) in the five southwestern states followed the national pattern. District states received a total of \$25,800,000 in construction contracts in the first quarter of 1954, as against \$27,900,000 in the last quarter of 1953. National contracts awarded were \$160,900,000 in the first quarter of 1954, compared with \$231,700,000 in the fourth quarter of 1953.

BUILDING PERMITS

City	June 1954		Percentage change in valuation from		6 months 1954		Percentage change in valuation from 6 months 1953	
	Number	Valuation	June 1953	May 1954	Number	Valuation		
LOUISIANA								
Shreveport....	365	\$ 1,872,323	—13	10	2,064	\$ 10,401,767	—19	
TEXAS								
Abilene.....	126	750,965	—49	22	847	5,316,131	8	
Amarillo.....	222	2,363,588	127	67	1,290	9,827,506	—18	
Austin.....	287	3,440,543	53	—3	1,629	20,323,456	27	
Beaumont.....	204	314,921	—41	—35	1,311	4,305,735	—1	
Corpus Christi..	447	5,430,485	229	66	2,730	17,858,370	16	
Dallas.....	2,430	12,377,007	45	11	12,975	68,212,101	22	
El Paso.....	513	2,338,158	49	5	2,559	11,007,909	—20	
Fort Worth.....	856	5,270,628	—4	59	4,421	22,104,568	—9	
Galveston.....	98	113,211	—37	—69	622	3,236,411	—12	
Houston.....	1,082	11,418,283	—46	—3	6,295	72,461,604	#	
Lubbock.....	410	3,989,483	202	90	1,880	14,507,030	44	
Port Arthur....	169	340,538	—9	9	822	1,817,186	2	
San Antonio....	1,557	4,572,923	3	29	8,690	23,065,289	—16	
Waco.....	281	1,337,617	9	56	1,395	6,565,364	14	
Wichita Falls..	116	244,609	—56	—56	710	3,772,357	—6	
Total—16 cities..	9,163	\$56,175,282	4	19	50,240	\$294,782,784	4	

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

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

Area	June 1954 ¹	June 1953	May 1954 ²	August—June	
				This season	Last season
CONSUMPTION					
Total					
Texas mills.....	12,572	10,423	11,247	134,276	131,373
U. S. mills.....	781,767	740,864	645,875	8,038,625	8,681,812
Daily average					
Texas mills.....	513	521	562	569	569
U. S. mills.....	31,909	37,043	32,294	34,050	37,489
STOCKS, U. S.—End of period					
Consuming establishments...	1,400,696	1,655,318	1,587,065	—	—
Public storage and compresses.....	8,182,209	4,040,557	8,941,629	—	—

¹ Five weeks ended July 3.² Four weeks ended May 29.

SOURCE: United States Bureau of the Census.