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THREE PRESIDENTIAL MESSAGES

In three messages to Congress, the President of the United States outlined his concept of the current and prospective economic conditions of the Nation, the course of action to attain a desired goal of growth and stability, and the estimated revenue and expenditures of the Federal Government for the fiscal years 1955 and 1956. Since these messages are of great importance as indications of the Administration's program, they are summarized in this article for the readers of the *Review*.

The State of the Union

On January 6 the President delivered the State of the Union Message to Congress. This address stresses the current economic position of the United States and the course of action desired in the light of international and internal developments in 1954. On the international scene, the President sees an insecure peace with a number of sobering problems, chiefly those concerning the military and subversive threats of communism.

America's International Policies

According to the President, "America's course is clear: We must tirelessly labor to make the peace more just and durable. We must strengthen the collective defense under the United Nations Charter and gird ourselves with sufficient military strength and productive capacity to discourage resort to war and protect our Nation's vital interests. We must continue to support and strengthen the United Nations. . . . We must also encourage the efforts being made in the United Nations to limit armaments and to harness the atom to peaceful use. We must expand international trade and investment and assist friendly nations whose own best efforts are still insufficient to provide the strength essential to the security of the Free World. We must be willing to use the processes of negotiation whenever they will advance the cause of just and secure peace to which the United States and other free nations are dedicated. In respect to all these matters, we must, through a vigorous information program, keep the peoples of the world truthfully advised of our actions and purposes. . . ."

The address advocates an expansion of international trade to be achieved by facilitating a freer flow of capital and by

reducing trade barriers. However, it emphasizes that, while our long-term goal is a reduction in armament, a strong military position is a basic requirement at the present time; our military forces must be kept in balance, and military planning must be sufficiently flexible to utilize the latest weapons. There must be a continued stockpiling of nuclear weapons until world peace is assured.

America's Domestic Policies

In the national picture, the President finds that "the economic outlook is good" and recommends a number of policies designed to implement that outlook. These may be discussed conveniently in the general categories of resources, farm, welfare, and labor recommendations.

Resource Policies

In the section of the address concerning our natural resources, the President states "...I believe that the Nation must adhere to three fundamental policies: First, to develop, wisely use, and conserve basic resources from generation to generation; second, to follow the historic pattern of developing these resources primarily by private citizens under fair provisions of law, including restraints for proper conservation; and, third, to treat resource development as a partnership undertaking—a partnership in which the participation of private citizens and State and local governments is as necessary as Federal participation."

To achieve these policies, the President notes that "...the 1956 budget will recommend appropriations to start six new reclamation and more than 30 new Corps of Engineers projects of varying size. Going projects and investigations of potential new resource developments will be continued."

Farm Program

The President notes that there has been a stabilization of farm income; thus, he hopes to be able to move toward less restrictive acreage controls. However, he also states, "Greater attention must be directed to the needs of low-income farm families. Twenty-eight percent of our farm operator families have net cash incomes of less than \$1,000 per year." He indi-

icates that certain recommendations designed to assure a steady alleviation of the most pressing problems of these low-income families will be submitted to Congress at a later date.

The President also indicates that "because drought also remains a serious agricultural problem, I shall recommend legislation to strengthen Federal disaster assistance programs. This legislation will prescribe an improved appraisal of need, better adjustment of the various programs to local conditions, and a more equitable sharing of costs between the States and the Federal Government."

Welfare Activities

In another section of the address, the President reviews the progress of the Nation in providing for the health, productivity, and well-being of its citizens and states that notable advances have been made in the past 2 years. He reports that, in spite of this progress, there are a number of tasks yet to be accomplished and suggests the following programs to help fulfill these obligations.

"As part of our efforts to provide decent, safe, and sanitary housing for low-income families, we must carry forward the housing program authorized during the Eighty-third Congress. We must also authorize contracts for a firm program of 35,000 additional public housing units in each of the next two fiscal years. This program will meet the most pressing obligations of the Federal Government into the 1958 fiscal year for planning and building public housing. By that time, the private building industry, aided by the Housing Act of 1954, will have had the opportunity to assume its full role in providing adequate housing for our low-income families."

The address states that there are two fundamental problems connected with medical services to citizens of this country—namely, the high costs of such services and the gaps and shortages in these services. The President indicates that:

"By special message on January 24, I shall propose a coordinated program to strengthen and improve existing health services. This program will continue to reject socialized medicine. It will emphasize individual and local responsibility. Under it, the Federal Government will neither dominate nor direct, but serve as a helpful partner. Within this framework, the program can be broad in scope.

"My recommendations will include a Federal health reinsurance service to encourage the development of more and better voluntary health insurance coverage by private organizations. I shall also recommend measures to improve the medical care of that group of our citizens who, because of need, receive Federal-State public assistance. These two proposals will help more of our people to meet the costs of health services."

Moreover, to fill in the gaps and shortages in these medical services, the President intends to propose a number of measures to combat mental illness, improve services for crippled children, give better protection to consumers through pure

food and drug laws, and strengthen programs to combat river and air pollution.

The President states that all Americans should have equal opportunities to acquire an education but that sufficient facilities are not available. Consequently, the President indicates that he will send to Congress on February 15 a message presenting an affirmative program to deal with the problems of education, such as the rising student load and the shortage of classrooms.

Labor

Finally, the President presents his recommendations with respect to both general labor conditions and changes in Federal employment conditions. In discussing general labor conditions, the President recommends three major legislative actions.

"First, in the past 5 years we have had economic growth which will support an increase in the Federal minimum wage. In the light of present economic conditions, I recommend its increase to 90 cents an hour. I also recommend that many others, at present excluded, be given the protection of a minimum wage.

"Second, I renew my recommendation of last year for amendment of the Labor-Management Relations Act of 1947 to further the basic objectives of this statute. I especially call to the attention of the Congress amendments dealing with the right of economic strikers to vote in representation elections and the need for equalizing the obligation under the Act to file disclaimers of Communist affiliation.

"Third, the Administration will propose other important measures, including occupational safety, workmen's compensation for longshoremen and harbor workers, and the 'eight-hour laws' applicable to Federal contractors. Legislation will also be proposed respecting nonoccupational disability insurance and unemployment compensation in the District of Columbia."

In the field of Federal Government employment, the President speaks of his January 11 recommendations for "... a pay adjustment plan for civilian employees outside the postal field service to correct inequities and increase individual pay rates, ... voluntary health insurance on a contributory basis for Federal employees and their dependents . . . , and a modern pay plan, including pay increases, for postal field employees." Beyond these changes in pay, the President requests more adequate training programs and improvements in survivor, disability, and retirement benefits for Federal civilian and military personnel.

Budget Message

The annual Budget Message of the President was presented to Congress on January 17. This Message contains the Administration's estimates of revenues and expenditures for the fiscal year 1956, as well as estimates for the current fiscal year

1955. The President indicates that three basic considerations of national policy were followed in preparing the budget.

"First, we must defend our priceless heritage of political liberty and personal freedom against attack from without and undermining from within. . . . Second, the Government must do its part to advance human welfare and encourage economic growth with constructive actions, but only where our people cannot take the necessary actions for themselves. . . . Third, we must maintain financial strength"

The President indicates that, in the budget for fiscal 1955, total revenues probably will reach \$59,000,000,000 and total expenditures \$63,504,000,000, resulting in a budget deficit of \$4,504,000,000. In contrast, the estimates for fiscal 1956 show revenues of \$60,000,000,000, expenditures of \$62,408,000,000, and a budget deficit of \$2,408,000,000. Thus, it is expected that revenues will rise \$1,000,000,000, while expenditures will decline \$1,100,000,000.

In the Budget Message, the estimated costs of Government operations in 1956 are explained in seven major sections—e.g., national security; commerce and manpower; natural resources; agriculture; welfare, health, and education; veterans' services and benefits; and debt interest and general government.

National Security

The national security programs are expected to cost \$40,500,000,000, or about 65 percent of the total budget. The Defense Department is expected to spend \$34,000,000,000, with the Air Force spending \$15,600,000,000; the Navy, \$9,700,000,000; and the Army, \$8,800,000,000. The remaining \$6,000,000,000 is to be divided among the mutual security, atomic energy, and materials stockpiling programs.

In presenting the defense budget, the President notes that "under our current plans, the number of military personnel is scheduled to be reduced from the present level of approximately 3.2 million to about 3 million by June 30, 1955, and to something over 2.8 million by June 30, 1956" However, military personnel costs will remain nearly the same as in fiscal 1955, primarily because of "the added costs of the pay increase and other benefits proposed in my special message." The President further reveals that the projected military security expenditures place a greater emphasis upon air power and give a high priority to the strengthening of our continental defense system.

In fiscal 1956, the United States will deliver about the same amount of military equipment to friendly nations as in 1954 and 1955, but there will be a number of new atomic energy plants placed into operation. The President indicates that "the dollar value of our stockpile of strategic materials is expected to reach 78 percent of the minimum objective, compared with 58 percent in 1954."

Commerce and Manpower

This group of expenses is estimated to total \$2,200,000,000, or \$364,000,000 below the 1955 figure. The change is the

result of a number of increases and decreases in various Government activities projected for 1956. The President states, "In addition to selling the Inland Waterways Corporation and liquidating the Reconstruction Finance Corporation, we have already sold or shut down a number of Department of Defense plants for processing scrap and manufacturing paint, clothing, and chlorine." On the other hand, provision is made for extending unemployment insurance, and the President proposes ". . . that we start a 10-year program to modernize the interstate highway system"

One of the largest items of expenditure in this section is the expenses assigned to navigation aids and facilities. Included in these expenses is the Saint Lawrence Seaway development, of which the Message says, "Almost one-quarter of the work is scheduled for completion by the end of the fiscal year 1956." Also included is the Corps of Engineers program for rivers and harbors, within which ". . . 14 new navigation projects and the resumption of one project previously suspended are recommended in the fiscal year 1956."

Natural Resources

In the Budget Message, the conservation and development of natural resources is estimated to cost \$953,000,000, compared with \$1,100,000,000 in the current fiscal year. The President indicates that "about two-thirds of the net expenditures in 1956 will be for flood control, irrigation, power, and multiple-purpose river basin development." The remaining one-third is to be spent for the operation and development of such public responsibilities as national forests, parks, and public lands.

The largest segment of the expenses for natural resources is to be spent by the Corps of Engineers for present flood-control programs and multiple-purpose projects, for which the fiscal 1956 budget allows \$363,000,000. The Message indicates that the Corps of Engineers and the Bureau of Reclamation have under way 152 projects, 37 of which are expected to be completed in 1956.

Agriculture

Net budget expenditures for agriculture and agricultural resources are estimated at \$2,300,000,000, or \$871,000,000 less than the estimated total for fiscal 1955. Of this total, the Commodity Credit Corporation price support, supply, and purchase programs are estimated to cost \$968,000,000, or nearly \$1,000,000,000 below the previous year.

As stated by the President, the reasons for this decline are: "First, continuation of acreage restrictions, . . . and lower support levels on some commodities are expected to result in a lower volume of price support loans. Second, receipts from sales of such commodities as cotton, corn, and wool are expected to increase as our efforts to find new and expanded markets for agricultural products begin to show results."

The President indicates that activity under the International Wheat Agreement is expected to expand, with larger

exports resulting. In addition, the CCC is expected to sell wheat for export at competitive world prices.

Welfare, Health, and Education

Total expenditures in fiscal 1956 for welfare, health, and education are estimated at \$2,300,000,000, or \$4,000,000 less than in fiscal 1955. While the President intends to give the details of his program in a future message to Congress, the outline of the program is available in the Budget Message. A major item is the promotion of public health, about which the President says, "I am recommending . . . that the Atomic Energy Commission be authorized to build a new medical research center containing a nuclear reactor designed specifically for medical research and therapy." He also recommends legislation which includes health reinsurance—"the best method yet proposed for encouraging adequate health insurance coverage for our people."

Public assistance and other welfare aids and services are mentioned as items in this total expenditure. The President speaks of two major amendments to public assistance legislation, one of which would limit to 50 percent the Federal share of old-age assistance, resulting in ". . . a more equitable sharing of costs between the State and Federal governments. The other amendment would encourage States to help needy individuals to become self-supporting or to care for themselves at home." Other welfare aids and services include the school lunch program, expected to be the largest in the Nation's history, and the enlarged vocational rehabilitation program.

Veterans' Services and Benefits

The Budget Message includes an estimated \$4,600,000,000 for veterans' services and benefits—an increase of 5 percent over the amount budgeted for fiscal 1955. The President states that ". . . the long-run outlook under present laws is for continued large increases in payments to veterans." The basic reasons for the expected rise are threefold. First, there has been a large increase in the present and potential veteran population, which now totals more than 24,000,000 persons. Second, nearly 3,000,000 World War I veterans are reaching age 65 and, thus, are qualifying for pension benefits. Third, the scope and liberality of benefits have increased substantially.

In presenting the estimated expenditures for veterans' services and benefits in fiscal 1956, the President notes that "our veterans' pension and compensation laws, in particular, are in need of constructive reconsideration . . . The over-all system of statutes and regulations governing eligibility and payment rates for service-connected compensation has not had a fundamental review for many years." The President then continues that he is ". . . appointing a Commission on Veterans' Pensions to study the entire structure, scope, and philosophy of our veterans' pension and compensation laws in relation to each other and to other Government programs."

Debt Interest and General Government

The expenditures for this group are estimated at \$8,000,000,000, of which \$6,400,000,000 is reserved for debt interest.

The estimate for debt interest for fiscal 1956 shows a decline of \$180,000,000 from the fiscal 1955 level. This decline is attributed by the President to decreasing interest rates during the past 12 months, together with a change in the timing of interest payments.

The net expenditures for general government are estimated in the Message at \$1,600,000,000, or \$344,000,000 above those of fiscal 1955. This increase is expected because of ". . . (a) the proposed resumption of payments to the Civil Service Retirement Fund for the Government's share of the cost of current benefits for retired Federal civilian personnel and (b) substantially higher payments arising from claims against the Government."

Economic Report

The Economic Report of the President, delivered to Congress on January 20, is in part a reiteration of the ideas, proposed legislation, and economic problems discussed in the State of the Union Message and the Budget Message. However, the main sections of the Economic Report concern the readjustment period of 1953-54, the recovery period currently under way, and the potentials for future economic progress.

The Readjustment Period

According to the Report, the basic causes of the readjustment period of 1953-54 were the decline in defense spending and the liquidation of inventories. "The primary contractive factor during the latter part of 1953 was the adjustment of inventories," although "this role shifted to defense spending after the turn of the year."

Reflecting the magnitude of the decline, the Report shows that, from the second quarter of 1953 through the first quarter of 1954, the combined decrease of inventory and defense spending was at an annual rate of \$17,000,000,000. This decrease was immediately reflected in production, employment, the flow of income, business loans, imports, and many other sectors of economic activity. It is noted that "the over-all decline of economic activity was small, but its impact was very uneven, and some industries and localities suffered seriously."

The Report states that, toward the end of 1953, signs of improvement began to appear in financial and investment markets, and these indications multiplied after the turn of the year. Moreover, "by the spring of 1954, the decline in production had abated and the economy stabilized."

It is emphasized that "the transition from contraction to recovery is an intricate economic process, worked out over time, whose character is never disclosed by over-all measures of economic activity." The stability of the gross national product during much of 1954 concealed the fact that the number of declining industries in the area of manufacturing progressively diminished. Further, it concealed the change taking place in the Nation's stream of expenditures, where Federal spending between the first and third quarters of 1954 declined at an annual rate of \$7,000,000,000, while other

major categories of expenditures increased at approximately the same rate.

The President continues his review of 1954, stating that "by the early autumn of 1954, the forces of recovery had gathered sufficient strength to lift total production and employment, despite a continued drop of Federal spending." When the year ended, the traces of contraction had not yet been erased, but a general economic recovery was in process.

The Economic Report then questions: "Why did the economic setback of 1953-54 prove so mild on an over-all basis," and "Why did our total national output of goods and services decline no more than 4 percent?" These and other questions on the readjustment period are considered, and statements are made concerning some of the factors contributing to the result, including the following.

"Consumers not only maintained their spending at a consistently high level, but reduced their rate of saving during 1954. Businessmen kept up their capital expenditures at a high rate, increased the flow of dividends to stockholders, and intensified their selling efforts. Builders and real estate developers stepped up their operations. Trade unions conducted their affairs with an eye to basic conditions and with a sense of responsibility. Farmers and their organizations recognized the danger of piling up ever larger surpluses. Commercial banks and other financial institutions made ample supplies of credit available on liberal terms. States and localities carried out large and expanding programs of school, hospital, and road construction. And the continuing recovery of Western Europe helped to augment our exports and to bolster the prices of internationally traded raw materials."

The Report indicates that the Federal Government also contributed significantly to the process of recovery. It influenced the economy by deliberately pursuing monetary, tax, and expenditure policies which inspired widespread confidence on the part of the people, thereby encouraging them to act in ways that were economically constructive.

The Present Economic Situation

On the current economic position, the President states that the recovery is widespread and already has made up half of the decline that had occurred in industrial production. The rate of inventory liquidation has sharply abated, and soon we are likely to experience some rebuilding of inventories. Moreover, he indicates that the projected decline of Federal spending is less than in the past 2 years, with state and local expenditures likely to continue to expand and more than offset any future decline that may occur in Federal expenditures.

In considering the high level of residential construction activity in 1954 and the prospects for its continuance, the Report indicates that the recent increase of housing starts and the rush of applications to Federal agencies for mortgage insurance or guarantees promise that home building will continue to mount for some time and that the recent high level of commercial building contracts probably will mean a high level of expenditures for this type of construction over

the coming months. However, the Report is somewhat less optimistic about spending for new plant and equipment, which is characterized as uncertain. Nevertheless, it indicates that rising orders for machinery—to say nothing of new plans and revisions of old plans that are likely to accompany continued recovery—give a basis for expecting that this broad category of expenditures soon will join the general economic advance. The spirited behavior of retail sales in recent months has borne out earlier surveys of consumer attitude, and a further expansion of consumer spending may be expected as economic recovery continues.

Beyond these immediate signs of business recovery, the Report notes that new firms are being established at an increasing rate; plans are being made for new homes, schools, and commercial and industrial projects; and the President's highway building plan will create economic opportunity in many directions.

The Future Economic Situation

With all these signs of economic progress, the President is concerned with the possibility of recurrent inflationary or speculative activity. He states that it is essential to keep a close watch on financial developments so that continuing economic recovery will not be jeopardized by overemphasis on speculative activity.

The President states that there is a possibility of difficulties in labor-management relations and the stock market. Industrial disputes have been more frequent in periods of expansion than in periods of contraction, and such disputes sometimes have serious economic repercussions. Moreover, "... activities which involve the discounting of a long future, as in the case of home purchases or the pricing of corporate shares, may be carried to excess in the course of a business expansion." The recent increase of stock margin requirements by the Federal Reserve Board demonstrated a watchful attitude and a responsibility on the part of the Government to assure balanced economic growth.

For the future, the President indicates that there are several basic economic tenets which are to be followed by his Administration.

First, competitive markets rather than Government decrees are, as a rule, the most efficient instruments for organizing production and consumption.

Second, a free economy has great capacity to create jobs and incomes if a feeling of confidence in the economic future is widely shared by investors, workers, businessmen, farmers, and consumers.

Third, the Government creates a climate favorable to business when it encourages private initiative, curbs monopolistic tendencies on the part of either business or labor, avoids encroachment on the private sector of the economy, and carries out as much of its own work as is practicable through private enterprise.

Fourth, the Government generates confidence when it restricts tendencies toward recession or inflation and does this by relying largely on indirect means of influencing private behavior rather than on direct controls over people, industries, and markets.

Fifth, the Government contributes to economic growth when it works with states in promoting scientific research and in providing public facilities, such as highways, hospitals, harbors, and educational institutions, on which the expansion of the private economy heavily rests.

Finally, the Government strengthens the foundations of the economy when it widens opportunities for its less fortunate citizens and, working in cooperation with states and localities, helps individuals to cope with the hazards of unemployment, illness, old age, and blighted neighborhoods.

The President states that, in view of improved economic conditions, a continuation of rapid economic growth may be reasonably expected by following these basic tenets. Among the more favorable economic factors, he recognizes that our population is rapidly increasing, educational levels are rising, work skills are improving, incomes are widely distributed, consumers are eager to improve their living standards, businessmen are actively engaged in starting new enterprises and expanding old ones, the tools of industries are multiplying and improving, research and technology are constantly opening up new opportunities, and our public policies generally encourage enterprise and innovation.

Recommendations

The remaining major section of the Report is devoted to the President's recommendations on policy and legislative action. The Report contains 33 such recommendations, most of which are either mentioned or discussed in the previous messages. However, a few need further elaboration as major items affecting the economic outlook. These may be grouped under the headings of taxes and the debt limit, labor, and construction.

In the first group, three recommendations are important. First, the President proposes to postpone the lowering of the corporate income tax and excise taxes which is scheduled for April 1. Second, he recommends that the tax rate on corporate income from foreign sources be reduced by 14 percentage points. Third, in view of the deficits expected, an increase in the statutory debt limit is requested to permit greater flexibility in the management of Federal finances.

The second group of proposals is important in its implications to wage costs and labor-management relations in the future. The first of these proposals would increase the Federal minimum wage to 90 cents per hour and extend the coverage of the law to a substantial number of workers now excluded. Second, there are a number of proposals dealing with fringe benefits, such as unemployment compensation and old-age and survivors insurance. Each of these suggests either an increase in the benefits to be paid under the programs or an extension of the coverage of such programs.

Finally, a group of recommendations is made which would have important consequences in the construction industry. The President requests that the insurance authorization of the FHA be increased and that he be given greater latitude in varying the terms on which home mortgages are underwritten by the Federal Government. The latter action is requested in order to allow the President to adjust these terms more realistically to changes in economic conditions.

Another important step affecting future construction activity is the recommendation to allow national banks to make conventional real estate mortgage loans with maturities up to 20 years and to extend the maximum duration of construction loans. The President also recommends to the states that, where necessary, they enact legislation to permit the writing of *open-end* mortgages. Also, there is a recommendation to authorize the FHA to enter into contracts for 35,000 additional units of low-rental public housing in each of the next two fiscal years.

REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Department store sales in the Eleventh District during the first half of January were 18 percent above those in the comparable period in 1954. Sales in December, the largest for any month of record, were 7 percent above the December 1953 level. Department store inventories at the end of December were 2 percent above those of a year earlier.

Recent snows and rains provided needed moisture in many parts of the District, but the condition of winter wheat in the High Plains of Texas and ranges in the southwestern third of the State is still poor. Winter vegetable harvest is in progress, with Texas production in 1955 indicated at 4 percent below the 1954 crop. The value of principal crops grown in Texas in 1954 is estimated at 5 percent higher than a year earlier.

District crude oil production rose substantially in January to mark the third successive monthly increase. Refinery crude runs, after reaching an all-time high in December, showed a further gain in the first half of January. Texas and Louisiana allowables for February will be approximately the same as in January, except for new production.

Nonagricultural employment in the District states during December established a new record. Manufacturing employment was about 1 percent below the December 1953 level.

The value of construction contract awards in December rose 24 percent above November and 38 percent above December 1953. Nonresidential awards were valued 3 percent above those of a year earlier.

Gross loans of the District's weekly reporting member banks rose 1.3 percent during the 5 weeks ended January 19, reflecting principally increases in loans on securities and loans to consumers. Total assets decreased 1.0 percent, primarily because of declines in investments and in cash assets. Demand deposits declined 1.2 percent, and time deposits rose 2.7 percent.



Department store sales in the Eleventh Federal Reserve District, after reaching record proportions during the pre-Christmas shopping season, have continued at an unusually strong pace. Sales in the 2 weeks ended January 15 were 18 percent higher than in the comparable period a year ago. This heavy post-Christmas buying has been caused partially by the extensive "clearance" and "white" sales carried on by department stores.

Final figures for December indicate that daily average sales of department stores in the District rose 60 percent above November and were 7 percent above December 1953. Total sales for 1954 were almost equal to those for 1953, despite the 5-percent decline recorded in the first half of the year.

Sales during December in most major departmental groups showed seasonal gains over November and registered moderate to substantial increases over a year earlier. The principal gains were made by the record sales of home furnishings, small wares, and women's and misses' ready-to-wear apparel. Compared with year-earlier figures, sales of home furnishings were up 12 percent; small wares, 11 percent; and women's and misses' ready-to-wear apparel, 10 percent. Other departments showing increases were household textiles and women's and misses' ready-to-wear accessories, both up 3 percent, and men's and boys' wear, up 4 percent.

Instalment sales at department stores, which increased steadily during the last half of 1954, rose 46 percent during December and were 28 percent greater than the year-earlier figure. Instalment sales represented 10 percent of total store sales, compared with 8 percent in December 1953.

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES			STOCKS ¹	
	Dec. 1954 from		12 mo. 1954 comp. with 12 mo. 1953	Dec. 1954 from	
	Dec. 1953	Nov. 1954		Dec. 1953	Nov. 1954
DEPARTMENT STORES					
Total Eleventh District.....	7	60	0	2	-17
Corpus Christi.....	12	76	3	10	-17
Dallas.....	11	62	1	5	-16
El Paso.....	n.a.	n.a.	n.a.	n.a.	n.a.
Fort Worth.....	7	56	-1	7	-20
Houston.....	6	56	0	-6	-19
Shreveport, La.....	3	58	-1	7	-21
Waco.....	8	74	1	-1	-16
Other cities.....	3	58	-3	2	-14
FURNITURE STORES					
Total Eleventh District.....	15	33	—	4	-5
Austin.....	5	45	—	-10	0
Dallas.....	19	31	—	15	-8
Houston.....	31	20	—	18	-6
Port Arthur.....	16	35	—	17	7
San Antonio.....	6	38	—	-1	-4
Other cities.....	3	46	—	-3	-5
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	-24	4	—	—	—
Dallas.....	-15	1	—	—	—

¹ Stocks at end of month.
n.a.—Not available.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED				ADJUSTED ¹			
	Dec. 1954	Nov. 1954	Oct. 1954	Dec. 1953	Dec. 1954	Nov. 1954	Oct. 1954	Dec. 1953
SALES—Daily average								
Eleventh District.....	225	147	135	210r	134	130	129	125
Dallas.....	226	146	131	203	135	127	122	122
Houston.....	251	168	156	238	149	150	158	141
STOCKS—End of month								
Eleventh District.....	119p	143	144	117r	131p	129	132	128r

¹ Adjusted for seasonal variation.

r—Revised.

p—Preliminary.

Most department store managers followed conservative inventory policies during 1954, even though they increased inventories in line with the rising sales volume in the last quarter of the year. Although stocks were reduced approximately 17 percent during December, at the end of 1954 they were 2 percent higher than on the same date a year earlier. Total inventories of all types of department store merchandise at the end of December were 1.44 times December sales, compared with December ratios of 1.54 for 1953 and 1.47 for 1952.

In anticipation of a continued strong consumer demand in the first quarter of 1955, department stores increased new orders for merchandise during the latter part of 1954. Orders outstanding at the end of December were 7 percent higher than on the same date in 1953 but were down seasonally 24 percent from November.

Sales at reporting furniture stores in the District during December rose seasonally 33 percent above November and were 15 percent above December 1953. End-of-year inventories were 4 percent above year-earlier figures but were down 5 percent from November.



Light to heavy rains and snow fell over many parts of the District during the last week in December and the first part of January. Precipitation was received in much of the Edwards Plateau, northcentral, eastern, and coastal prairie sections of Texas and in southwestern New Mexico, benefiting small grains, legumes, and pastures. Less effective amounts of precipitation fell in the High Plains and southwestern third of Texas and in eastern New Mexico.

Conditions in the major wheat-producing regions in the northern High Plains of Texas and in eastern New Mexico have continued to deteriorate. As a result of poor wheat conditions, cattle are still being moved off dry-land wheat pastures in the High Plains.

Ranges in Texas on January 1 were in the poorest condition for this time of year since January 1, 1935, according to the United States Department of Agriculture. The condition of Texas range cattle and calves was reported as slightly worse than a month earlier, in spite of increased supplemental feeding. The condition of sheep and lambs on January 1 showed no change from the previous month.

CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	1954	1953	Average 1943-52	1954	1953	Average 1943-52
Cotton ²	3,920	4,317	3,239	5,945	6,957	4,791
Corn.....	33,184	33,874	51,266	52,047	52,991	91,286
Wheat.....	30,894	23,035	57,221	102,895	95,154	136,804
Oats.....	41,354	39,150	26,309	65,737	54,141	46,983
Rice ³	16,120	15,068	10,162	31,116	27,752	20,839
Sorghum grain....	117,386	55,198	79,379	130,950	66,156	94,745
Peanuts ⁴	105,875	179,400	282,635	149,225	299,890	395,214
Flaxseed.....	578	868	819	676	868	1,288
Pecans.....	22,500	28,000	32,465	47,000	79,600	63,990
Irish potatoes....	2,033	2,484	3,818	4,815	6,104	8,303
Sweet potatoes....	1,350	2,550	4,047	10,374	11,703	13,894
Hay, all ⁵	1,389	1,705	1,546	4,476	5,056	4,740

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.² In thousands of bales.³ In thousands of bags, 100 pounds each.⁴ In thousands of pounds.⁵ In thousands of tons.

SOURCE: United States Department of Agriculture.

The number of sheep and lambs on feed on January 1, 1955, in the District states—except Louisiana, which was not reported—was practically unchanged from January 1, 1954, according to the United States Department of Agriculture. The number on feed on January 1, 1955, is estimated at 308,000—only 1,000 head more than the estimate on the same date in 1954. Increases of 21 percent and 38 percent, respectively, for New Mexico and Arizona were offset by a decrease of 33 percent for Oklahoma. The number of sheep and lambs on feed in Texas remained unchanged from a year ago, while the total in the United States was down 4 percent.

The United States Department of Agriculture estimated the total value of principal crops grown in Texas in 1954 at \$1,305,772,000, which is 5 percent higher than the 1953 production value of \$1,238,715,000. The sharp increase in sorghum grain production, coupled with only slightly lower prices for this crop, was responsible for a major portion of the increased valuation of crops.

Crops were produced on 25,642,000 acres in Texas in 1954, which is 10 percent greater than the 1953 harvested acreage of 23,343,000 acres. Smaller acreages of cotton, flaxseed, sorghum forage, hay, some seeds, peanuts, and potatoes were more than offset by larger acreages of sorghum grains, other

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Comparable		
		Week ended Jan. 20, 1955	last week	last year
COTTON, Middling 15/16-inch, Dallas.....	lb.	\$.3355	\$.3380	\$.3295
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.72 3/4	2.70 3/4	2.71 3/4
OATS, No. 2 white, Fort Worth.....	bu.	1.01 1/4	1.04 1/4	1.08 3/4
CORN, No. 2 yellow, Fort Worth.....	bu.	1.82 3/4	1.87 1/2	1.82 1/4
SORGHUMS, No. 2 yellow, Fort Worth.....	cwt.	2.71	2.75	2.97
HOGS, Choice, Fort Worth.....	cwt.	18.50	19.00	26.50
SLAUGHTER STEERS, Choice, Fort Worth...	cwt.	26.00	25.00	24.00
SLAUGHTER CALVES, Choice, Fort Worth...	cwt.	21.00	20.00	20.00
STOCKER STEERS, Choice, Fort Worth.....	cwt.	22.00	21.00	21.00
SHORN LAMBS, Choice, Fort Worth.....	cwt.	19.75	18.00	19.00
BROILERS, south Texas.....	lb.	.25	.20	.25
WOOL, 12-months, west Texas.....	lb.	1.70	1.65	(¹)
MOHAIR, kid, west Texas.....	lb.	(²)	1.00	1.02

¹ Clean basis.² No sales reported.

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	December 1954	December 1953	November 1954	December 1954	December 1953	November 1954
Cattle.....	57,115	73,920	80,774	21,065	31,029	35,440
Calves.....	21,782	29,198	29,734	19,172	26,346	31,853
Hogs.....	52,215	44,522	49,594	2,067	—	2,141
Sheep.....	47,543	43,563	60,353	14,453	17,983	116,339

¹ Includes goats.

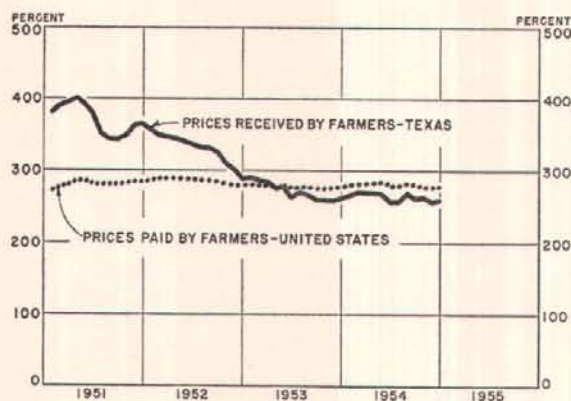
small grains, rice, commercial vegetables, corn, and other minor crops.

The United States Department of Agriculture estimates that, as of January 1, the production of winter vegetables in the Nation in 1955 will be about 5 percent below the 1954 crop but nearly equal to the 1949-53 average. Texas production for 1955 is indicated to be 4 percent below 1954 but 16 percent above the 5-year average.

On December 14, cotton growers voted approval of marketing quotas and acreage allotments on the 1955 cotton crop, and the Secretary of Agriculture has set the support price at 90 percent of parity. The 1955 upland cotton allotment for Texas is 7,612,779 acres, compared with 8,719,178 acres in 1954. The allotment for District states was reduced from 11,200,659 acres in 1954 to 9,649,880 acres for 1955. The 1955 acreage allotment for extra-long staple cotton in Texas, Arizona, and New Mexico is 32,965 acres, which is 13 percent below the 1954 allotment.

AGRICULTURAL PRICE INDEXES

1910-14=100



SOURCE: U.S. Department of Agriculture.

On January 28, 1955, rice growers voted in a referendum to determine whether they desire marketing quotas and acreage allotments on the 1955 rice crop. Secretary of Agriculture Benson has set the national rice acreage allotment for 1955 at 1,859,099 acres, about 25 percent below the United States planted acreage in 1954.



During the 5 weeks ended January 19, total assets of the District's weekly reporting member banks declined \$56,034,000, or 1.0 percent, reflecting principally declines of \$51,700,000 in investments and \$43,919,000 in cash assets that were offset only partly by increases in loans and discounts and in other assets.

The decrease in investments was weighted heavily by declines in holdings of Treasury certificates of indebtedness and Treasury bonds, which decreased \$34,337,000 and \$18,221,000, respectively. The banks increased their holdings of Treasury notes by \$4,597,000, and their investments in other bonds, stocks, and securities rose moderately.

The rise in gross loans, which amounted to \$28,746,000, resulted primarily from an \$18,137,000 increase in loans for purchasing and carrying securities (other than to brokers and dealers) and a rise of \$14,177,000 in "other" loans, which consist mainly of consumer borrowings. Both real estate loans and loans to banks rose moderately, while com-

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Jan. 19, 1955	Jan. 20, 1954	Dec. 15, 1954
ASSETS			
Commercial, industrial, and agricultural loans....	\$1,426,353	\$1,298,919	\$1,439,680
Loans to brokers and dealers in securities.....	11,263	10,965	15,817
Other loans for purchasing or carrying securities....	120,826	74,238	102,689
Real estate loans.....	174,381	132,106	166,844
Loans to banks.....	19,205	1,109	12,429
All other loans.....	430,331	402,189	416,154
Gross loans.....	2,182,359	1,919,526	2,153,613
Less reserves and unallocated charge-offs..	22,371	17,067	18,040
Net loans.....	2,159,988	1,902,459	2,135,573
U. S. Treasury bills.....	123,498	155,898	129,088
U. S. Treasury certificates of indebtedness.....	107,123	262,003	141,460
U. S. Treasury notes.....	250,115	199,869	245,518
U. S. Government bonds (inc. gtd. obligations)....	882,270	684,375	900,491
Other securities.....	229,625	197,518	227,774
Total investments.....	1,592,631	1,499,663	1,644,331
Cash items in process of collection.....	356,477	435,339	364,844
Balances with banks in the United States.....	463,684	550,077	487,720
Balances with banks in foreign countries.....	2,364	1,564	2,174
Currency and coin.....	42,758	47,562	48,463
Reserves with Federal Reserve Bank.....	607,389	625,182	613,390
Other assets.....	135,676	111,757	120,506
TOTAL ASSETS.....	5,360,967	5,173,603	5,417,001
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,866,555	2,776,411	2,826,799
United States Government.....	50,825	69,494	125,903
States and political subdivisions.....	197,267	230,410	178,885
Banks in the United States.....	989,118	977,978	1,021,307
Banks in foreign countries.....	14,729	10,575	14,395
Certified and officers' checks, etc.....	63,262	66,200	66,825
Total demand deposits.....	4,181,756	4,131,068	4,234,114
Time deposits			
Individuals, partnerships, and corporations....	633,168	519,202	612,234
United States Government.....	13,370	10,144	13,369
Postal savings.....	452	450	451
States and political subdivisions.....	96,191	115,904	97,861
Banks in the U. S. and foreign countries.....	923	1,388	978
Total time deposits.....	744,104	647,088	724,893
Total deposits.....	4,925,860	4,778,156	4,959,007
Bills payable, rediscounts, etc.....	5,000	14,000	29,500
All other liabilities.....	74,805	59,932	70,587
Total capital accounts.....	355,302	321,495	357,907
TOTAL LIABILITIES AND CAPITAL.....	5,360,967	5,173,603	5,417,001

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Dec. 29, 1954	Dec. 30, 1953	Nov. 24, 1954
ASSETS			
Loans and discounts.....	\$3,465	\$3,065	\$3,351
United States Government obligations.....	2,674	2,441	2,649
Other securities.....	511	460	519
Reserves with Federal Reserve Bank.....	985	1,024	1,030
Cash in vault ^a	138	141	132
Balances with banks in the United States.....	1,189	1,264	1,137
Balances with banks in foreign countries ^a	2	1	2
Cash items in process of collection.....	357	340	352
Other assets ^a	179	155	170
TOTAL ASSETS^a.....	9,500	8,891	9,362
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,210	1,158	1,121
Other demand deposits.....	6,393	6,109	6,394
Time deposits.....	1,140	983	1,123
Total deposits.....	8,743	8,250	8,638
Borrowings ^a	43	0	20
Other liabilities ^a	85	71	79
Total capital accounts ^a	629	570	625
TOTAL LIABILITIES AND CAPITAL^a.....	9,500	8,891	9,362

a—Estimated.

mercial, industrial, and agricultural loans declined \$13,327,000 and loans to brokers and dealers in securities decreased \$4,554,000.

Notable changes in the banks' liabilities included a decrease of \$33,147,000 in total deposits and a decline of \$24,500,000 in bank borrowings. Although the decline in borrowings was similar to the year-earlier trend, the decrease in total deposits contrasts with an increase of \$181,942,000 in the comparable 1953-54 period. The movement in demand deposits, which declined \$52,358,000, resulted from sharp decreases in United States Government deposits and domestic interbank funds that were offset only partly by expansion in demand deposits of individuals and businesses, states and political subdivisions, and foreign banks. The increase of \$19,211,000 in time deposits resulted from larger deposits of individuals and businesses. Total capital accounts of the banks declined \$2,605,000, as compared with an increase of \$1,006,000 in the year-earlier period.

Gross demand deposits and time deposits of District member banks averaged \$7,551,892,000 and \$1,131,996,000, respectively, in December 1954, establishing new record levels for both categories. Demand deposits of the banks were 1.7 percent above the November 1954 level and 6.3 percent higher than in December 1953. Time deposits aver-

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
Dec. 1952.....	\$7,090,304	\$ 784,739	\$3,380,098	\$422,356	\$3,710,206	\$362,383
Dec. 1953.....	7,104,841	971,988	3,453,418	545,675	3,651,423	426,313
Aug. 1954.....	6,992,543	1,078,297	3,439,030	600,994	3,553,513	477,303
Sept. 1954.....	7,086,193	1,081,850	3,499,932	600,926	3,586,261	480,924
Oct. 1954.....	7,259,916	1,109,374	3,591,134	622,569	3,668,782	486,805
Nov. 1954.....	7,464,379	1,126,793	3,650,354	635,036	3,814,025	491,757
Dec. 1954.....	7,551,892	1,131,996	3,687,178	629,548	3,864,714	502,448

aged slightly more than in the preceding month and were 16.5 percent greater than in December 1953.

Debits to deposit accounts at banks in 24 cities in the District rose seasonally in December to \$7,761,537,000, up 22 percent from November 1954 and 14 percent over December 1953. Debits in 23 of the cities showed increases over the preceding month and were unchanged in one city. Reflecting the increase in total debits, the annual rate of deposit turnover reached 21.1 in December, compared with only 17.9 in the preceding month and 19.6 in December 1953.

On January 4 the Board of Governors of the Federal Reserve System announced amendments to Regulations T and U, the effect of which was to increase the cash payment required for purchases of registered stocks from 50 percent to 60 percent of their market value. The last change in such margin requirements was on February 20, 1953, when they were reduced from 75 percent to 50 percent.

Effective January 1, the Treasury removed restrictions against bank ownership of the 2½-percent Treasury bonds of June and December 1967-72, of which \$5,700,000,000 is outstanding. The purpose of the action was to widen the market for these obligations, which were the only two issues of marketable securities that remained ineligible for bank ownership.

Effective the same date, the Treasury revised its savings bonds regulations to permit purchases of Series E and H

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

(Amounts in thousands of dollars)

City	DEBITS ¹			DEPOSITS ²				
	December 1954	Percentage change from		Dec. 31, 1954	Annual rate of turnover			
		Dec. 1953	Nov. 1954		Dec. 1954	Dec. 1953	Nov. 1954	
ARIZONA								
Tucson.....	\$ 130,298	19	12	\$ 91,015	17.4	15.2	16.1	
LOUISIANA								
Monroe.....	58,594	12	18	46,985	15.2	14.4	13.2	
Shreveport.....	236,405	8	12	187,357	15.6	15.0	14.4	
NEW MEXICO								
Roswell.....	31,002	20	6	31,755	11.9	10.3	11.9	
TEXAS								
Abilene.....	66,760	12	0	60,310	13.4	13.2	14.3	
Amarillo.....	155,357	20	11	112,502	16.8	15.4	15.5	
Austin.....	129,073	12	14	119,053	13.2	13.7	12.0	
Beaumont.....	125,015	-10	1	104,727	14.4	16.4	14.5	
Corpus Christi.....	177,368	24	12	120,683	17.8	16.0	15.6	
Corsicana.....	17,046	3	40	22,690	9.2	8.9	6.8	
Dallas.....	2,368,453	12	28	1,042,966	28.4	27.5	23.4	
El Paso.....	250,637	10	13	135,567	22.6	21.4	21.0	
Fort Worth.....	679,323	16	30	345,879	23.2	20.9	17.9	
Galveston.....	91,976	16	20	68,505	15.7	11.8	13.1	
Houston.....	2,181,280	15	26	1,218,109	22.1	20.0	18.2	
Laredo.....	21,336	-1	12	19,235	13.4	13.4	12.1	
Lubbock.....	186,095	26	13	113,393	21.1	20.5	21.4	
Port Arthur.....	54,828	10	17	39,496	16.6	15.6	14.3	
San Angelo.....	45,382	18	13	47,314	11.5	10.3	10.3	
San Antonio.....	476,127	19	18	339,004	17.2	15.1	15.0	
Texarkana ³	20,841	13	22	18,117	14.2	12.2	11.9	
Tyler.....	70,166	17	12	59,625	14.5	12.2	13.3	
Waco.....	87,979	8	8	72,298	15.0	14.4	14.4	
Wichita Falls.....	100,196	13	13	111,701	11.0	10.4	10.3	
Total—24 cities.....	\$7,761,537	14	22	\$4,528,286	21.1	19.6	17.9	

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 \$38,912,000 for the month of December 1954.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Jan. 15, 1955	Jan. 15, 1954	Dec. 15, 1954
Total gold certificate reserves.....	\$ 896,601	\$ 831,768	\$ 804,153
Discounts for member banks.....	2,000	0	14,000
Other discounts and advances.....	6,267	705	8,115
U. S. Government securities.....	950,789	997,078	977,963
Total earning assets.....	959,056	997,783	1,000,078
Member bank reserve deposits.....	1,069,593	1,090,408	1,002,441
Federal Reserve notes in actual circulation.....	727,835	723,407	751,315

bonds by "personal trust estates." The annual purchase limit of \$20,000 of each series that applies to an individual owner also will apply to a trust estate, regardless of the number of beneficiaries.

On January 11 the Federal National Mortgage Association accepted subscriptions for an offering of \$500,000,000 of 3-year 2½-percent notes dated January 20, 1955. Although the notes are not guaranteed by the United States, the Treasury is backing them indirectly by promising to lend the FNMA any amount necessary to retire them at maturity. This feature, in addition to payment provisions that were especially attractive to commercial banks, resulted in a heavy oversubscription to the issue. Subscriptions were accepted in the amount of \$50,000 or 14 percent of the amount of each subscription, whichever was larger. Investors in the Eleventh Federal Reserve District subscribed to \$177,112,000 and were allotted \$30,386,000 of the securities.



The oil picture in this District was stronger at the beginning of 1955 than at any time since the first part of 1953. The improvement in the District during the past few months has reflected the better supply and demand situation in the Nation's oil industry. Excess stocks, which were plaguing the industry as late as September, have been largely eliminated. Demand, which was disappointing during most of 1954, has strengthened considerably, partly because of seasonal factors and also the expansion in general business activity. Wholesale prices of heating oil have firmed, and gasoline prices have been steady.

After moderate increases in November and December, crude oil production in January rose appreciably, reflecting marked increases in Texas and Louisiana allowables and a smaller increase in the New Mexico allowable. District production during the first 2 weeks of January averaged 3,229,000 barrels per day, which is 211,000 barrels higher than in December and 298,000 barrels higher than in January a year ago. The Nation's crude oil production showed a similar pattern, with daily production in the first 2 weeks of January averaging 6,632,000 barrels.

Daily average crude oil production in the District in February apparently will be maintained at a high level as the February daily allowable for Texas was reduced only 38,000 barrels from the mid-January allowable, and this decrease may be offset by allowables assigned new wells. In Louisiana the Commissioner of Conservation indicated allowables generally would be unchanged, except to take care of new production.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	December 1954 ¹	December 1953 ²	November 1954 ¹	Change from	
				December 1953	November 1954
ELEVENTH DISTRICT.....	3,017.9	2,919.9	2,960.9	98.0	57.0
Texas.....	2,702.9	2,610.5	2,648.8	92.4	54.1
Gulf Coast.....	584.0	576.0	571.9	8.0	12.1
East Texas.....	1,048.8	977.8	1,027.0	71.0	21.8
East Texas (proper).....	215.9	233.8	210.6	-17.9	5.3
Panhandle.....	84.1	80.6	84.2	3.5	—1
Rest of State.....	770.1	742.3	755.1	27.8	15.0
Southeastern New Mexico..	210.9	193.9	207.5	17.0	3.4
Northern Louisiana.....	104.1	115.5	104.6	-11.4	—5
OUTSIDE ELEVENTH DISTRICT.	3,339.5	3,318.1	3,278.6	21.4	60.9
UNITED STATES.....	6,357.4	6,238.0	6,239.5	119.4	117.9

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

Refinery activity in both the District and the Nation rose substantially during December and the first part of January to reach all-time highs. December crude runs to refinery stills in the District averaged 2,146,000 barrels per day, which is 67,000 barrels higher than in November and 152,000 barrels higher than in December 1953. In the Nation, refinery crude runs in December, at 7,203,000 barrels per day, were up 248,000 barrels from November and 239,000 barrels from December a year earlier.

The Nation's stocks of crude oil and major refined products declined considerably during December and early January and on January 14 totaled 597,100,000 barrels, or about 10,000,000 barrels less than a year earlier. At 256,500,000 barrels, crude stocks were about 13,100,000 barrels below a year ago, while stocks of major refined products, amounting to 340,600,000 barrels, were 3,100,000 barrels higher than a year ago.

Demand for major refined products at refineries and bulk terminals during the 5 weeks ended January 14 averaged 7,467,000 barrels per day, which is 288,000 barrels — or 4 percent — higher than in the corresponding period a year earlier. The demand for distillate fuel oil showed a year-to-year gain of 8 percent, and the demand for gasoline was 5 percent higher than a year earlier. Meanwhile, kerosene demand

SUPPLY AND DEMAND FOR ALL OILS, 1953-55

United States

(In thousands of barrels per day)

	Forecast 1955	Estimated 1954	Actual 1953
NEW SUPPLY.....	8,373	8,080	8,180
Production.....	7,247	7,017	7,130
Crude.....	6,537	6,340	6,466
Other oils.....	710	677	664
Imports.....	1,126	1,063	1,050
Crude.....	707	658	648
Refined.....	419	405	402
CHANGE IN STOCKS.....	22	-19	148
Crude.....	—	-40	13
Products.....	22	21	135
DEMAND.....	8,351	8,099	8,032
Exports.....	293	351	402
Domestic.....	8,058	7,748	7,630
Gasoline.....	3,485	3,378	3,373
Kerosene.....	332	323	332
Distillate.....	1,518	1,436	1,351
Residual.....	1,479	1,444	1,548
All other.....	1,244	1,167	1,026

SOURCE: United States Bureau of Mines.

NATURAL GAS: MARKETED PRODUCTION

(In millions of cubic feet)

Area	Third quarter 1954	Third quarter 1953	Second quarter 1954
Louisiana.....	285,900	276,900	281,600
New Mexico.....	113,000	95,600	105,200
Oklahoma.....	152,600	131,200	153,800
Texas.....	1,069,600	1,080,400	1,106,500
Total.....	1,621,100	1,584,100	1,647,100

SOURCE: United States Bureau of Mines.

was down 4 percent, and residual fuel oil demand was down 1 percent.

The improvement in demand in recent months is expected to continue in 1955, according to the United States Bureau of Mines forecast which was issued recently. The Bureau's forecast, assuming normal weather, indicates a total demand for all oils of 8,351,000 barrels per day, which is 3 percent higher than in 1954 and may be compared with the estimated increase from 1953 to 1954 of less than 1 percent. Domestic demand is expected to be up 4 percent, but exports may show a further decline of 16 percent. With refined products stocks now considered to be near normal levels, the rise in demand is expected to be accompanied by an approximately corresponding increase in supply. The forecast calls for a gain of 3.1 percent in domestic crude oil production, an increase of 4.9 percent in light oils from natural gas, and a rise of 5.9 percent in total imports.

Marketed production of natural gas in the four producing states lying wholly or partly within the Eleventh Federal Reserve District—Louisiana, New Mexico, Oklahoma, and Texas—declined 2 percent to 1,621 billion cubic feet during the third quarter of 1954. The decline was of a seasonal nature, largely reflecting a reduction in summer requirements for residential consumption. Third-quarter production, however, was 2 percent higher than in the same quarter of the previous year. Compared with 1953, production in New Mexico and Oklahoma showed substantial increases, and that in Louisiana, a moderate gain. On the other hand, Texas production declined. The aggregate marketed production of the four states in the third quarter of 1954 comprised 81 percent of the national total.



Nonagricultural employment in the District states during December established a new record at 3,946,000, which exceeds the previous record of December 1953 by 20,800.

As in the preceding month, the major factor contributing to the increase was seasonal hirings in retail trade, which more than offset declines in some manufacturing segments and construction.

A seasonal decline of 8,800 placed manufacturing employment in the District states in December at 715,200—about 1 percent below that in December 1953. Decreases occurred

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	December 1954p	December 1953	November 1954	January—December	
				1954p	1953
ELEVENTH DISTRICT....	\$ 157,014	\$ 114,028	\$ 127,115	\$ 1,469,278	\$ 1,287,956
Residential.....	68,543	28,082	67,417	706,820	497,195
All other.....	88,471	85,946	59,698	762,458	790,761
UNITED STATES ¹	1,830,094	1,299,764	1,498,850	19,771,524	17,443,463
Residential.....	761,577	433,500	708,691	8,518,291	6,606,832
All other.....	1,068,517	866,264	790,159	11,253,233	10,836,631

¹ 37 states east of the Rocky Mountains.

p—Preliminary.

SOURCE: F. W. Dodge Corporation.

in the fabricated metals, furniture, and machinery industries, while there were increases in the textiles, paper, and printing and publishing industries.

Indicating a probable high level of construction activity during early 1955, the value of contract awards in December was nearly 24 percent higher than in November and 38 percent above December 1953. Residential awards, which were up 2 percent from the November level, exceeded those in December 1953 by 144 percent. Nonresidential awards increased sharply to a level 48 percent above November and 3 percent above December a year earlier.

For the year 1954, total contract awards were up 14 percent from 1953, reflecting the 42-percent gain in residential awards which more than offset the 4-percent decline in all other awards. In the Nation, total awards increased 13 percent; the gain in residential awards was only 29 percent, and all other awards were up 4 percent.

Contracts awarded during 1954 for building educational structures in Texas increased nearly 10 percent to \$107,779,000, or 25 percent of the value of total nonresidential building contracts. Indicative of future construction activity, indebtedness incurred for building purposes by Texas school districts during the 4 weeks ended January 10 amounted to almost \$8,000,000. During the same period municipalities in Texas sold bonds totaling over \$15,000,000, primarily for the expansion of utility systems.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Dec. 1954 from	
	December 1954p	December 1953	November 1954	Dec. 1953	Nov. 1954
Total nonagricultural					
wage and salary workers..	3,946,000	3,925,200	3,895,200	.5	1.3
Manufacturing.....	715,200	721,500	724,000	-.9	-1.2
Nonmanufacturing.....	3,230,800	3,203,700	3,171,200	.8	1.9
Mining.....	231,500	229,600	229,700	.8	.8
Construction.....	273,600	284,000	282,500	-3.7	-3.2
Transportation and public utilities.....	391,800	406,900	391,300	-3.7	.1
Trade.....	1,051,700	1,034,000	1,008,200	1.7	4.3
Finance.....	158,100	154,500	157,800	2.3	.2
Service.....	452,600	443,400	452,600	2.1	0
Government.....	671,500	651,300	649,100	3.1	3.5

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

p—Preliminary.

SOURCE: State employment agencies.