

Federal Reserve Bank of Dallas      December 1982

## Texas Defense Spending Strong In Dallas-Fort Worth

Texas is perceived to rank high among states in terms of defense manufacturing, but sales to the Department of Defense (DOD) were a significantly smaller proportion of total shipments from manufacturers in Texas in 1980 than in 1968, when manufacturers' orders for defense during the Vietnam War peaked. Now, as then, most of the firms in Texas who sell to the DOD are in Dallas-Fort Worth, and this gives a substantial underpinning to that area's economy.

In 1980 Texas ranked fourth in value of shipments to the DOD, with sales of almost \$3.5 billion, or 6.3 percent of the U.S. total. First-ranked California had sales of almost \$11.5 billion in 1980, or 23.8 percent of U.S. total. In 1968, Texas ranked second with 12.1 percent of the total, compared with California's share of 21.1 percent. In that year, 3.0 percent of nonagricultural employment in Texas worked in defense manufacturing, compared with 0.7 percent in 1980. Of the seven states with shipments to the DOD in 1980 exceeding \$3 billion, Texas had the lowest value of shipments per capita (\$215, compared with \$423 in California and \$213 in the United States).

Texas stands to benefit from the much publicized and debated increases in defense spending, but most of the stimulus will be in Dallas-Fort Worth. In 1978, the most recent year for which the data are available, Dallas-Fort Worth accounted for 17.8 percent

of the value of shipments from manufacturers in Texas. A comparison of DOD shipments with the total value of shipments from Dallas-Fort Worth manufacturers indicates that in that year 9.3 percent of shipments in the area was purchased by the DOD. This compares with 0.2 percent in Houston, 2.2 percent in Texas, and 2.6 percent in the United States. The concentration of defense manufacturing in Dallas-Fort Worth relative to the rest of Texas

has changed little from the late 1960's. In 1968, more than 23 percent of the value of shipments from Dallas-Fort Worth was purchased by the DOD, compared with 1.6 percent in Houston, 13.8 percent in Texas, and 5.5 percent in the United States.

The value of shipments data include sales to the DOD by the prime defense contractors (large defense manufacturers who negotiate directly with the  
*(Continued on back page)*

## Cheaper Peso Encourages Illegal Immigration

The 1982 peso devaluations have aggravated wage differences between Mexico and the United States. A record number of apprehensions of illegal aliens by the border patrol after the August 1982 devaluation suggest that more Mexican workers are entering the U.S. than ever before.

Immigration and Naturalization Service reports indicate that variation of apprehensions is highly seasonal and is related to U.S. agricultural production. Apprehensions generally peak between March and July and hit their lowest point in December. The number of U.S. wage and salary farm workers also follows this pattern.

Apprehension patterns are different among regions, however. The trend over the last 10 years shows that the region between New Mexico and the Gulf has experienced only small growth in apprehensions, while the

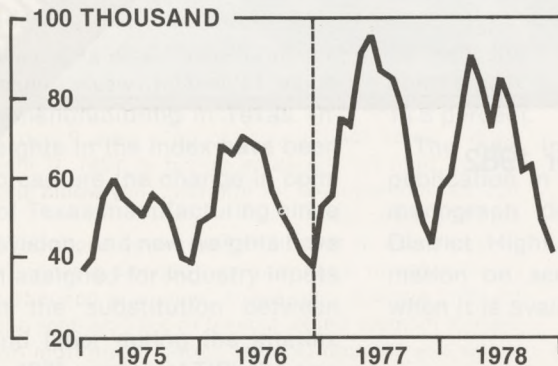
region between the Pacific Coast and Arizona has been growing steadily. Furthermore, as Charts 1 and 2 overleaf indicate, the region between the Pacific Coast and Del Rio, Texas had an observable growth in apprehensions after the 1976 peso devaluation, but the region from Del Rio to the Gulf experienced little or no change.

Assuming that apprehension rates accurately reflect illegal Mexican immigration, an increase in the number of illegal aliens in the first and second quarters of 1983 is likely. Mexican workers will be lured by the seasonal increase in agricultural activity and by higher dollar wages relative to peso wages induced by the 1982 devaluation. But if the 1976 experience is repeated, the increased entry should be concentrated mainly along the western section of the border.

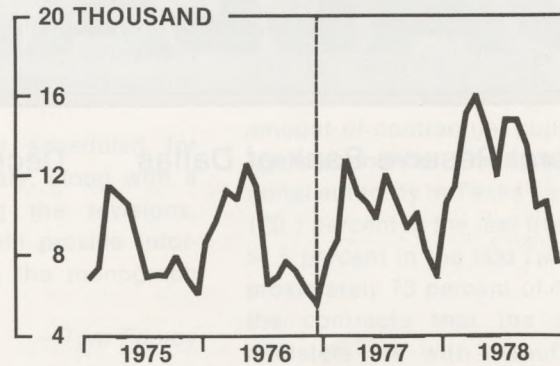
—Alberto E. Davila

## MONTHLY ILLEGAL ALIEN APPREHENSIONS BY U.S./MEXICO BORDER REGION

**CHART 1**  
PACIFIC COAST THROUGH DEL RIO, TEXAS



**CHART 2**  
FROM DEL RIO, TEXAS TO GULF



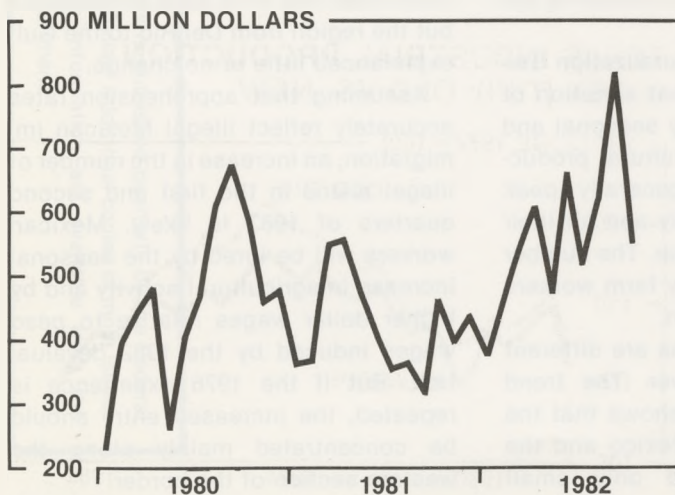
SOURCE: U.S. Department of Justice, Immigration and Naturalization Service.

## ELEVENTH DISTRICT CREDIT CONDITIONS

	1980 (12 Months)		1981 (12 Months)		1982 (9 Months)	
	Change* (Millions \$)	(Percent)	Change* (Millions \$)	(Percent)	Change* (Millions \$)	(Percent)
<b>ALL MEMBER BANKS</b>						
Total Loan Growth . . . . .	5,890.2	14.0	11,208.8	23.4	9,161.7	15.5
Total Deposit Growth . . . . .	7,185.3	13.6	9,979.3	16.6	7,833.4	11.2
<b>LARGE WEEKLY REPORTING BANKS</b>						
Total Loans . . . . .	2,343.0	12.9	5,305.7	25.8	3,587.2	13.9
Business . . . . .	1,703.1	20.5	4,543.5	45.4	2,710.5	18.6
Real Estate . . . . .	435.3	13.7	747.6	20.7	918.0	21.0
Consumer . . . . .	-40.9	-2.1	-160.4	-8.4	117.0	6.7

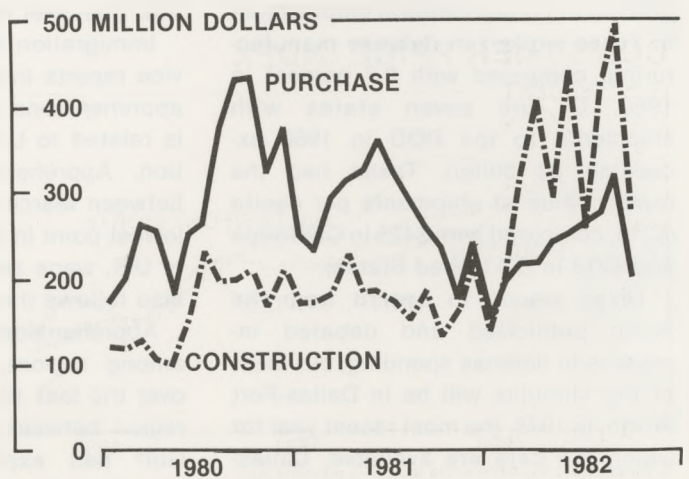
\* Dollar and percent changes are calculated using quarterly average figures from weekly reported bank data. For 1980 and 1981, growth figures were calculated comparing fourth quarter figures to the previous year's fourth quarter. For 1982, non-annualized growth figures for the first nine months were calculated comparing the third quarter of 1982 to the fourth quarter of 1981.

## NEW LOAN COMMITMENTS AT FSLIC-INSURED S&L'S: TEXAS



SOURCE: Federal Home Loan Bank Board.

## LOANS CLOSED FOR CONSTRUCTION AND PURCHASE OF REAL ESTATE AT FSLIC-INSURED S&L'S: TEXAS



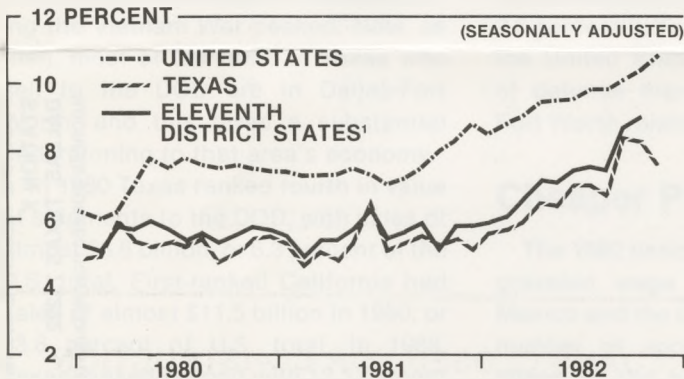
SOURCE: Federal Home Loan Bank Board.

## DISTRICT BRIEFS

**The District economy remains stagnant, but not in all sectors.**

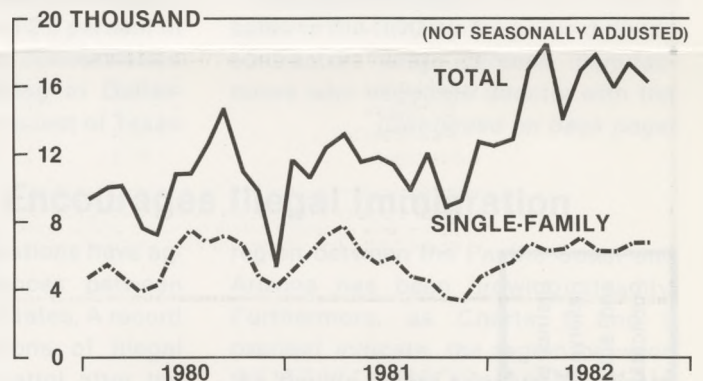
- The Texas unemployment rate fell by 0.1 percentage point in October, compared to a 0.3 percentage point rise for the nation. Nevertheless, large employment declines occurred in the oil field machinery, electric and electronic equipment, fabricated metals, and transportation equipment industries.
- The number of active drilling rigs has been rising both in Texas and in the nation during the last few weeks. So far, however, the increase has come largely from seasonal factors.
- In construction, nonresidential activity continues to slow, but residential activity has begun to quicken. In October, the value of Texas' seasonally adjusted residential construction contracts rose 22 percent over September, compared with a 3-percent decrease in the U.S.
- Residential construction's increase has brought good news for related industries. Production of lumber and wood products is climbing in the District. Output of the stone, clay, and glass industry is also rising.
- Retailing in the District is weak. Sales at surveyed department stores for the four weeks ending November 20th were up only 1 percent over a year earlier. Sales for the year to date were 2 percent greater than for the same period in 1981. If these figures were adjusted for inflation, they would show significant declines.
- Sluggishness in the District economy continues to be reflected in weak loan and deposit growth. The monthly average increase in loans and deposits at District member banks slowed to a 0.7-percent pace in the July through October period, down from over 1.0 percent during the first half of this year.
- Since mid-year, there has been a reallocation of District member bank portfolios toward security investments. For July through October, the monthly average growth in security investments was 1.5 percent, up from a 0.8-percent average during the first six months of 1982.

### UNEMPLOYMENT RATE



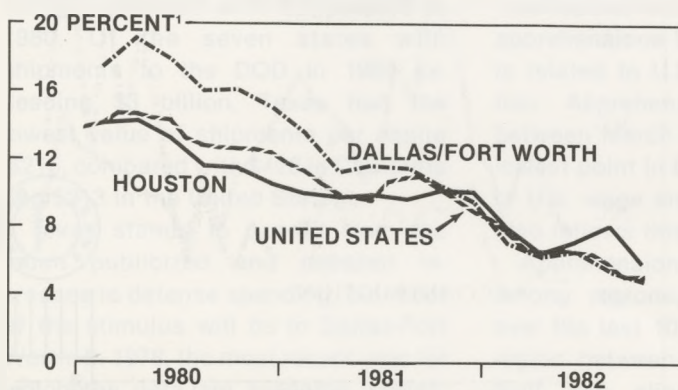
1. Louisiana, New Mexico, Oklahoma, and Texas.  
 SOURCES: U.S. Department of Labor, Bureau of Labor Statistics.  
 Texas Employment Commission.

### HOUSING PERMITS: TEXAS



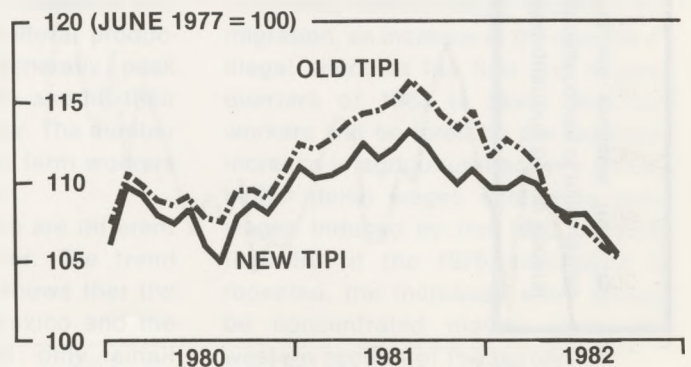
SOURCE: U.S. Department of Commerce, Bureau of the Census.

### CONSUMER PRICE INDEX



1. Percent change from same month in previous year.  
 SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

### TEXAS INDUSTRIAL PRODUCTION INDEX (TIPI): OLD VS. NEW



SOURCE: Federal Reserve Bank of Dallas.

## Texas Industrial Production Index Revised

The Federal Reserve Bank of Dallas has recently revised the Texas Industrial Production Index (TIPI). The revision adopts a new methodology for constructing the index to reflect more accurately the current level of value added by manufacturing in Texas. Industry weights in the index have been revised to capture the change in composition of Texas manufacturing since the last revision, and new weights have also been assigned for industry inputs to reflect the substitution between capital and labor during the interim. Unlike the 1975 version of TIPI, the new index includes productivity factors that reflect the impact of technological change in the various industries included in the index.

The new index is somewhat less volatile than the old one. As the chart on the previous page illustrates, the old index shows current output to be observably lower than the previous

trough in 1980, while the new one shows current activity to be about the same as in that year. And through September 1982 the new index fell 6.9 percent from its August 1981 peak, compared to a drop in the old index of 10.5 percent.

The new index is scheduled for publication in February, along with a monograph detailing the revisions. District Highlights will provide information on acquiring the monograph when it is available.

—Tom Fomby

## DEFENSE (cont.)

branches of the Armed Forces) and sales by smaller manufacturers who negotiate with the contracting agency of the DOD. This latter group of manufacturers includes a variety of

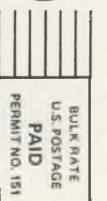
firms—from Texas Instruments, with defense contracts of almost \$2.8 billion in November 1982, to firms that supply beverages and foods.

The DOD contracting agency for a six-state region that includes Texas reports recent significant increases in obligational authority—the total amount of contractual obligations the agency can incur. The agency's obligational authority in Texas has increased 120.1 percent in the last five years, and 54.5 percent in the last two years. Approximately 73 percent of the value of the contracts that the agency administers are with manufacturers in Dallas-Fort Worth.

Not included in this obligational authority are the prime defense contractors in Texas—General Dynamics, Vought Corporation, and Bell Helicopter. These firms are in Dallas-Fort Worth and report large and stable long-run contracts with the DOD.

—Bronwyn Brock

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