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ECONOMIC REVIEW OF THE SOUTHWEST IN 1954

Economic developments in the Southwest during 1954 revealed a creditable performance. While total economic activity was very similar to that of 1953, the trends during the 2 years were in reverse order. In fact, the year 1954 was a very satisfactory one to most people, particularly because it reaffirmed their confidence in the strength and soundness of the American economic system and because it ended with most economic indicators showing an upward trend.

Economic activity in the Southwest during 1954 followed the national pattern of a further moderate recession in the first quarter, stability with undertones of improvement in the second and third quarters, and measurable recovery in the fourth quarter. While the readjustments in the economic scene were relatively mild, the demonstrated ability of the economy to withstand those readjustments was greatly encouraging. The primary factors of readjustment in the national economy — inventory liquidation and a decrease in national security spending — were also important to the economy of the Southwest, as evidenced by the declines in wholesale and retail inventories and by the sharp reduction in ordnance and civilian employment at military installations.

Other local factors which were important to economic conditions in the Southwest were the continued drought, acreage allotments, the decline in agricultural prices, the generally reduced level of oil production and refining, and cutbacks in other manufacturing activity.

While the relative importance of various sectors of economic activity differs between the Southwest and the Nation, there were three major areas in which the two economies received remarkably similar responses. First, a considerable stimulus was derived from the very large amount of construction, particularly in the residential field. Secondly, there was a continued high level of personal and disposable income, coupled with a rate of savings nearly equal to that of 1953. Third, the willingness of consumers to spend has meant a continued high level of consumer purchasing, which, in turn, has moderated declines in other sectors of the economy.

It should be noted that, in many respects, 1954 just reversed the conditions prevailing in 1953. While the first 6

months of 1953 showed high-level economic activity, the second half showed sharp declines. In 1954 the declines were in the first half, with recovery coming in the second half of the year. Thus, in most cases, first-half comparisons will show 1953 ahead, while comparisons against the second half will show 1954 ahead. On balance, total economic activity in the Southwest during 1954 probably will show little change from that of 1953, while in the Nation, it will be only slightly lower. To analyze further the developments of 1954, the individual major segments of economic activity in the Southwest need elaboration.

Agriculture

Agricultural activity in the District in 1954 reflected widely divergent conditions in all phases of growing, harvesting, and marketing agricultural products. The degree of influence exerted by three of the major factors conditioning agricultural production and income — continuing drought, acreage allotments, and declining prices — was varied among sections of the District, individual farmers, and different types of crops.

Section by section throughout the District, there appears the story of moisture as an important differential factor in the production of agricultural commodities. At some time during the year, virtually every part of the District experienced drought or extremely dry weather, although in some areas moisture was received at such a time as to be of maximum benefit to crops and pastures. In general, adequate and timely rains were received in south and west Texas and southeastern New Mexico, whereas severe drought conditions prevailed in central and northcentral Texas, in Arizona, and in southwestern New Mexico. Moisture conditions in east Texas and northern Louisiana were between these extremes, although insufficient moisture was received to allow normal crop development. The completion of the Falcon Reservoir, which is a source of irrigation water to the Lower Rio Grande Valley, was an important development for farmers in that area.

The acreage allotment program restricted further the acreage seeded to cotton, wheat, and peanuts. However, heavy

applications of fertilizer on the best land and giving preference to these crops in the use of available irrigation water increased per acre yields and minimized the curtailment of total production. In areas affected by acute drought, inadequate moisture, or insufficient irrigation water, the allotments had little effect on total production because of either widespread acreage abandonment or poor yields. Hence, the effects of acreage restriction varied widely among farmers over the District.

Price changes also were markedly different among the various agricultural products. Cotton, cattle, and hay prices generally averaged above those of 1953, particularly in the marketing season. On the other hand, prices for rice, poultry, eggs, and wool averaged lower than in 1953. On balance, there has been a decline in farm prices, and the average for all agricultural commodities in 1954 was lower than in the previous year.

Cotton production in the District states in 1954 was nearly 15 percent below that of 1953. In view of the 17-percent curtailment in cotton acreage, the decline in production indicates a much higher yield per acre. In fact, 1954 is expected to show the second best yield per acre in the past 60 years. The extensive use of fertilizers concentrated on better than average land, combined with ideal weather during the harvest season, largely accounts for this improvement.

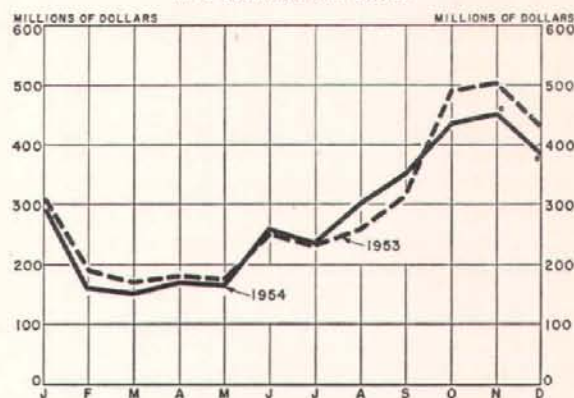
Wheat production in 1954, at 102,886,000 bushels, was nearly 8 percent above that of 1953 but was sharply below the 1940-50 average. Poor moisture conditions, large-scale abandonment, and acreage allotments were the major depressing factors, although, relative to the conditions prevailing in 1953, moisture conditions improved.

Farmers in a large part of the District, confronted with drought and acreage restrictions on important crops, shifted some of their acreage to grain sorghums, small grains, and legumes as a means of utilizing it most profitably. Reflecting a large acreage increase and high per acre yields, a new record rice crop, estimated at 31,116,000 100-pound bags, showed a 12-percent increase over the 1953 record, and grain sorghum production in 1954, at 130,950,000 bushels, was 98 percent above the crop of the previous year. A very large increase occurred in citrus fruit production, which is estimated at 11,075,000 boxes for 1954 compared with 6,040,000 in 1953. This 1954 production is still well below the average of 25,000,000 boxes in the period before the freezes of 1949 and 1951. Some increase was noted in commercial vegetable production, as favorable moisture conditions prevailed in south Texas and the Lower Rio Grande Valley. Some crops showing year-to-year declines were peanuts, down 50 percent; hay, down 12 percent; Irish potatoes, down 21 percent; and sweet potatoes, down 11 percent.

Cattle marketings increased nearly 10 percent during the year, with some liquidation of herds taking place. Cattle prices were above those of 1953 most of the time, and a small increase in farmers' income from livestock was recorded in 1954.

CASH RECEIPTS FROM FARM MARKETINGS

FIVE SOUTHWESTERN STATES



a-Estimated.
SOURCE: U. S. Department of Agriculture.

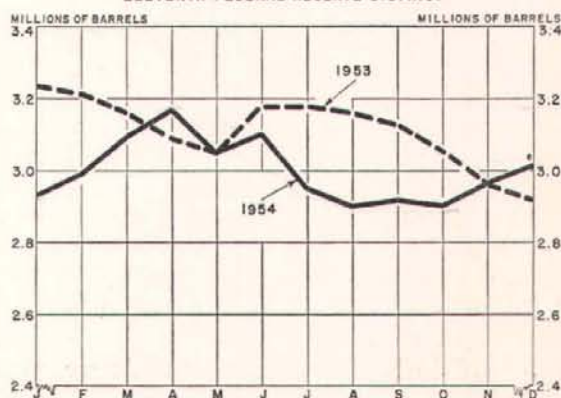
In summary, these diverse trends in the agricultural situation in the District resulted in a total production about equal to that of 1953 but a cash farm income approximately 3 percent lower than in the previous year. The decreases in income stemmed primarily from declining prices, rather than from the curtailment of production. Because of the diversity of the effects of the price and production changes, individual farmers have been affected very differently, with some realizing moderate to substantial profits and some suffering losses.

Oil

The events of the year demonstrated once again that the Southwest, and particularly Texas, shows a very high degree of elasticity in the production of oil. Nearly any change in the demand or supply of oil products will be mirrored in changes in production in this area. This sensitivity to market changes may be explained partly because of the high percentage of the Nation's oil produced in the Southwest and partly because of the application of prorationing laws in this area.

DAILY AVERAGE CRUDE OIL PRODUCTION

ELEVENTH FEDERAL RESERVE DISTRICT



a-Estimated.
SOURCES: U. S. Bureau of Mines.
American Petroleum Institute.

At the start of 1954, the oil industry was faced with large stocks of refined products—a condition which remained a depressing influence throughout the year, despite the lower level of refinery operations. The moderate recession in business was reflected in reduced demand from industrial plants for residual fuel oil. During the early part of the year, milder than usual temperatures reduced the demand for heating oils. The industry had difficulty in reducing heavy gasoline inventories because of the disappointingly small increase in demand. These factors, plus a continued high level of imports and a nearly equal level of aggregate production in areas outside the District, placed considerable pressure on southwestern oil production.

In consequence, the production of crude oil in the District in 1954, estimated at 3,000,000 barrels per day, was nearly 4 percent below the 1953 level. Much of this decline in crude oil production was occasioned by the 18-percent decrease in the number of producing days allowed in Texas. The marked difference between the percentage decline in producing days and that in oil production indicates a continued growth in oil productive capacity. Crude runs to District refinery stills, at 2,028,000 barrels per day, were less than 2 percent below those of 1953, although the operable capacity of District refineries increased 2 percent during 1954.

The declines in production and refining contrast vividly with the increased number of well completions. Drilling activity—after a record year in 1953—continued upward, reaching 21,600 completions in 1954, or 9 percent higher than those of a year earlier. Most of this increase came from the gain in development drilling, rather than from wildcat ventures. Nevertheless, some rather large pools of oil were discovered in the Ellenburger formation in Midland, Ector, and Andrews Counties in Texas, and the discovery of oil in the Cambrian formation in Nolan and Coke Counties of Texas may be significant. Increased leasing activity in offshore fields, stemming from the Tidelands ownership settlement, may foreshadow more new drilling in that area in the near future.

Manufacturing

Manufacturing activity during 1954 averaged lower than in 1953, although there was no consistent pattern among individual industries as to the amount of the decline and a few actually bettered their 1953 performances.

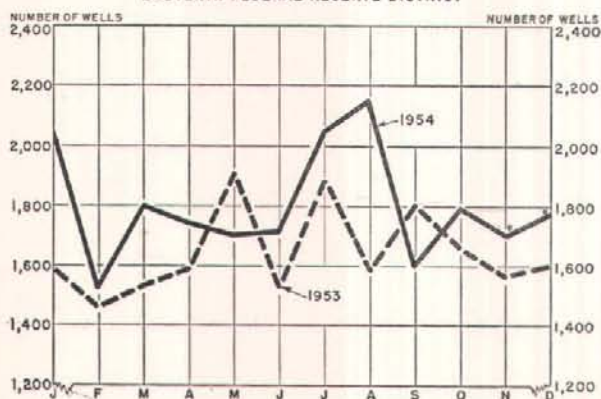
Portland cement production increased nearly 8 percent during 1954, largely because of the increased level of residential construction. On the other hand, southern pine lumber production was nearly 2 percent below that of 1953, with inventory adjustments mainly responsible for the decrease.

One of the most substantial year-to-year declines occurred in the ordnance industry, where contract completions and cancellations and a general retrenchment—evidenced by large-scale reductions in employment at ordnance plants—have been under way since mid-1953. Some of these factors were important in the transportation equipment industry; but, on the whole, available data indicate a higher level of activity in this industry than in 1953. Some of this increase was associated with the opening of a large-scale automobile plant, and some can be traced to the development and maintenance contracts issued to aircraft producers in the area. On the other hand, further reductions were evident in the shipbuilding industry, although many of the workers involved in these plants were employed on contracts for the construction of chemical and oil industry equipment. The decline in national security expenditures was an important factor in the output of ordnance and transportation equipment industries.

Indirect measurements of manufacturing activity reveal moderate declining trends in many other industries. Total manufacturing employment in 1954 averaged nearly 3 percent below that of 1953, although the margin of difference narrowed successively in the latter months of 1954. Detailed data for manufacturing employment indicate minor decreases in industries producing fabricated metal products, machinery (except electrical), and chemical and allied products. The

TOTAL WELL COMPLETIONS

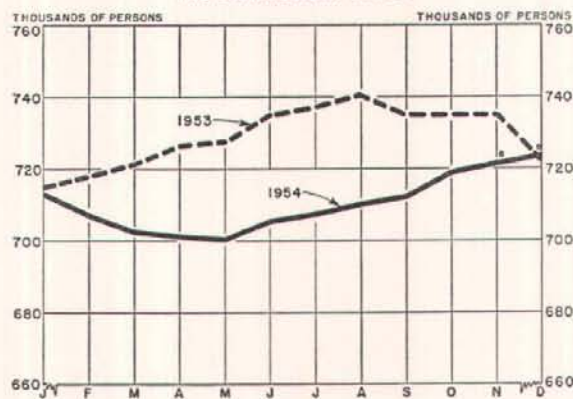
ELEVENTH FEDERAL RESERVE DISTRICT



a- Estimated.
SOURCE: Oil and Gas Journal.

MANUFACTURING EMPLOYMENT

FIVE SOUTHWESTERN STATES



a- Estimated.
SOURCE: State employment agencies.

general decline in industrial activity in response to inventory liquidation was important to the first two industries. In the chemical industry, the loss can be traced largely to reduced activity at cotton oil mills in 1954 because of smaller cotton crops in 1953 and 1954.

Although definitive data are not available, it is probable that the value of plant construction put in place in the Eleventh District in 1954 was substantially below that in 1953. This indication is supported by the sharp decline that occurred in the value of contract awards for industrial construction. A large number of plant expansions, particularly in the refining and chemical industries, were undertaken in 1954. While there were a larger number of new plants started this past year than in 1953, most of these plants were smaller than those started in 1953; consequently, the number of manufacturing workers securing employment at new plants in 1954 was considerably less than in 1953.

Construction

As in the Nation, the construction industry of the Southwest was a strong sustaining influence during the readjustment period of 1954. In fact, it is probable that construction approached record levels in the Southwest. Construction contract awards for the District showed a definite improvement in 1954, with the total value of such awards 11 percent above that of 1953. This gain came entirely from the 37-percent increase over 1953 in awards for residential construction, as the value of all other awards was 5 percent below that of 1953.

A further refinement of the awards data reveals a sharp decline in manufacturing construction activity, a moderate increase in commercial construction, and a considerable increase in the value of construction projects — such as schools, hospitals, public utilities, and highways. These data also show a marked increase in the percentage of privately owned projects compared with those publicly owned.

The marked shift in the mortgage market during 1953 and 1954 was a very strong influence upon construction activity. The market was rather tight throughout most of 1953, although some easing began in the late winter months. Nevertheless, the greatest change occurred in the first half of 1954, when the supply of mortgage money shifted from the tightness of the previous year to a condition of ease and then of surplus. Throughout the remainder of 1954, mortgage money continued to be readily available at moderately lower interest rates.

Another factor stimulating residential construction was the passage of the Housing Act of 1954. Provisions of this act allow longer maturities and lower down payments, thus bringing a larger market into the housing field. Moreover, the full effect of these changes has not been realized, and further stimulation to residential construction can be expected in 1955.

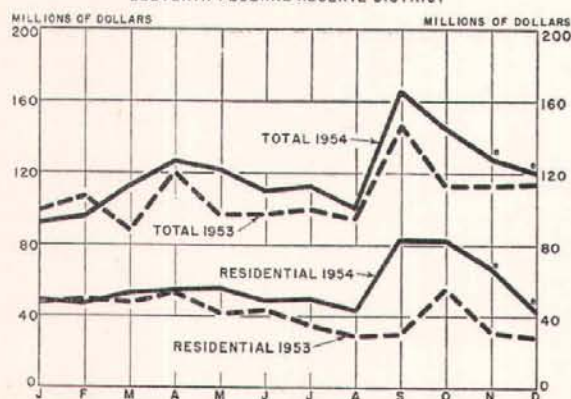
Employment

The trend of nonagricultural employment for the five District states in 1954 followed, in general, the course of other sectors of the economy, but the total of such employment showed an average decline of 1 percent from that in 1953. However, this over-all stability obscured some rather large fluctuations in the major employment groups. The manufacturing employment level, 3 percent below 1953, had year-to-year losses that ranged from nearly 5 percent in March to less than 1 percent in December. Construction employment fluctuated above and below the year-earlier totals, averaging slightly below for the year. Only transportation and public utility employment showed a consistent major loss throughout the year, averaging nearly 4 percent below the total in 1953. Minor gains were evident during 1954 in finance, service, and government employment.

As in the Nation, unemployment increased in the Southwest, and these increases were concentrated in the industrial sectors of the Southwest, particularly in those areas where

VALUE OF CONSTRUCTION CONTRACT AWARDS

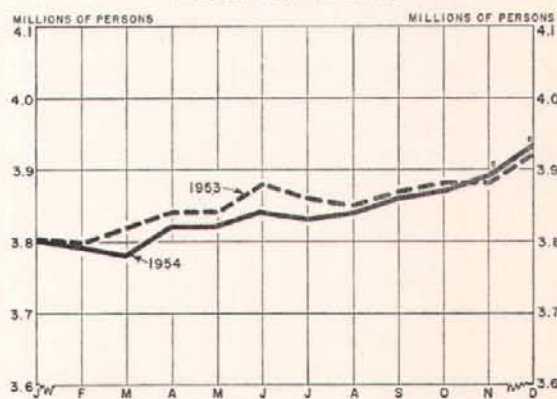
ELEVENTH FEDERAL RESERVE DISTRICT



* Estimated.
SOURCE: F. W. Dodge Corporation.

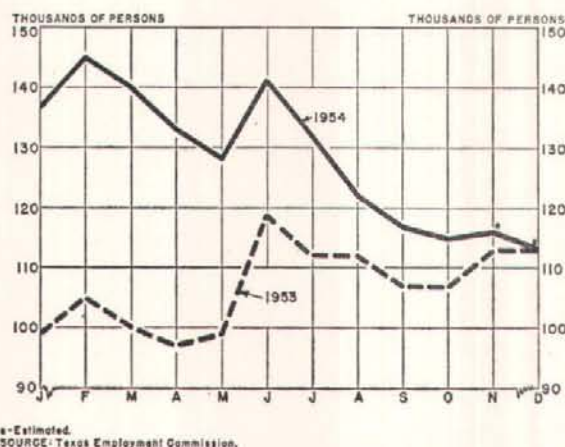
NONAGRICULTURAL EMPLOYMENT

FIVE SOUTHWESTERN STATES

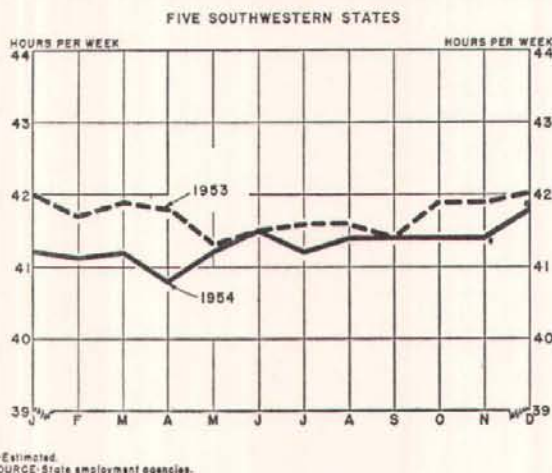


* Estimated.
SOURCE: State employment agencies.

UNEMPLOYMENT IN TEXAS



AVERAGE WEEKLY HOURS IN MANUFACTURING



ordnance plant employment or civilian employment at military establishments accounted for a large part of the total labor force. However, a large number of marginal workers, particularly women and students who withdrew from the labor force as the demand for their services eased, were not counted in the unemployment totals. These workers constitute a reservoir of labor for use in time of critical need, but with alternative sources of income allowing them to withdraw from the labor force whenever jobs become scarce.

Unemployment in Texas, the only state in the District for which data are available, averaged nearly 22,000 more than in 1953. The heaviest concentrations appeared in the San Antonio and Texarkana labor market areas, where peak unemployment as a percentage of the total nonagricultural labor force reached 8.9 percent and 13.1 percent, respectively. The decline in national security expenditures adversely affected defense plants and military installations in these areas, causing the increase in unemployment. Each of the areas was classified as an area of substantial labor surplus for most of the year, although by October, conditions in San Antonio had improved to such an extent that it was reclassified as an area of moderate labor surplus.

In contrast, there were a few cities in the District in which unemployment remained below 4 percent of the total nonagricultural labor force; in fact, they were considered areas of balanced labor supply. During 1954 the strongest labor market was Dallas, where unemployment at its peak was only 3.5 percent of the nonagricultural labor force, as contrasted with a state-wide peak of 5.2 percent and a national peak of 6.4 percent.

The average workweek for employees in the Southwest declined in 1954, although for all manufacturing workers, it remained in the overtime class. From a 1953 average of 41.7 hours per week, the workweek of manufacturing workers fell to about 41.3 hours in 1954, with most of the year-to-year decline concentrated in the first quarter of the year. Some manufacturers were still employing their workers above 43 hours

per week, notably the lumber and wood products and furniture and fixtures industries. It should be noted, however, that the intense mechanization in these industries may have a distinct influence upon the maintenance of such a high workweek. The nondurable goods industries, except for seasonal fluctuations, averaged less than the standard 40-hour workweek. In the aggregate, the maintenance of an average workweek in the overtime class and the slight increase in wage rates granted in 1954 were instrumental in raising the average weekly earnings of nonagricultural workers in the Southwest to a level slightly above that prevailing in 1953.

Personal Income and Consumption

A steady, high level of personal income and a rising level of consumption expenditures have been major factors affecting economic conditions both in the Southwest and in the Nation. In addition to the small increase in wage rates and the maintenance of a workweek not too dissimilar to that of 1953, the moderate amount of unemployment in 1954—offset to some extent by unemployment compensation payments—kept personal income at or near the 1953 level. The losses entailed in the declining workweek and the increases in unemployment were moderate. In fact, the major declines were the 3-percent loss in cash farm income and the loss in wages resulting from the 1-percent decline in nonagricultural employment concentrated, as in the Nation, in the durable goods manufacturing sectors.

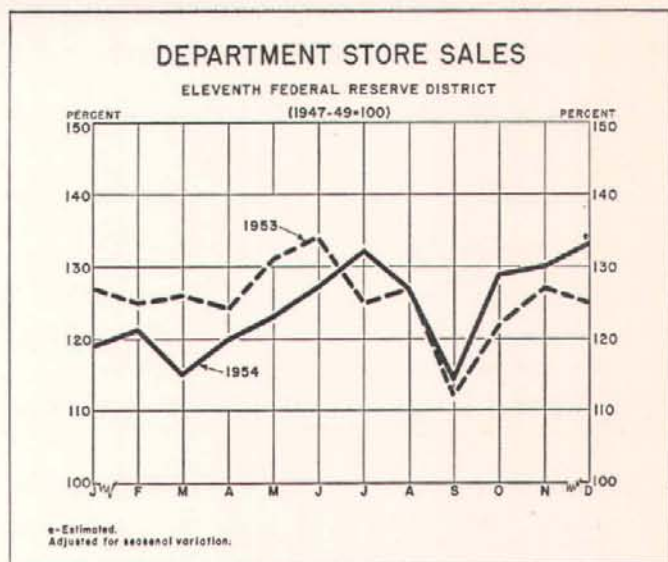
Disposable income was proportionately even higher because of the reduction in Federal income and excise taxes. Moreover, the purchasing power of disposable income has shown some increase, especially for families buying durable goods. While there has been no major decline in prices, there has been a consistent shading of prices in response to competitive pressures.

Partly because of the steady income level and partly because there was no evidence of a cumulation of the downward adjustments, the consumer in the Southwest main-

tained his purchases at nearly the same level as in 1953. Department store sales for 1954 did not show a noticeable change from those of the previous year, even though sales through the first 6 months of the year, contributing to the general business decline, evidenced a cumulative loss of 5 percent. Indicative of this same trend, sales in all major departments showed moderate to heavy year-to-year cumulative declines at the end of June. However, total sales and those of several major departments showed comparatively large year-to-year cumulative gains in the last half of 1954, balancing the totals for the 2 years, and, in turn, provided a further stimulant to economic recovery. One of the outstanding fluctuations occurred in the major household appliances group, where sales early in 1954 were below the year-earlier level by more than 26 percent but by the latter part of the year, showed a gain of nearly 23 percent. Part of these changes may be explained by the strong sales of early 1953 and subsequent declines in the latter half of that year.

Stocks of goods at District department stores during 1954 followed seasonal patterns, averaging 6 percent below those of 1953. Although there was some narrowing of this gap in the second and third quarters, the more rapid sales at the holiday season reduced inventories once again to a level approximately 6 percent below that of 1953. Throughout the year, department stores tried to hold inventories to the lowest level consistent with sales volume and to rely upon repetitive purchases to replenish items in short supply. The stores generally expect to maintain the more conservative inventory policy over the coming months. Department store collections during 1954 were at a level comparable with the 1953 performance, and there was a moderate increase in the amount of credit outstanding.

Developments in total retail trade in the District during 1954 were similar to those in department stores, with year-to-year losses most pronounced in furniture and major appliances. The principal areas of strength were the increased demand for lumber and building materials, including hardware and yard equipment; a substantial gain in gasoline



consumption; and an upsurge, particularly during the fourth quarter, in sales of wearing apparel. Retail trade probably ended the year less than 1 percent below the total for 1953, as the very strong 1954 Christmas buying season succeeded in eliminating most of the cumulative loss evident through November.

Banking and Finance

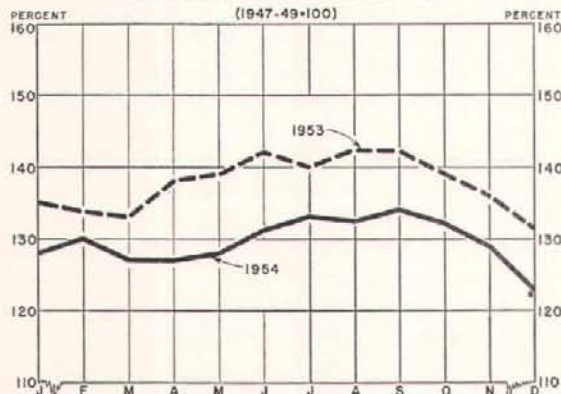
The over-all measures of banking developments reflected further growth in 1954, with the gains exceeding those of the Nation. Deposits at member banks in the District—at record levels on December 31, 1954—were 9 percent above those of a year earlier, compared with a 4-percent increase in the like 1952-53 period. Similarly, total loans reached record heights 10 percent above those on December 31, 1953, and investments showed a comparable increase.

During the year, there were a number of changes in loan demand which were important in the banking field. Throughout most of 1954, CCC paper, including certificates of interest, formed a larger portion of the total loan demand than in 1953, even though the total outstanding at the end of the year was little different than at the end of 1953. Another large increase in loans was evident in the demand for construction credit. As large-scale residential construction accelerated in 1954, the demand to finance parts of the construction was reflected in the loan demand at member banks in the District.

The demand for commercial and industrial loans improved markedly in the latter half of 1954, although the pattern of demand followed the seasonal changes evident in 1953. During the first half of 1954, commercial and industrial loans declined by less than 50 percent of the decrease occurring in 1953. In the last 6 months of 1954, commercial and industrial loans more than doubled the amount of the increase in the last half of 1953. Important elements in this improved loan demand in the last half of the year were manufacturers of food and liquor; metal and metal products; petroleum,

DEPARTMENT STORE STOCKS

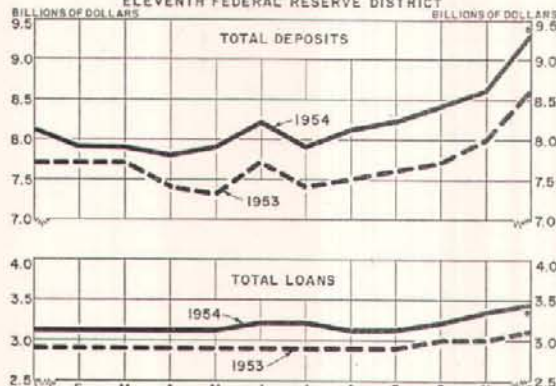
ELEVENTH FEDERAL RESERVE DISTRICT
(1947-49=100)



LOANS AND DEPOSITS

MEMBER BANKS

ELEVENTH FEDERAL RESERVE DISTRICT



*—Estimated.

coal, chemicals, and rubber products; and grain and milling products. In addition, a further increase in the demand for construction loans and some seasonal increase in the demand for credit to finance commodity dealers were important in the total loan changes. Of course, the business recovery under way in the last quarter of 1954 was a major factor causing expansion in the commercial and industrial demand.

Investments at member banks in 1954 showed a percentage increase comparable to that of loans and deposits. Government securities and other investments rose proportionately as funds were made available by the generally easy credit policy throughout the year and by the midsummer reduction in reserve requirements. Despite the reduction in reserve requirements, the total amount of member bank reserve balances rose nearly 3 percent during 1954. As in past years, the actions of the United States Treasury in spending more money in this District than it received from tax collections and from the sale of securities in the District added to the volume of reserves, but this addition was nearly offset by the outflow of funds to pay for goods, services, and securities brought into the District. On balance, the other factors, such as changes in currency and Federal Reserve notes outstanding, also were offsetting, and the major changes of the year were a reiteration of the pattern of previous years.

Summary and Outlook — The Changing Scene

Many of the economic trends established or pursued in the Southwest during the late months of 1954 will be continued in 1955. In fact, in nearly all the major industries of the Southwest, the growth patterns of late 1954 give promise of being maintained this year. Current indications reveal that no substantial changes are expected for the oil industry compared with its 1954 performance. A moderate growth in demand and a slightly improved stock position are the most favorable aspects, while a continued loss of foreign markets, possibly some increase in imports, and further increases in production from certain states outside the District are the most unfavorable factors. On balance, these elements point toward steady or slightly improved oil operations in 1955.

Manufacturing activity in the District in 1955 is expected to be moderately above that of 1954, especially in the chemical industry. A recent survey forecasts a substantial amount of construction of new chemical facilities in nearly all of the District states. Moreover, the scheduled completion of plants presently under construction will add to the output of the chemical industries. Many of the industries of the District are directly or indirectly tied to activity in the oil industry, and, thus, the expectations for that industry affect the outlook for many others. However, decreases in output resulting from inventory adjustment and reductions in national security expenditures are expected to stop, and some of the industries involved should show an improved position in 1955.

Construction activity should be well maintained in 1955 as the full force of the provisions of the new Housing Act become effective. The longer maturities and lower down payments on VA and FHA homes should stimulate such construction to even higher levels than in 1954. Any increase in personal income, as well as the normal additions to the population, will have a further stimulating effect on residential construction.

Agricultural production in the Southwest, which is largely dependent upon unpredictable weather conditions, will feel the effects of marketing quotas and acreage restrictions. Further acreage restrictions for cotton, wheat, and peanuts have been announced for 1955, and acreage allotments may be placed in effect on the 1955 rice crop. Current forecasts indicate mixed price trends, but with slight declines in crop production, the farmers' cash farm income may decline another 2 or 3 percent below that of 1954.

In the other sectors of economic activity and for the general business environment, the economic outlook for the Nation will be of prime importance. In determining this outlook, developments in 1954 need a careful re-examination.

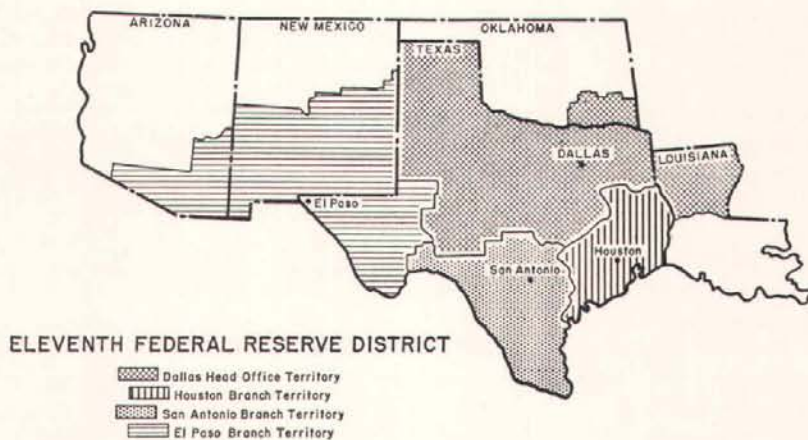
Economic conditions in the Nation during 1954 clearly indicated several significant facts about the operation of our economy. First, the widespread effects of sharp inventory fluctuations were re-emphasized as inventories of about \$4,000,000,000 were liquidated during the year, especially at the manufacturers' level. Some reaccumulation is expected in 1955, but at least the cessation of inventory liquidation should provide some stimulus to the economy. Secondly, changes in economic conditions demonstrated the relative dependence of a few industries upon national security expenditures and the repercussions on the economy as a whole of a reduction of nearly \$12,000,000,000 in the rate of such expenditures. Further reductions are expected to be relatively small, with the possibility that some slight increases might occur. Thirdly, the staggering importance to the economy of durable goods manufacturers, particularly automobiles and steel, was shown in sharp detail, as decreases in the output of these industries early in the year led to further readjustments while increases in production in the fourth quarter led the way to recovery. Moreover, the late 1954 trends toward improved production are expected to carry over through at least the first quarter of the new year.

Of at least equal importance were the factors primarily responsible for the ability of the national economy to absorb these readjustments and provide a relatively stable picture for nearly half of the year. Foremost among these factors were the continued high levels of personal income and the willingness of consumers to maintain purchases. With the improvement expected in other sectors of the economy, there are good reasons to expect an even higher level of personal income, and there is no evidence that the consumer will be less willing to spend his money in 1955.

Finally, another important facet of the economy showed up in the remarkable gains registered by the construction industry. Spurred by the relatively easy credit terms and a seemingly insatiable demand for new housing, total construction is expected to have reached a record \$37,000,000,000 in 1954, or \$1,500,000,000 more than in 1953. Similarly, new housing starts may have reached 1,210,000, exceeding

all previous years except 1950, when a record 1,396,000 new nonfarm housing units were started. Construction activity should continue in record volume, as indicated by the United States Department of Commerce estimate of an all-time high of \$39,500,000,000 of new construction to be put in place in 1955. All of these indications point toward a steady growth, a high level of employment, and another year of intense competition.

This outlook, combined with the indications previously given for southwestern industries, points toward a prosperous new year for the Southwest, with the growth trends of the past few years recovering to a dominant position. In the final analysis, the major factor differentiating the outlook of the Southwest from that of the Nation as a whole is the intangible element of growth. To what extent this will improve the outlook is difficult to determine.



REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Christmas buying at Eleventh District department stores in 1954 was at a record level. November sales also were at a high level, with the average sales per business day exceeding the record of November 1952. Generally speaking, the increase over a year earlier in November sales was store-wide. Furniture store sales rose further in November and were substantially higher than the year-earlier figure.

Cotton harvest in District states is complete except for scrapping in late areas; land preparation for seeding the 1955 crop is making satisfactory progress in the Lower Rio Grande Valley of Texas. Seeded wheat acreage in District states is estimated at 9,728,000 acres, compared with 10,664,000 acres for the 1954 crop. Moisture conditions at the beginning of 1955 are less favorable than those of a year earlier.

District crude oil production in December rose moderately for the second consecutive month under the impetus of strengthening demand occasioned by seasonally colder weather and rising industrial activity and the improvement in the stock situation. A further gain in crude production is indicated as a result of the sharp increase in Texas daily allowances for January.

Nonagricultural employment in the District states continued to rise in November and, for the first time in 1954, exceeded the level of the comparable month in 1953.

Construction continued at a high level, although down seasonally. The value of construction contracts awarded in the District during November was 13 percent below October but 13 percent above November 1953.

In the 4 weeks ended December 15, the District's weekly reporting member banks — confronted with a sharp loss of reserves, primarily as a result of a decline in United States Government deposits — obtained funds to meet seasonal loan expansion by liquidating investments, drawing down deposits with correspondent banks, and increasing their own borrowings.



Christmas trade at Eleventh District department stores in 1954, at record levels, was substantially improved over that in 1953. A number of factors contributed to this gain, one of which was an extra trading day in the week immediately preceding Christmas. Moreover, there were an additional full week of late night closings and excellent weather conditions for shopping in 1954. The more optimistic economic outlook for the Nation and some very strong promotional campaigns, particularly in the home furnishings field, were also influential in the year-to-year improvement in sales.

The dollar volume of District department store sales during November 1954 rose 4 percent above that in October and was 6 percent more than in November a year earlier. The year-to-year change can be accounted for partly by the fact that November 1954 had one more trading day than November 1953. However, the fact that November had one less trading day than October indicates a higher daily average sales volume in November.

The adjusted sales index — which makes allowances for normal seasonal influences, as well as for variations in the number of trading days — rose from 129 in October to 130 in November. The previous record high for November was 128 in 1952.

Generally speaking, the increase over a year earlier in November sales volume was store-wide. Compared with November 1953, sales of small wares were up 15 percent; women's and misses' ready-to-wear apparel, 9 percent; piece goods and household textiles, 3 percent; men's and boys' wear, 10 percent; and household appliances, 21 percent. The October-to-November gain came largely from the 16-percent increase in sales of men's and boys' wear and the 35-percent increase in sales of small wares, particularly watches and jewelry.

In recent months, District department stores have been attempting to maintain inventories in line with current sales, but, because of the strong gains made in sales, stocks are being reduced at a more rapid rate than anticipated. Inventories decreased about 1 percent during November 1954 and at the end of the month were 4 percent below a year earlier.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
(1947-49 = 100)

Area	UNADJUSTED				ADJUSTED ¹			
	Nov. 1954	Oct. 1954	Sept. 1954	Nov. 1953	Nov. 1954	Oct. 1954	Sept. 1954	Nov. 1953
SALES—Daily average								
Eleventh District.....	147	135	121	144	130	129	114	127
Dallas.....	146	131	120	141	127	122	109	122
Houston.....	168	156	140	166	150	158	128	148
STOCKS—End of month								
Eleventh District.....	143p	144	139	151	129p	132	134	136

¹ Adjusted for seasonal variation.
p—Preliminary.

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES			STOCKS ¹	
	Nov. 1954 from		11 mo. 1954 comp. with 11 mo. 1953	Nov. 1954 from	
	Nov. 1953	Oct. 1954		Nov. 1953	Oct. 1954
DEPARTMENT STORES					
Total Eleventh District.....	6	4	-2	-4	-1
Corpus Christi.....	11	-12	1	4	-2
Dallas.....	8	7	0	-2	0
El Paso.....	6	0	-4	-6	-4
Fort Worth.....	9	15	-2	-1	1
Houston.....	5	3	-1	-9	-1
Shreveport, La.....	1	1	-2	-2	-4
Waco.....	1	-2	0	-7	-6
Other cities.....	2	1	-4	-3	-2
FURNITURE STORES					
Total Eleventh District.....	15	-1	—	3	3
Austin.....	7	-3	—	-17	0
Dallas.....	10	-1	—	8	4
Houston.....	36	-3	—	19	5
Port Arthur.....	34	4	—	—	—
San Antonio.....	7	17	—	—	—
Other cities.....	2	-2	—	-4	2
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	5	14	—	—	—
Dallas.....	3	22	—	—	—

¹ Stocks at end of month.

Orders outstanding declined slightly during November in line with the seasonal pattern at this time of year. At the end of November, however, orders outstanding were 14 percent higher than a year earlier, compared with the 8-percent year-to-year gain reported at the end of October.

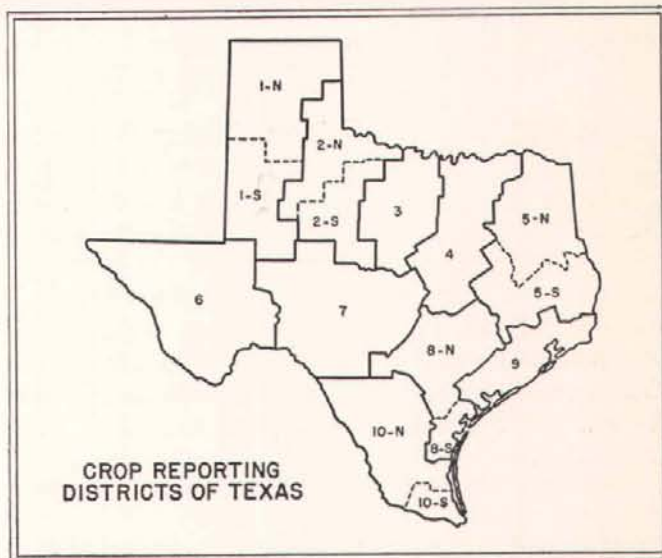
Instalment sales in November were up 25 percent from a year earlier, continuing the steady increase which began in July 1954, while cash sales rose 1 percent and were above year-earlier levels for the first time in 1954. Regular charge account sales were up 14 percent from October and were 9 percent above the November 1953 figure.

Charge accounts receivable at department stores in the District rose 12 percent during November and at the end of the month were 2 percent greater than on the same date in 1953. Collections on charge accounts during the month were 11 percent above those in October and 6 percent above those in November 1953. Instalment account collections were in the same dollar volume as during October and were 18 percent above the amount collected during November a year earlier.

Sales at District furniture stores continued to show gains from year-earlier levels, with November sales up about 15 percent. With a 3-percent gain over November 1953, inventories at furniture stores increased over the year-earlier figure for the first time in 1954 and were 3 percent above October 1954.



Dry, open weather during the latter half of November and early December permitted rapid cotton harvesting operations in west Texas, New Mexico, and Arizona. Scraping will continue into the new year, although the bulk of the crop was out of the fields by mid-December. In the Lower Rio Grande Valley of Texas, land preparation for seeding the 1955 cotton crop is making satisfactory progress, with supplies of irrigation water ample and general moisture conditions on dry land relatively favorable.



The estimate of District cotton production for 1954 was increased further in December, reflecting favorable November weather throughout the late sections of west Texas, New Mexico, and Arizona. Estimates, which were raised from the previous month for all District states except Oklahoma, now total 5,945,000 bales—14.5 percent below production in 1953.

The 1954 Texas cotton crop, estimated at 3,920,000 bales, is up 70,000 bales from November and is only 9 percent below that of 1953, despite a 13-percent curtailment in harvested acreage. The per acre yield in the State, at 244 pounds, is the second highest in the past 60 years. Exceptionally high yields in irrigated western regions and in early districts in the south largely offset the very light yields in central, eastern, and northern counties of the State.

Acreage allotments and marketing quotas will be in effect in 1955 for upland and extra-long staple cotton. The national acreage allotment of 18,113,000 acres compares with the final 1954 allotment of 21,379,000 acres. The Secretary of Agriculture has announced that present supply and demand

COTTON PRODUCTION

Texas Crop Reporting Districts

(In thousands of bales—500 lb. gross wt.)

Crop reporting district	1954 Indicated December 1	1953	1952	1954 as percent of 1953
1-N.....	485	548	469	89
1-S.....	1,140	835	1,005	137
2-N.....	215	143	182	150
2-S.....	185	285	59	65
3.....	20	39	12	51
4.....	445	1,101	610	40
5-N.....	75	136	95	55
5-S.....	75	119	95	63
6.....	245	253	239	97
7.....	23	39	17	59
8-N.....	140	215	201	65
8-S.....	213	76	222	280
9.....	190	238	231	80
10-N.....	67	32	61	209
10-S.....	402	258	310	156
State.....	3,920	4,317	3,808	91

SOURCE: United States Department of Agriculture.

WINTER WHEAT

State	ACREAGE SEEDED (In thousands of acres)		PRODUCTION (In thousands of bushels)	
	Crop of 1955	Crop of 1954	Crop of 1955	Crop of 1954
Arizona.....	25	23	600	588
New Mexico.....	472	507	2,360	400
Oklahoma.....	4,923	5,294	44,307	70,770
Texas.....	4,308	4,840	21,540	30,894
Total.....	9,728	10,664	68,807	102,652

SOURCE: United States Department of Agriculture.

conditions indicate a support price in the neighborhood of 90 percent of parity for 1955-crop upland cotton. The pre-planting support price is expected to be announced late in January or early in February.

The Secretary of Agriculture also has announced that 1955 crops of oats, barley, rye, and grain sorghums will be supported at 70 percent of parity. The national average support prices will be 61 cents per bushel for oats, 94 cents per bushel for barley, \$1.18 per bushel for rye, and \$1.78 per hundred-weight for grain sorghums. Moreover, the Department of Agriculture has rescinded the earlier order requiring that a farmer comply with all acreage allotments for his farm to be eligible for price supports on any crop.

Dry weather during the fall months of 1954 joined with the acreage allotment program to reduce seeded wheat acreage in District states to 9,728,000 acres, 9 percent below the acreage seeded in 1953. For the 1954 crop, 10,664,000 acres were seeded, but only 8,071,000 acres were harvested for grain. Estimates of the Department of Agriculture indicate, under present conditions, a Texas wheat crop of 21,540,000 bushels in 1955, compared with 30,894,000 bushels harvested in 1954. Production in District states is indicated at a total of 68,807,000 bushels.

Dry, warm weather and strong winds during November and the first week of December caused serious deterioration of small grains throughout much of the District. Some wheat acreage in northwest Texas was lost, and many growers began chiseling acreage to reduce erosion. The early December rains over much of the northern half of Texas and the light snow in the Panhandle were beneficial, but without timely rains throughout the winter, abandonment of wheat acreage will be heavy in major wheat-producing areas of the District.

Ranges and pastures in the District deteriorated rapidly during November and December, and pasturage from small grains and legumes was reduced sharply. Some winter range feed is available in the extreme southwestern parts of Texas,

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	November 1954	November 1953	October 1954	November 1954	November 1953	October 1954
Cattle.....	80,774	104,818	73,746	35,440	38,027	27,886
Calves.....	29,734	38,896	28,604	31,853	37,029	31,789
Hogs.....	49,594	52,886	41,088	2,141	—	2,052
Sheep.....	60,353	40,155	58,776	116,339	124,979	118,251

¹ Includes goats.

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State	Indicated 1954-55	1953-54	1952-53	Average of 10 seasons ended 1952-53
ARIZONA				
Oranges.....	1,400	1,170	900	1,016
Grapefruit.....	3,500	2,670	3,000	3,260
LOUISIANA				
Oranges.....	175	100	50	271
TEXAS				
Oranges.....	2,300	900	1,000	3,211
Grapefruit.....	3,700	1,200	400	13,631

SOURCE: United States Department of Agriculture.

where relatively heavy rainfall during the summer produced some surplus grass. Light December rains revived many pastures in central, southern, and eastern Texas and northern Louisiana, but additional moisture will be required for continued growth. Many cattle already have been moved from wheat pastures in northwest Texas, and additional livestock will be moved unless grazing prospects are improved. Supplemental feeding of both cattle and sheep is being carried on in central and western counties of the District.

Commercial production of winter vegetables in Texas this season is expected to be 6 percent less than a year ago but 16 percent above the 1949-53 average. Moisture conditions in the Lower Rio Grande Valley have been generally favorable, while most other commercial vegetable areas — including the Coastal Bend — are in need of additional rainfall. Planting of winter vegetables in the Lower Valley continued into late December, and land preparation for spring planting was active.

Prices of most agricultural commodities in the District remained generally steady during the past month. With consumer incomes at a relatively high level, demand for agricultural products has continued strong. Although a relatively large volume of cattle has been marketed in recent weeks and the movement of various perishable crops has been heavy, changes in prices have been nominal. The most serious losses have occurred in the prices of poultry and citrus fruits. Compared with a year earlier, prices received by District farmers at the year-end for wheat, corn, sweet potatoes, cotton, cottonseed, peanuts, cattle, lambs, and hay reflected noteworthy gains; the sharpest losses were reported for rice, hogs, poultry, eggs, and wool.

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended Dec. 20, 1954	Comparable week last month	Comparable week last year
COTTON, Middling 15/16-inch, Dallas....	lb.	\$.3380	\$.3345	\$.3210
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.70 3/4	2.72	2.66 1/2
OATS, No. 2 white, Fort Worth.....	bu.	1.04 1/4	1.05 1/4	1.05
CORN, No. 2 yellow, Fort Worth.....	bu.	1.87 1/2	1.86 1/2	1.86 1/4
SORGHUMS, No. 2 yellow, Fort Worth....	cwt.	2.75	2.65	2.80
HOGS, Choice, Fort Worth.....	cwt.	19.00	19.75	25.00
SLAUGHTER STEERS, Choice, Fort Worth...	cwt.	25.00	25.00	23.00
SLAUGHTER CALVES, Choice, Fort Worth...	cwt.	20.00	19.00	20.00
STOCKER STEERS, Choice, Fort Worth.....	cwt.	21.00	20.00	20.00
SHORN LAMBS, Choice, Fort Worth.....	cwt.	18.00	18.50	17.50
BROILERS, south Texas.....	lb.	.20	.21	.27
WOOL, 12-months, west Texas.....	lb.	11.65	(?)	11.83
MOHAIR, kid, west Texas.....	lb.	1.00	.65	1.03 1/2

¹ Clean basis.² No sales reported.

CASH RECEIPTS FROM FARM MARKETING

(In thousands of dollars)

State	September		October		Cumulative receipts January—October	
	1954	1953	1954	1953	1954	1953
Arizona.....	\$ 16,949	\$ 14,007	\$ 34,873	\$ 36,539	\$ 241,253	\$ 272,610
Louisiana.....	61,080	53,218	50,729	78,135	264,957	282,349
New Mexico....	15,039	10,925	42,962	36,499	131,766	131,608
Oklahoma.....	50,428	48,979	56,277	69,542	462,778	474,325
Texas.....	209,174	186,113	250,009	274,077	1,438,167	1,421,153
Total.....	\$352,670	\$313,242	\$434,850	\$494,792	\$2,538,921	\$2,582,045

SOURCE: United States Department of Agriculture.

Moisture conditions at the beginning of 1955 are less favorable than those of a year earlier. Compared with other areas in the District, the Lower Rio Grande Valley and some adjacent south Texas counties have relatively favorable conditions now. Normal winter and spring rainfall in central and eastern Texas counties and in northern Louisiana would replenish moisture supplies sufficiently to permit seeding of spring-sown crops. Elsewhere, it would appear that above-average rainfall will be needed to permit such seeding under desirable conditions.



Gross cash borrowing of the Treasury through the sale of marketable issues in 1954 totaled \$12,596,000,000, or \$169,000,000 more than the postwar record of 1953.

With the exception of one issue of short-term Tax Anticipation certificates (amounting to \$3,734,000,000), the borrowing was effected through the sale of securities maturing in more than 2½ years. Exclusive of bills and Tax Anticipation certificates, securities that matured or were called for redemption during the year amounted to \$50,511,000,000. Holders of the maturing or called issues exchanged \$49,332,000,000, or 98 percent, of the old obligations for those offered in exchange. During 1955, securities now outstanding (exclusive of bills) in the amount of \$40,604,000,000 will mature. In addition, \$2,611,000,000 of bonds has been called for redemption on March 15, 1955.

Holdings of the \$17,347,000,000 of United States Government securities that either matured or were called for redemption on December 15 exchanged all but \$345,000,000, or 2.0 percent, of the obligations for the new securities offered by the Treasury. In the Nation, investors submitted exchange subscriptions for \$6,724,000,000 of the 2½-percent

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
Nov. 1952....	\$7,025,207	\$ 780,156	\$3,338,376	\$421,427	\$3,686,831	\$358,729
Nov. 1953....	6,948,849	936,175	3,369,875	516,162	3,578,974	420,013
July 1954....	6,874,500	1,081,651	3,349,903	600,870	3,524,597	480,781
August 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
October 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

bonds of 1963, \$5,358,000,000 of the 1¼-percent certificates of December 1955, and \$4,920,000,000 of the 1½-percent certificates of August 1955. Investors in the Eleventh Federal Reserve District obtained \$189,000,000 of the bonds, \$45,000,000 of the December 1955 certificates, and \$1,000,000 of the August 1955 certificates.

Gross demand deposits of District member banks averaged \$7,464,379,000 in November, and time deposits averaged \$1,126,793,000. The increases over the preceding month of \$204,463,000 in demand deposits and \$17,419,000 in time deposits brought both accounts to record levels for the second successive month. Compared with November 1953, demand deposits were up 7.4 percent, and time deposits rose 20.4 percent. Reserve city banks accounted for slightly more than one-half of the year-to-year expansion in demand deposits and a little more than three-fifths of the increase in time deposits.

Debits to deposit accounts at banks in 24 cities in the District were practically unchanged in November as compared with October but were 12 percent above November 1953. Total debits of \$6,350,221,000 reflected monthly increases at banks in 12 of the reporting cities, decreases at banks in 10 cities, and no change at banks in the remaining two cities. The annual rate of deposit turnover in November was 17.9, down slightly from the October rate of 18.1 but above the November 1953 rate of 16.8.

Between November 15 and December 15, total earning assets of the Federal Reserve Bank of Dallas increased \$23,-

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

(Amounts in thousands of dollars)

City	DEBITS ¹			DEPOSITS ¹			
	November 1954	Percentage change from		Nov. 30, 1954	Annual rate of turnover		
		Nov. 1953	Oct. 1954		Nov. 1954	Nov. 1953	Oct. 1954
ARIZONA							
Tucson.....	\$ 116,763	26	6	\$ 88,980	16.1	13.1	15.6
LOUISIANA							
Monroe.....	49,487	-1	-4	45,438	13.2	14.5	14.5
Shreveport.....	210,416	9	-2	176,649	14.4	13.9	14.6
NEW MEXICO							
Roswell.....	29,376	8	4	30,769	11.9	11.3	12.1
TEXAS							
Abilene.....	67,057	28	9	59,012	14.3	12.0	13.7
Amarillo.....	140,305	16	2	110,165	15.5	14.5	15.6
Austin.....	113,356	9	-4	114,623	12.0	12.8	12.7
Beaumont.....	123,261	-3	7	102,801	14.5	15.7	14.4
Corpus Christi.....	158,492	16	7	119,542	15.6	15.5	14.4
Corpus Christi.....	12,150	-6	-4	21,809	6.8	7.1	7.3
Dallas.....	1,844,440	14	1	953,788	23.4	21.8	23.5
El Paso.....	222,386	8	7	131,124	21.0	20.4	20.4
Fort Worth.....	523,347	10	-2	358,136	17.9	17.3	18.7
Galveston.....	76,459	5	0	71,432	13.1	10.8	13.7
Houston.....	1,737,489	9	-3	1,153,076	18.2	17.5	18.8
Laredo.....	19,058	0	14	18,924	12.1	12.5	11.0
Lubbock.....	164,465	48	22	98,242	21.4	16.7	19.4
Port Arthur.....	47,037	13	0	39,837	14.3	13.2	14.5
San Angelo.....	40,065	13	-4	46,902	10.3	9.7	10.8
San Antonio.....	405,168	14	-3	326,498	15.0	13.7	15.6
Texarkana ²	17,070	-4	-5	17,209	11.9	11.8	12.4
Tyler.....	62,510	18	3	55,895	13.3	11.2	13.0
Waco.....	81,687	9	-10	68,431	14.4	13.8	16.3
Wichita Falls.....	88,377	16	6	106,549	10.3	9.2	10.1
Total—24 cities.....	\$6,350,221	12	0	\$4,315,831	17.9	16.8	18.1

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 \$34,408,000 for the month of November 1954.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Dec. 15, 1954	Dec. 15, 1953	Nov. 15, 1954
Total gold certificate reserves.....	\$ 804,153	\$ 744,718	\$ 861,616
Discounts for member banks.....	14,000	38,238	259
Other discounts and advances.....	8,115	675	8,695
U. S. Government securities.....	977,963	1,002,715	967,943
Total earning assets.....	1,002,078	1,041,628	976,897
Member bank reserve deposits.....	1,002,441	1,003,267	1,032,241
Federal Reserve notes in actual circulation.....	751,315	754,458	744,982

181,000 to a total of \$1,000,078,000. The increase resulted from the fact that a rise of \$13,741,000 in discounts and advances for member banks and an expansion of \$10,020,000 in holdings of United States Government securities were partially offset by a decline of \$580,000 in other discounts and advances. During the same period, gold certificate reserves of the bank decreased from \$861,616,000 to \$804,153,000, and 11-K notes in actual circulation rose \$6,333,000 to a total of \$751,315,000.

During the 4 weeks ended December 15, reserve balances of member banks in this District decreased \$40,331,000 to a total of \$1,002,441,000. Treasury operations and a seasonal increase in currency in circulation contributed \$55,932,000 and \$4,842,000, respectively, to the decline in reserve balances. These factors were partially offset by a flow of \$18,995,000 into the District as a result of commercial and financial transactions, an increase of \$902,000 in local Federal Reserve credit, and expansionary movement totaling \$546,000 in all other Federal Reserve accounts.

During the 4 weeks ended December 15, gross loans of the weekly reporting member banks in the Eleventh District rose \$56,725,000, or 2.7 percent, to a total of \$2,153,613,000. All categories of loans and discounts showed increases, with the largest expansion — \$31,778,000 — occurring among commercial, industrial, and agricultural loans. Among commercial and industrial borrowers, the demand for bank credit was especially strong on the part of commodity dealers, construction firms, and manufacturers in the fields of petroleum, coal, chemicals, and rubber.

Although the large loan expansion contributed to an increase of \$71,189,000 in demand deposits of individuals,

CHANGES IN FACTORS AFFECTING
MEMBER BANK RESERVE BALANCES

Eleventh Federal Reserve District

(In thousands of dollars)

	CHANGE ¹ 4 weeks ended Dec. 15, 1954
FACTORS	
Federal Reserve credit—local.....	+\$ 902
Interdistrict commercial and financial transactions.....	+ 18,995
Treasury operations.....	+ 55,932
Currency transactions.....	+ 4,842
Other deposits at Federal Reserve Bank.....	+ 80
Other Federal Reserve accounts.....	+ 466
RESERVE BALANCES	
December 15, 1954.....	\$1,002,441
November 17, 1954.....	1,042,772
Change.....	—\$ 40,331 —\$40,331

¹ Sign of the change indicates effect on reserve balances.CONDITION STATISTICS OF WEEKLY REPORTING
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 15, 1954	Dec. 16, 1953	Nov. 17, 1954
ASSETS			
Commercial, industrial, and agricultural loans....	\$1,439,680	\$1,249,949	\$1,407,902
Loans to brokers and dealers in securities.....	15,817	11,985	10,037
Other loans for purchasing or carrying securities.....	102,689	76,016	100,368
Real estate loans.....	166,844	134,687	161,229
Loans to banks.....	12,429	9,039	6,234
All other loans.....	416,154	410,835	411,118
Gross loans.....	2,153,613	1,892,511	2,096,888
Less reserves and unallocated charge-offs..	18,040	17,803	18,092
Net loans.....	2,135,573	1,874,708	2,078,796
U. S. Treasury bills.....	129,038	187,129	144,904
U. S. Treasury certificates of indebtedness.....	141,460	259,150	130,881
U. S. Treasury notes.....	245,518	208,425	271,145
U. S. Government bonds (inc. gtd. obligations)....	900,491	672,627	890,428
Other securities.....	227,774	196,425	230,074
Total investments.....	1,644,331	1,523,756	1,667,432
Cash items in process of collection.....	364,844	342,061	347,169
Balances with banks in the United States.....	487,720	523,406	542,600
Balances with banks in foreign countries.....	2,174	1,331	1,519
Currency and coin.....	48,463	49,550	45,137
Reserves with Federal Reserve Bank.....	613,390	601,692	639,641
Other assets.....	120,506	106,015	116,100
TOTAL ASSETS.....	5,417,001	5,022,519	5,438,394
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,826,799	2,622,364	2,755,610
United States Government.....	125,903	85,787	199,674
States and political subdivisions.....	178,885	242,135	184,894
Banks in the United States.....	1,021,307	939,891	1,045,713
Banks in foreign countries.....	14,395	10,931	14,215
Certified and officers' checks, etc.....	66,825	59,063	77,650
Total demand deposits.....	4,234,114	3,960,171	4,277,756
Time deposits			
Individuals, partnerships, and corporations....	612,234	514,957	615,856
United States Government.....	13,369	10,144	13,369
Postal savings.....	451	450	451
States and political subdivisions.....	97,861	108,704	106,199
Banks in the U. S. and foreign countries.....	978	1,788	1,278
Total time deposits.....	724,893	636,041	737,153
Total deposits.....	4,959,007	4,596,214	5,014,909
Bills payable, rediscounts, etc.....	29,500	42,100	2,600
All other liabilities.....	70,587	63,716	64,201
Total capital accounts.....	357,907	320,489	356,684
TOTAL LIABILITIES AND CAPITAL.....	5,417,001	5,022,519	5,438,394

partnerships, and corporations, total deposits declined \$55,902,000, primarily as a result of a decrease of \$73,771,000 in deposits of the United States Government and declines in most of the other deposit classes. Faced with the net loss of funds, the banks obtained reserves both to meet the deposit drain and to finance the loan expansion by liquidating investments in the amount of \$23,101,000, drawing down deposits with correspondent banks by \$54,880,000, and increasing their own borrowings by \$26,900,000.

Demand for bank credit, as compared with recent years, was especially heavy during the last 4 months of 1954. Gross loans of the weekly reporting banks increased \$277,362,000 in the period August 18-December 15, as contrasted with a growth of only \$79,109,000 in the period August 19-December 16, 1953. The greater than seasonal expansion resulted partly from large bank purchases of CCC certificates of interest on November 12 (a comparable issue of such certificates in 1953 was not marketed until December 17). It appears, however, that other factors — possibly a larger than seasonal increase in business activity in the District — also were important to the increase.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Nov. 24, 1954	Nov. 25, 1953	Oct. 27, 1954
ASSETS			
Loans and discounts.....	\$3,351	\$2,996	\$3,160
United States Government obligations.....	2,649	2,439	2,695
Other securities.....	519	454	512
Reserves with Federal Reserve Bank.....	1,050	1,022	994
Cash in vault ^a	132	123	146
Balances with banks in the United States.....	1,137	1,079	1,138
Balances with banks in foreign countries ^a	2	2	2
Cash items in process of collection.....	352	371	315
Other assets ^a	170	147	166
TOTAL ASSETS^a.....	9,362	8,633	9,128
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,121	1,005	1,142
Other demand deposits.....	6,394	6,015	6,151
Time deposits.....	1,123	935	1,129
Total deposits.....	8,638	7,955	8,422
Borrowings ^a	20	43	10
Other liabilities ^a	79	65	72
Total capital accounts ^a	625	570	624
TOTAL LIABILITIES AND CAPITAL^a.....	9,362	8,633	9,128

^a—Estimated.

NEW PAR BANKS

The River Oaks State Bank, Fort Worth, Texas, an insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, November 27, 1954. The officers are: G. E. Carpenter, President, and C. E. Gillham, Cashier.

The First State Bank, Waskom, Texas, an insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, December 4, 1954. The officers are: William R. Allison, President; G. L. Chastain, Vice President; T. W. Vaughan, Vice President; and Mrs. W. R. Allison, Cashier.



With demand rising and the stock situation noticeably improved, District crude oil production showed a moderate increase in December for the second consecutive month, and the outlook is for a marked increase in January. Production in the first 10 days of December averaged 3,013,000 barrels per day, which is 52,000 barrels higher than in November and 93,000 barrels higher than in December 1953. Despite the recent increases, however, December production was still substantially below the 1954 peak reached in April. The Nation's production, averaging 6,325,000 barrels during the first 10 days of December, was 85,000 barrels higher than in November and showed approximately the same gain over December 1953.

A further substantial gain in District production is indicated by the action of the Texas Railroad Commission in raising daily allowables for January by 257,000 barrels over

the mid-December level. The January allowable calls for 18 state-wide producing days, which is 2 days more than in December and is higher than in any other month since last April.

The major factor in the rising trend in crude production in the District and the Nation during the past 2 months has been the improved demand for petroleum products. Accompanying a seasonal rise in demand for heating oils has been an improved demand for most petroleum products stemming from increased industrial activity. The demand for distillate fuel oil at refineries and bulk terminals during the 5 weeks ended December 10 was 14 percent higher than in the same period of 1953, largely because of colder weather than a year ago in major heating-oil markets in the Nation and the increase in the number of oil burners in use. The demand for gasoline, meanwhile, registered a 7-percent gain over the year-earlier level, and residual fuel oil demand was up 1 percent.

Another factor promoting an increase in crude oil production has been the improvement in the petroleum stock situation. Aggregate stocks of crude oil and major refined products in the Nation declined over 26,500,000 barrels during the 6 weeks ended December 10. This decline carried aggregate stocks of crude oil and major refined products below the year-earlier level for the first time in several years. Stocks on December 10 totaled 627,100,000 barrels, or 11,000,000 barrels below the comparable date in December 1953. Crude stocks decreased 6,800,000 barrels during the 6-week period to 265,400,000 barrels, which is 12,000,000 barrels below a year earlier. Meanwhile, total stocks of major refined products were reduced 19,700,000 barrels to 361,700,000 barrels, which is only 1,100,000 barrels higher than in December 1953.

Gasoline stocks registered a small, less than seasonal increase during the 6 weeks ended December 10 and on that date were at almost the same level as a year earlier. The current situation for gasoline stocks is markedly different from that of a few months ago, when such stocks were as much as 17,000,000 barrels—or 12 percent—higher than a year earlier. On December 10, distillate fuel oil stocks were 2 percent below a year ago, and stocks of kerosene and residual fuel oil were up 3 percent and 5 percent, respectively.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	November 1954 ¹	November 1953 ²	October 1954 ¹	Change from	
				November 1953	October 1954
ELEVENTH DISTRICT.....	2,960.9	2,959.3	2,909.0	1.6	51.9
Texas.....	2,648.8	2,655.7	2,599.3	—6.9	49.5
Gulf Coast.....	571.9	584.5	557.8	—12.6	14.1
West Texas.....	1,027.0	1,000.2	999.2	26.8	27.8
East Texas (proper).....	210.6	239.0	204.3	—28.4	6.3
Panhandle.....	84.2	79.0	86.8	5.2	—2.6
Rest of State.....	755.1	753.0	751.2	2.1	3.9
Southeastern New Mexico.....	207.5	192.1	203.4	15.4	4.1
Northern Louisiana.....	104.6	111.5	106.3	—6.9	—1.7
OUTSIDE ELEVENTH DISTRICT.....	3,278.6	3,317.9	3,260.6	—39.3	18.0
UNITED STATES.....	6,239.5	6,277.2	6,169.6	—37.7	69.9

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

Refinery activity rose moderately in both the District and the Nation during November. District crude runs to refinery stills averaged 2,079,000 barrels per day, or 33,000 barrels higher than in October and 50,000 barrels higher than in November 1953. In the Nation, crude runs in November averaged 6,955,000 barrels per day, which is 117,000 barrels higher than in October but 32,000 barrels lower than a year earlier. A further expansion in refinery crude runs occurred during early December in both the District and the Nation.



In November, for the first time during 1954, nonagricultural employment in the District states exceeded that in the comparable month of 1953. Nonagricultural wage and salary workers in November totaled 3,893,300, or 7,800 above November 1953 and 16,600 more than in October. The largest increase occurred in trade, although gains were recorded in all other industries except transportation and public utilities and services. Unofficial estimates indicate that nonagricultural employment in December totaled 3,932,000, or 6,800 above the record level in December 1953.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Nov. 1954 from	
	November 1954p	November 1953	October 1954	Nov. 1953	Oct. 1954
Total nonagricultural wage and salary workers...	3,893,300	3,885,500	3,876,700	.2	.4
Manufacturing	723,300	734,600	719,800	-1.5	.5
Nonmanufacturing	3,170,000	3,150,900	3,156,900	.6	.4
Mining	229,500	229,800	228,800	-.1	.3
Construction	282,500	288,600	281,200	-2.1	.5
Transportation and public utilities	391,200	409,300	392,300	-4.4	-.3
Trade	1,007,500	995,400	993,800	1.2	1.4
Finance	157,800	153,300	157,200	2.9	.4
Service	452,500	444,700	455,400	1.8	-.6
Government	649,000	629,800	648,200	3.0	.1

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

p—Preliminary.

SOURCE: State employment agencies.

A November increase of 3,500 placed manufacturing employment in the District states at 723,300, which reduced the spread between 1954 and 1953 levels to less than 2 percent. The October-to-November change reflects increased output in the automobile industry and seasonal gains in food products, chemical, apparel, and printing and publishing industries. Furniture and fixtures manufacturing maintained previous levels of employment, while seasonal declines were recorded in lumber and wood products. Construction volume remains high, although the number of jobs available from now through February will be affected greatly by the weather.

Construction contract awards in the District during November amounted to \$127,115,000, down seasonally 13 percent from the preceding month but 13 percent above November 1953. Residential construction, while 18 percent below October, was 117 percent above the year-earlier level.

For the first 11 months of 1954, the value of total contract awards in the District was 12 percent above the comparable

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	November 1954p	November 1953	October 1954	January—November	
				1954p	1953
ELEVENTH DISTRICT...	\$ 127,115	\$ 112,270	\$ 145,229	\$ 1,312,264	\$ 1,173,928
Residential	67,417	31,083	82,231	638,277	469,113
All other	59,698	81,187	62,998	673,987	704,815
UNITED STATES ¹ ...	1,498,850	1,394,050	1,965,339	17,941,430	16,143,699
Residential	708,691	611,857	851,824	7,756,714	6,173,332
All other	790,159	782,193	1,113,515	10,184,716	9,970,367

¹ 37 states east of the Rocky Mountains.

p—Preliminary.

SOURCE: F. W. Dodge Corporation.

period of 1953. Residential awards were up 36 percent, and all other awards were down 4 percent. Cumulative awards for the United States during this period were valued 11 percent higher than in 1953; residential awards were up 26 percent; and all other contract awards were up 2 percent.

The chemical industry added substantial amounts to construction in Texas and the other District states during the 12-month period ended October 31. A recent survey by the Manufacturing Chemists' Association indicates that a large part of the industry's expansion programs are being undertaken by companies with large holdings in the Southwest, with Texas leading the Nation in total dollar expenditures. In Texas and the four states partially within the District, the value of chemical facilities completed during the 12 months ended October 31, presently under construction, or definitely planned for construction and completion within the next 3 years totaled \$863,800,000.

Approximately two-thirds of this amount, or \$571,400,000, was accounted for by Texas. The State had \$227,400,000 of facilities completed during the 12-month period and presently has \$264,500,000 under construction and another \$79,500,000 definitely planned. These additions to chemical capacity in Texas are expected to raise it from its present position of fourth place in chemical production to perhaps second place. Ranking next to Texas among the District states is Louisiana, with \$145,600,000 of chemical plant construction completed, \$62,500,000 under construction, and \$24,

BUILDING PERMITS

City	November 1954		Percentage change in valuation from		11 months 1954		Percentage change in valuation from 11 months 1953	
	Number	Valuation	Nov. 1953	Oct. 1954	Number	Valuation	Nov. 1953	Oct. 1954
LOUISIANA								
Shreveport....	319	\$ 2,332,329	1	-28	4,004	\$ 26,125,593	20	
TEXAS								
Abilene.....	117	895,775	-70	-62	1,514	13,419,165	32	
Amarillo.....	203	3,155,915	251	122	2,404	18,942,660	6	
Austin.....	305	3,928,263	182	-54	3,053	41,987,933	47	
Beaumont.....	339	593,280	21	-47	2,925	8,541,098	5	
Corpus Christi..	501	2,932,648	70	13	5,241	31,800,360	23	
Dallas.....	2,078	12,603,403	32	3	24,373	137,880,099	30	
El Paso.....	403	2,462,007	195	-43	5,007	26,989,445	47	
Fort Worth.....	685	3,003,638	7	-49	8,129	42,361,537	4	
Galveston.....	81	404,005	258	-60	1,116	7,234,022	58	
Houston.....	898	12,374,750	-10	-38	11,558	152,973,658	26	
Lubbock.....	215	1,592,030	-3	-32	3,643	24,249,842	52	
Port Arthur.....	143	264,404	23	-33	1,534	3,505,725	13	
San Antonio....	1,230	8,690,847	225	136	15,523	52,585,448	16	
Waco.....	238	983,888	99	-43	2,772	14,084,423	39	
Wichita Falls...	97	550,657	26	-69	1,500	9,439,499	41	
Total—16 cities..	7,852	\$56,767,839	34	-22	94,296	\$612,120,507	26	

650,000 planned. Oklahoma has \$22,650,000 in recently completed facilities and \$7,000,000 under construction but none definitely planned for the future. In New Mexico, \$7,000,000 in new plant construction has been completed

recently and none is under construction, although \$20,000,000 of additional expansion is planned. Planned facilities in Arizona are expected to cost \$3,000,000, but the survey indicates no recent completions or plants under construction.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

Area	October 1954 ¹	October 1953	September 1954 ²	August—October	
				This season	Last season
CONSUMPTION					
Total					
Texas mills.....	11,519	14,317	13,487	36,246	38,184
U. S. mills.....	706,603	870,616	815,315	2,189,361	2,301,464
Daily average					
Texas mills.....	583	578	551	565	595
U. S. mills.....	35,777	35,177	33,278	34,076	35,821
STOCKS, U. S.—End of period					
Consuming establishments..	1,388,270	1,514,840	1,107,846	—	—
Public storage and compresses.....	12,756,658	9,459,594	10,894,026	—	—

¹ Four weeks ended October 30.² Five weeks ended October 2.

SOURCE: United States Bureau of the Census.

COTTONSEED AND COTTONSEED PRODUCTS

Item	TEXAS		UNITED STATES	
	August 1 to October 31		August 1 to October 31	
	This season	Last season	This season	Last season
COTTONSEED (tons)				
Received at mills.....	829,043	768,522	3,195,390	3,460,026
Crushed.....	450,347	380,908	1,465,940	1,469,250
Stocks, end of period.....	522,562	475,745	1,959,057	2,146,148
COTTONSEED PRODUCTS				
Production				
Crude oil (thousand pounds).....	144,898	119,372	468,052	466,732
Cake and meal (tons).....	208,605	183,529	712,200	699,158
Hulls (tons).....	100,609	83,373	311,104	314,680
Linters (running bales).....	136,612	119,819	482,604	478,583
Stocks, end of period				
Crude oil (thousand pounds).....	18,362	19,132	63,795	86,617
Cake and meal (tons).....	60,684	54,215	243,422	163,838
Hulls (tons).....	24,172	25,602	86,157	51,795
Linters (running bales).....	59,029	37,128	199,049	157,822

SOURCE: United States Bureau of the Census.