

# MONTHLY BUSINESS REVIEW



FEDERAL RESERVE BANK OF DALLAS

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## ECONOMIC CONDITIONS AT MID-1956

The first half of 1956 was a period characterized by unusual economic stability. For nearly all the major measurements of economic activity, the most noticeable characteristic was the very limited range of fluctuation. Industrial production and total construction were virtually unchanged, while gross national product, business sales, employment, personal income, wages, and prices moved upward. However, there were two major areas in which significant downward adjustments took place — automobile production and residential construction. In each case, reduced production schedules contributed to an improved state of balance before the end of the 6-month period. In addition, problems have persisted in agriculture.

The economy demonstrated its underlying strength by maintaining generally stable, high-level operations while absorbing these readjustments. The fact that these adjustments did not cumulate into even a minor recession is evidence of the existence of offsetting expansive forces. Viewed as a whole, the 6-month period was one of remarkable stability in the production and consumption of goods and services. The confidence of consumers and businessmen alike was well maintained.

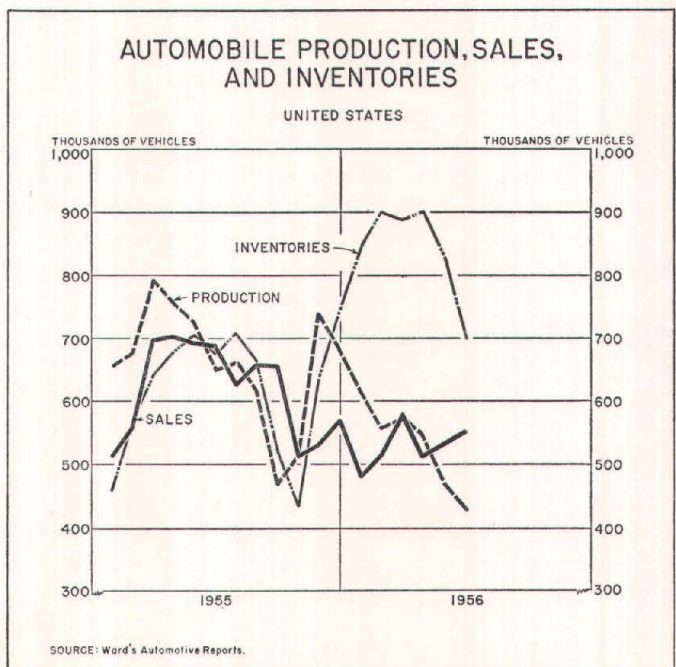
### Areas of Counterbalancing Action

One of the most prominent influences on the economy in the first half of 1956 was the readjustment in the automobile industry. The record-breaking production and sales in 1955 tended to create a standard from which future efforts would be measured. Yet, there were peculiar circumstances surrounding the establishment of these records in 1955 which were lacking in the first half of 1956. First, in 1955 the rather marked change in style and horsepower created a strong buying interest. Second, and of equal importance, the major companies in the industry seemed intent upon producing every car which could be made during the year. Overtime and extra shifts were employed in this production race, and the large number of new automobiles spurred dealers' sales efforts and caused a narrowing of dealers' profit margins. Third, new car sales absorbed a portion of the used car market, thus raising inventories and lowering values of used cars. Also, the generally rising level of incomes provided some individuals a better opportunity to purchase cars. Finally, during 1955, instalment credit was extended in great volume and on

substantially easier terms. This credit was used to stimulate the purchase of automobiles considerably beyond what normally might be expected.

One result of these 1955 records was an overly optimistic estimate of the market for 1956. Unfortunately, the sales of 1956 models did not meet these expectations; and with near-capacity production during the last quarter of 1955, the industry accumulated inventories at a rate substantially above that of any previous year. While the sales total of 3,142,000 units during the first 6 months of this year represents the third best effort in the industry's history, it is nearly 25 percent below the record pace of early 1955.

Some of the decline in sales could be traced to the overselling in 1955. Other reasons for this decline were the lack of style change in 1956-model automobiles and the easy terms on which instalment credit was extended in 1955. This credit development tended to mortgage the future income of many purchasers and also placed many of them in the position of having made monthly payments for over a year without having





a substantial equity in their automobiles. Lack of actual availability of instalment credit, however, has not been an important factor in limiting sales in 1956. In fact, a higher percentage of cars were sold on credit in the first half of 1956 than in the comparable period of 1955.

Early in 1956, the high inventories and reduced sales volume — coupled with a disappointing spring selling season, which was partially a result of poor weather conditions — occasioned the recognition on the part of most major automobile producers that production schedules needed to be adjusted downward in order to clear inventories by the end of the model season. Production schedules were revised steadily downward, with the result that only 3,192,000 automobiles were produced in the first half of 1956, compared with 4,256,000 in the first 6 months of 1955. Consequently, inventories — which had climbed to more than 900,000 units in February and remained close to that level through April — were reduced to a June level of approximately 700,000 units, or only 3 percent above a year earlier. Industry sources now expect an orderly reduction in inventories through the change of the model season.

The used car market also played an important role in the changing automobile situation. In 1955, used car inventories were built up rapidly, and only after price reductions in the fall stimulated sales, did these inventories begin to decline. The steady sales of used cars throughout the winter reduced inventories further and caused a rise in used car prices by late spring. It is important to stress that the industry has substantially completed its adjustment and is now in a much stronger position than it was at the beginning of the year.

Another area of industrial adjustment during the first half of 1956 was the farm equipment industry. Declining sales of farm equipment during early 1956 are attributed to four major factors. First, sales in 1955 were very good, despite declining agricultural income. It is quite possible that the better than average sales of improved equipment last year may have reduced sales for 1956. Second, the decline in agricultural income continued in 1956. Third, the adverse effects of acreage allotments and weather conditions, particularly drought, made farmers more hesitant about buying new equipment. Fourth, uncertainties as to the farm legislation which might be passed by the current Congress created caution among farmers. While there has been some improvement in these basic troubles, farm equipment sales are not expected to show a marked increase in the last half of 1956.

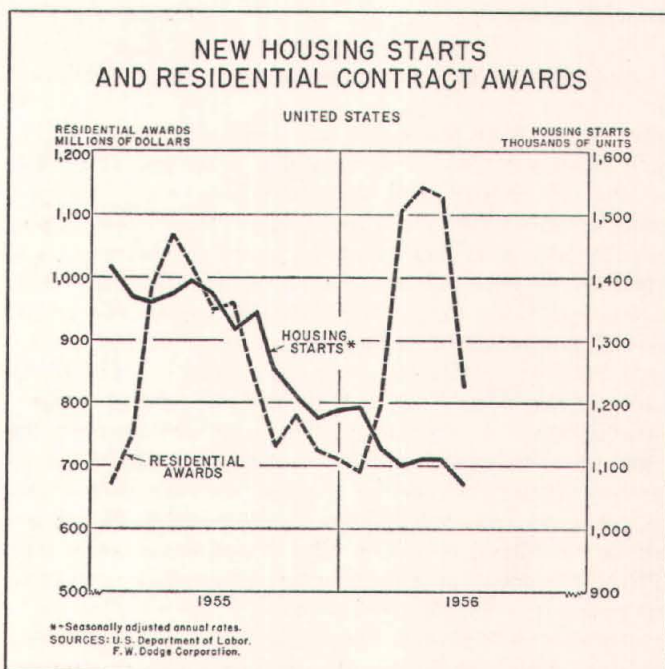
Other areas of industrial production which lagged in the first 6 months of 1956 were consumer durable goods industries tied to either the automobile or the housing market. Major household goods production declined steadily from the late summer of 1955 until the late spring of 1956, with the production of radios and television sets showing the sharpest cutbacks. The reduction in television set output may be attributed not only to the reduced number of housing units but also to the heavy sales in 1955, and perhaps to an overinventoried consumer position. Radio production was reduced in response to the decline in automobile production. Some lines of consumer durables production were maintained, but at the ex-

pense of building larger inventories. Washers, dryers, and ironers were produced at even faster rates than a year earlier, but rapidly climbing dealer inventories caused production curtailments in the late spring.

Still another major area of adjustment during the first half of 1956 was the home-building industry. Once again, it is necessary to review the conditions in 1955 to gain a proper perspective of the current level of operations. Residential construction declined slightly from the peak in December 1954 and then fluctuated at a high level throughout the first 8 months of 1955. Thereafter, a fairly sharp decline began, with the seasonally adjusted annual rate of housing starts moving from 1,346,000 units in August 1955 to a June 1956 level of 1,070,000 units. Easy mortgage terms, a relatively high availability of mortgage funds, and the stimulation of the Government insurance and guarantee programs under the Veterans Administration and the Federal Housing Administration — coupled with an intense demand for homeownership and the desire for larger and more modern homes — combined to produce a residential construction market second only to that of 1950. Despite the decline in housing starts, the dollar volume of residential contract awards in 1955 was higher than in 1950.

While the beginning of the decline in the number of housing starts coincided with a change in down payment and maturity terms, a number of other important factors contributed to the reductions in residential construction. Among these was a concentration of building in the \$12,000-\$20,000 price range. In a number of cities, home building had proceeded at such a rapid rate that an overhang developed in the market in this price range. Naturally, builders began to reduce their efforts in these areas.

These developments have been important to the 1956 housing market. While the steady demand has absorbed the over-





# PLANT AND EQUIPMENT EXPENDITURES, BY TYPES QUARTERLY, 1955 AND 1956

(Seasonally adjusted annual rates. In billions of dollars)

Period	Manufacturing						Commercial and other
	Total	Total	Durable goods	Mining	Transportation	Public utilities	
1955.....	\$28.70	\$11.44	\$5.44	\$0.96	\$2.53	\$4.31	\$ 9.47
First quarter.....	25.65	10.17	4.78	.80	2.20	4.01	8.46
Second quarter.....	27.19	10.84	5.06	.94	2.42	4.09	8.90
Third quarter.....	29.65	11.97	5.77	.99	2.56	4.43	9.70
Fourth quarter.....	31.45	12.48	6.00	1.08	2.87	4.48	10.54
1956.....							
First quarter.....	32.82	13.45	6.57	1.13	2.90	4.56	10.78
Second quarter.....	34.77	15.15	7.90	1.14	2.96	4.95	10.57
Third quarter.....	36.74	16.07	8.55	1.28	3.35	5.28	10.76

<sup>1</sup> Estimates based on anticipated capital expenditures as reported by business from late April and May 1956.

SOURCES: Securities and Exchange Commission.  
United States Department of Commerce.

hang in the market in most instances, builders have been reluctant to resume the extremely high rate of construction in the face of rising costs and some reduction in profit margins. In many areas the demand for low-price housing remains very strong, but builders, faced with rising costs, have emphasized construction in the higher price range. In the \$12,000-\$20,000 price bracket, demand has not been strong enough to warrant a substantial increase in housing starts. Homes costing above \$20,000 are reported as selling quite well, but, in this price range, custom considerations are important. In addition, while there was some curtailment of the supply of mortgage funds, the availability of such funds also was restricted as lenders became more selective as to the type and location of houses, terms of mortgages, and the credit worthiness of borrowers.

The 1956 housing market compared with that of 1955 gives a clear reflection of the decline in project home construction, particularly under VA and FHA sponsorship. Nevertheless, the current annual rate of housing starts reflects a strong housing situation. Moreover, the decline in housing starts has slowed considerably.

In contrast to the adjustments under way in a few areas of industrial production and in residential construction, expansion in plant and equipment expenditures has provided the strongest support to the economy. As more and more industries reached capacity performance during 1955 and early 1956, businessmen recognized the need for further substantial additions to capacity. Rising wage rates and new technological advances in productive facilities also encouraged capital expenditures. Moving up more rapidly than had been generally anticipated, plant and equipment expenditures, estimated to be 30 percent above those in 1955, already have reached record levels and are projected for further increases during the third quarter of the year.

This expansion program has had important implications for the entire economy. It has been a major support for the construction industry through its demands upon the non-residential segment of that industry. Capital goods expansion also has meant continued pressure upon raw materials in short supply, particularly structural steel. Moreover, it has stimulated a rather sharp growth in machinery production and the employment of a substantial number of new workers in such industries as shipbuilding and railroad equipment manufacturing. Capital goods expansion undoubtedly has occasioned

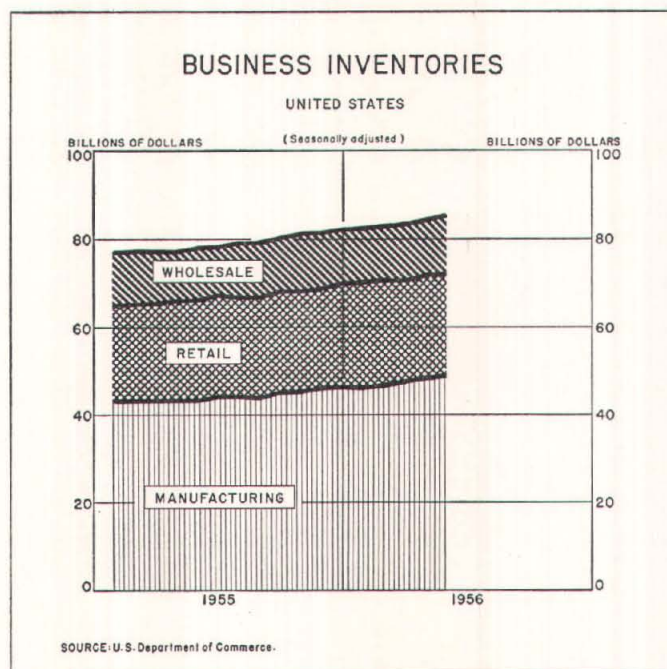
a large share of the rising total of corporate security issues and, through a diversion of working capital, probably has been responsible for some of the sharp growth in commercial bank loans to business.

## Inventories

Since early 1955, business inventories have moved steadily upward, and in certain areas their growth has accelerated since early 1956. During 1955 the inventory accumulation was widespread, with nearly all types of businesses participating and virtually all types of goods being stocked. In contrast, inventory accumulation in the first 5 months of 1956 was concentrated in automobiles and steel, with durable goods manufacturers — particularly machinery and transportation equipment industries — responsible for most of the accumulation. Except for an early 1956 accumulation of automobiles in dealers' hands and rising inventories of farm equipment and consumer durables, inventories at wholesale and retail outlets generally followed seasonal patterns and, on a seasonally adjusted basis, were fairly steady after March.

Because of the experience in 1953-54 with an inventory re-adjustment and the importance of inventory cycles in economic stability, this aspect of the economy remains under close scrutiny. Total business inventories in May reached a seasonally adjusted level of \$85,200,000,000, or \$6,900,000,000 more than a year earlier. However, in view of the expansion in total business sales and because of the diversity in products, larger inventories appear to be necessary. In fact, if automobile and steel accumulations are eliminated from the total, most of the remaining increase in total inventories could be accounted for by the rising cost of replacement.

Nevertheless, inventory accumulation during the first half of 1956 provided an additional stimulation to production. While inventory liquidation is likely to occur in both steel and





automobiles during the summer months, a widespread inventory adjustment does not seem to be necessary.

### Areas of Stability

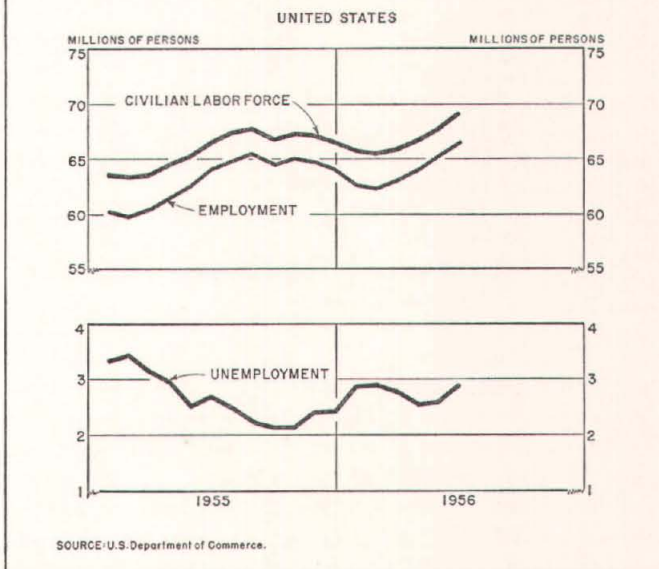
In line with the general stability which has prevailed in the economy, most of the major statistical indicators showed very little change during the first half of 1956. Industrial production, as measured by the Federal Reserve Board index, fluctuated within the very narrow range of 141 to 143, compared with the record high of 144 in December 1955. The major components of the index similarly showed only small fluctuations, with durable goods production ranging from 156 to 160, nondurables output from 127 to 130, and minerals production from 129 to 131.

New orders to manufacturers in the first 5 months in 1956 remained at an advanced level of between \$26,900,000,000 and \$28,700,000,000, with the higher figure occurring in May. While the \$27,800,000,000 average for this 5-month period was \$600,000,000 below that for the final 5 months of 1955, it was \$1,900,000,000 above the average for the comparable period last year. Within these totals, a strongly rising level of orders for capital goods was most outstanding.

The picture of economic stability is reinforced by an analysis of business sales. Total business sales, on a seasonally adjusted basis, showed a small but steady improvement in each of the first 5 months of this year, rising from \$52,900,000,000 in January to \$54,400,000,000 in May. The \$53,300,000,000 average for the period was \$3,100,000,000 higher than the average for the comparable period of 1955. Moreover, business sales in May were at a record level — \$1,200,000,000 higher than in December last year.

Retail sales during the first half of 1956 showed somewhat larger fluctuations than total business sales but, averaging

### CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT



\$15,600,000,000 on a seasonally adjusted basis, were only \$200,000,000 below the record in the final 5 months of 1955. Declining sales of automobiles, television sets, and farm equipment were offset by increased food, drug, and gasoline service station sales.

Seasonal patterns were evident in most broad changes in employment, although the record June total of 66,503,000 workers was 3,612,000 above the January level and 2,487,000 higher than in June 1955. Factory employment declined steadily from January through May and showed a less than seasonal gain in June. Gains in other areas of nonagricultural employment — particularly construction, trade, and government — were strong enough to overcome the factory employment decline of the first 5 months. In general, employment conditions remained tight throughout the first half of 1956, and shortages of skilled workers persisted.

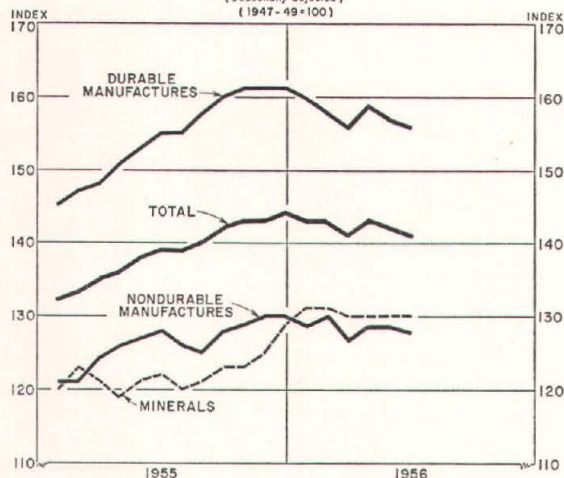
Unemployment followed seasonal patterns until May, when layoffs in the automobile industry brought about a contra-seasonal rise. However, the June level of 2,900,000 unemployed was only 220,000 higher than a year earlier. Considering the 2,700,000 increase in the civilian labor force during the past year, this unemployment increase appears to be quite small.

Personal incomes have shown a steady advance since January. The May level of personal income, at \$323,000,000,000, was \$18,700,000,000 above the comparable figure in May 1955. Most of the increase came from rising labor income, as more people were employed at higher rates of pay. The average workweek declined from 40.8 hours in January to 40.1 hours in June, but the loss in overtime pay was more than offset by the larger number of workers and the increasing wage rates. Average weekly earnings of manufacturing workers reached a new record for June at \$79.40 — up \$1.35 from January and \$3.79 higher than a year ago. Real wages ad-

### INDUSTRIAL PRODUCTION INDEXES

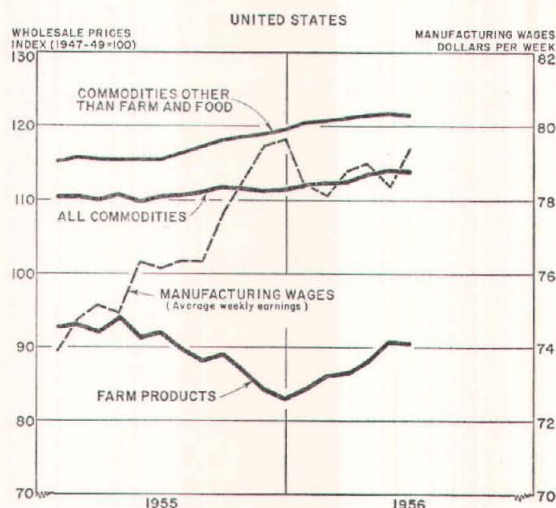
UNITED STATES

(Seasonally adjusted)  
(1947-49=100)





## WHOLESALE PRICE INDEXES AND MANUFACTURING WAGES



vanced at a slower rate, as the rising cost of living reduced slightly the purchasing power of the dollar.

Higher personal incomes supported a continued high level of purchasing and contributed to the pressures which caused a rising price level. The consumer price index increased from 114.6 in January to 116.2 in June — the all-time high. Much of the stimulus to rising consumer prices came from higher prices for food and services, although nearly all segments showed some advance.

Wholesale prices moved up, with the index rising from 111.9 in January to 114.2 in June. Again, all segments showed increases, but the primary upward impetus was provided by higher prices of farm products and processed foods. Compared with a year earlier, wholesale prices of industrial commodities showed the largest increase, nearly 5 percent, while the composite index reflected a 3-percent advance. The pressures created by shortages of raw materials, as well as the rising level of wages and other costs, were the prime factors inducing the higher price level of industrial commodities.

Consumer credit was used in record volume during the first half of 1956. Total consumer credit outstanding reached \$36,574,000,000 on May 31, or \$1,020,000,000 above the January level and \$5,006,000,000 above the total on May 31, 1955. Instalment credit outstanding at the close of May this year totaled \$28,591,000,000, or \$4,442,000,000 above the comparable total a year earlier. Net additions to instalment credit were substantially smaller than in the first 5 months of 1955, as the total expanded only \$767,000,000 in 1956, compared with a gain of \$1,713,000,000 in 1955. Instalment credit extensions were larger in 1956, but the rapid rise in repayments limited the amount of net additions. As instalment credit totals continue to expand, repayments undoubtedly will rise even faster. It is important to note that consumers have continued their strong use of credit, even though the rate of

increase in the use of consumer credit slackened in the first half of this year.

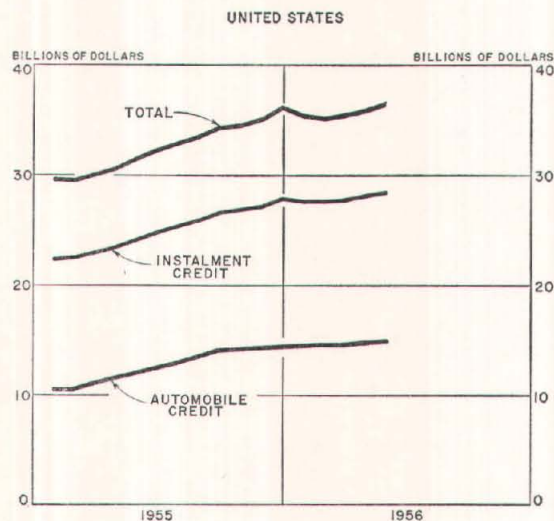
## Banking and Monetary and Fiscal Policy

One of the outstanding features of the economy in the first half of 1956 was the persistently strong demand for bank loans, stemming largely from such factors as substantial inventory accumulation, short-term need for working capital, and capital goods expenditures. The \$2,243,000,000 expansion in business loans at weekly reporting member banks during the first half of 1956 contrasts with an increase of only \$1,078,000,000 in the comparable period of 1955. A large part of this business demand for credit came from metal and metal products industries, possibly seeking to build their steel inventories for protection against a strike or price increase. Personal loans also were made in large volume, and business credit demands for tax purposes were particularly noticeable at mid-March. Only real-estate and "all other" loans showed a lower demand in 1956 than in 1955.

In view of the continued strength in the economy; the inflationary pressures growing out of near-capacity industrial operations, inventory accumulation, and rising plant and equipment expenditures; and the intense demand for credit, monetary policy in the first half of this year remained more or less restrictive, with purchases and sales of securities being used to modify seasonal and unusual pressures. System sales and redemptions of securities early in the year absorbed the return flow of currency, but around the March tax date, System purchases were used to prevent undue strains in the market and to provide reserves for the heavy tax borrowings.

At mid-April, as the pressures persisted, the discount rates at the Federal Reserve banks were increased, with 10 of the 12 banks raising the rate from  $2\frac{1}{2}$  percent to  $2\frac{3}{4}$  percent and the remaining banks going to 3 percent. In addition, System

## CONSUMER CREDIT OUTSTANDING





sales of securities from early April to mid-May absorbed \$400,000,000 in reserves.

A late-spring easing of reserve pressures accompanied System purchases of nearly \$300,000,000, as banks again sought to meet tax borrowings for the June 15 tax date. Late in June, additional purchases were made in anticipation of July 4 holiday currency requirements.

As a result of the heavy loan demands and the monetary and credit policies that were pursued, member bank reserves were under varying degrees of pressure during the first half of 1956. In each week in the period from April 5 through May 16, when reserves were under the strongest pressure, the weekly average of daily borrowings from Reserve banks exceeded \$1,000,000,000, and on individual days, borrowings were substantially higher. Excess reserves drifted irregularly downward until May, and net borrowed reserves attained an average of slightly above \$600,000,000 in both the last week of April and the second week of May. Toward the end of June, as reserve pressures eased somewhat, average member bank borrowings from Reserve banks declined below \$800,000,000 and net borrowed reserves, to less than \$200,000,000.

The pressure on member bank reserves induced a continued realignment of commercial bank funds, with investment liquidation, a further reduction in cash accounts, and increased borrowing at the Federal Reserve banks being used to meet the very large loan demand. Sufficient pressures were present to cause commercial banks to become much more selective in loan accommodation. The heavy calendar of corporate security issues increased competition for loanable funds in that market, but it was in the short-term area that the strong demand for credit — abetted by the April increase in discount rates — caused the sharpest rise in interest rates. In fact, as a result of these increases, some corporate and

municipal issues were postponed as projects were reassessed in the light of the higher interest costs. Rising yields on Government security issues were particularly noticeable in April and May. However, nonbank demand for Treasury bills at times depressed bill rates.

Supplementing the restrictions from monetary policy was the deflationary pressure exerted by a budget surplus. The money market ranged from firm to fairly tight throughout most of the first half of 1956, but no serious strains developed.

### Conclusion

At the end of June, the economy was in a strong position and seemed to be in better balance than at any time since late 1955. Construction, plant and equipment expenditures, retail sales, employment, wages, personal income, and consumer credit were at record levels in June and appear to be climbing even higher. An air of restrained optimism permeated most segments of the economy; even in those areas within which readjustments have been under way, a more optimistic attitude prevailed. When there are added to these factors of strength the improvement in the automobile industry, the stability and absence of further decline in home building, and the probability of some inventory liquidation during the summer, a favorable outlook appears probable. In fact, in analyzing the current position of the economy, it should be emphasized that the destabilizing forces of the first 6 months of the year have been steadily modified and the stability of the general economic picture throughout the period is evidence of the strength of the basic economic structure of the Nation.

Prejudging the ultimate effect of a multitude of economic forces upon the general level of business is, of course, a hazardous undertaking. However, in looking forward into the remaining months of this year, there appear to be a limited number of dominant factors upon which the trend of the economy may hinge. Of singular significance is the duration of the steel strike. The build-up of steel inventories during the first half of the year placed a majority of customers in a reasonably good position, with industry estimates ranging from 30 to 90 days before severe curtailment of production will be necessary.

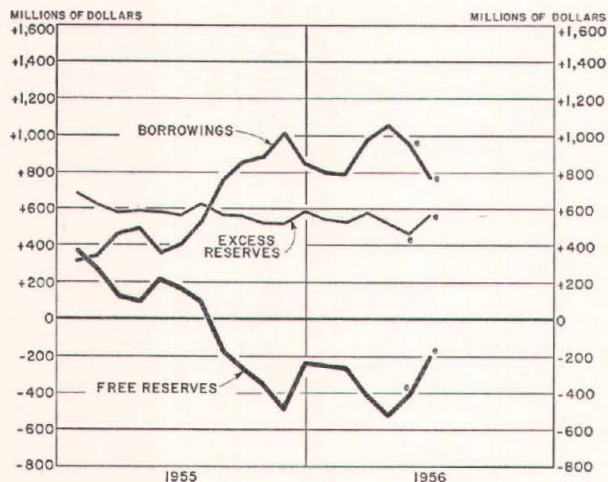
Tied into the developments in the steel industry and into the adjustments under way in the automobile industry is the possibility of some liquidation of inventories in these two fields during the summer months. However, a build-up in other areas might keep total business inventories relatively stable.

It is presumed that much of the readjustment has been completed in the automobile and residential construction industries. As now appears likely, automobile inventories may be reduced to the normal level before the start of the 1957-model season. It seems that residential construction may be at or near its low point and, indeed, may show some improvement.

Finally, the trend in plant and equipment expenditures, assuming the availability of funds for capital expansion and the availability of raw materials, will be an important factor

### MEMBER BANK RESERVES

UNITED STATES



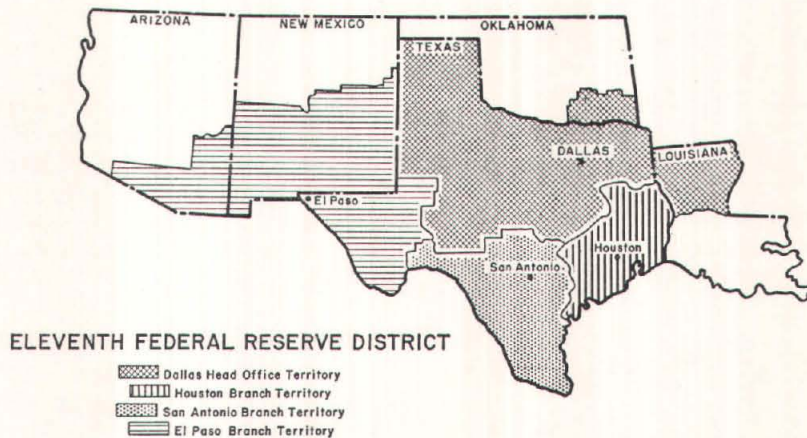
\* - Estimated.

SOURCE: Federal Reserve Bulletin.



in the level of business in the coming months and will continue to provide substantial support to the economy. Supplementing this expansionary force are the prospects of increased Government spending, both for defense and civilian purposes, and the normal seasonal improvement associated with the coming of fall.

In summary, the prospects of the economy for the remainder of 1956 are quite good. The improved balance of productive and consumptive factors, the completion of adjustments in certain industries, and the possibilities of a short but important period of inventory liquidation point toward a balanced growth picture.





## REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Retail sales at District department stores declined seasonally in June but continued to reflect a higher level than in 1955.

Department store inventories at the end of the month were above a year earlier but showed no change in relationship to sales. Compared with June last year, furniture store sales rose 6 percent in June, while inventories declined 2 percent.

Agricultural prospects continued to deteriorate throughout most of the District during July. As of July 1, the acreage of principal crops for harvest in the District states is about the same as the indicated acreage on July 1, 1955, but the indicated production of most crops is lower than last year's output. Cash receipts from farm marketings in the District states during the first 5 months of this year were about 1 percent below those during the same period in 1955.

Declining demand, particularly for distillate and residual products, was the most prominent development in the Nation's oil industry during the past month, as the steel strike occasioned declines in railroad and industrial operations. District crude oil production rose slightly, while refinery activity showed a moderate decline compared with a month earlier. Texas oil allowables were left unchanged from July to August.

Nonagricultural employment in the District states showed another seasonal increase during June to reach a near-record total of 4,098,200 workers, or 44,500 more than in May. Seasonal employment gains were general throughout most industries, with manufacturing providing the largest increase.

The value of construction contracts awarded in the District during June decreased 36 percent from the record level of May, with both residential and "all other" awards sharing in the decline. Total awards increased 3 percent over the level of a year earlier.

Between mid-June and mid-July, the deposit increase of the weekly reporting member banks in the Eleventh District was devoted largely to repaying indebtedness. Reserve positions of District member banks during June reflected the easing which occurred nationally.



Sales at District department stores during June were 6 percent above the same month last year, closing the first half of 1956 with a cumulative gain of 5 percent. Sales continued to show moderate gains in July, as the volume for the first 2 weeks exceeded the comparable figure in 1955 by 4 percent.

Compared with the previous month, June sales reflected a slightly more than seasonal decline. The June seasonally adjusted index of sales was 143 percent of the 1947-49 average, which compares with 145 for May and 135 for June 1955.

During June, as in the earlier months of this year, the weakest areas in department store sales were homefurnishings items, mainly hard goods. Significant year-to-year losses were registered by sales of furniture, off 10 percent, and sales of television sets, down 23 percent. However, these losses were partly offset by the strong recovery in sales of air-conditioning units, up 26 percent in the June-to-June comparison, and the continued brisk sales of radios and phonographs, up 23 percent.

The cumulative sales gain in the homefurnishings departments was only 1 percent at the end of the second quarter, compared with 2 percent at the end of the first quarter. The gain in total store sales for the same periods narrowed from 8 percent to 5 percent. The more rapid narrowing of the cumulative gain in total store sales reflects the larger than seasonal decline in the demand for wearing apparel during the second quarter.

Department store credit outstanding at the end of June showed a substantial gain from a year earlier, in keeping with the higher level of sales. Charge accounts receivable were up

## RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES			STOCKS <sup>1</sup>	
	June 1956 from		6 mo. 1956 comp. with 6 mo. 1955	June 1956 from	
	June 1955	May 1956		June 1955	May 1956
DEPARTMENT STORES					
Total Eleventh District.....	6	-13	5	6	-6
Corpus Christi.....	11	-5	6	13	-6
Dallas.....	2	-16	2	5	-5
El Paso.....	4	-6	4	3	-6
Fort Worth.....	13	-17	7	17	-5
Houston.....	7	-15	7	5	-10
San Antonio.....	1	-10	0	-4	-6
Shreveport, La.....	3	-6	5	2	-5
Waco.....	10	-15	9	16	-4
Other cities.....	10	-6	8	11	-6
FURNITURE STORES					
Total Eleventh District.....	6	4	4	-2	-5
Amarillo.....	-29	3	-	18	1
Austin.....	3	-14	0	16	0
Dallas.....	-9	17	-17	-5	-3
Houston.....	13	0	13	-15	-8
Lubbock.....	-5	-21	-	25	2
San Antonio.....	3	10	-5	5	-3
Shreveport, La.....	9	5	11	8	-6
Wichita Falls.....	30	8	-	-	-
Other cities.....	7	3	12	-6	-2
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	9	19	-	-	-
Dallas.....	3	18	-	-	-

<sup>1</sup> Stocks at end of month.



## INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED				ADJUSTED <sup>1</sup>			
	June 1956	May 1956	Apr. 1956	June 1955	June 1956	May 1956	Apr. 1956	June 1955
<b>SALES—Daily average</b>								
Eleventh District.....	130	143	132	123r	143	145	144	135r
Dallas.....	112	128	122	109	131	130	137	128
Houston.....	145	164	147	135	160	168	160	149
<b>STOCKS—End of month</b>								
Eleventh District.....	145p	155	162	137r	156p	154	154	147r

<sup>1</sup> Adjusted for seasonal variation.

r—Revised.

p—Preliminary.

6 percent, and instalment accounts, 10 percent. Collection figures indicated a slight lengthening in the number of days it takes to collect regular charge accounts — from 65 days in June 1955 to 70 days in June this year — but reflected no change in the average maturity on instalment accounts, which remained at 13 months.

Inventories at District department stores declined less than seasonally during June and at the end of the month were 6 percent above the corresponding period a year earlier. The seasonally adjusted index of stocks rose from 154 in May to 156 in June, compared with 147 in June 1955. Stocks on hand represented approximately 3½ months' supply at the June rate of sales — the same as the June 30 ratio last year. Merchandise on order was 6 percent higher than last year, as department stores began their seasonal buying of fall merchandise.

Furniture store sales during June at reporting stores in the District rose 6 percent over June 1955. This was the second consecutive month in which there was a year-to-year gain, resulting in an increase of 4 percent for the first half of 1956. At the end of June, inventories were below the year-earlier figure for the first time this year and were down 2 percent. Accounts receivable at furniture stores during June rose 8 percent over a year ago, and collections increased 16 percent.

Registration of new car sales during June in Dallas, Fort Worth, Houston, and San Antonio declined 1 percent below May and 28 percent below June 1955. Total new car registrations during the first half of 1956 were 18 percent under the comparable period a year earlier.



Agricultural prospects continued to deteriorate throughout most of the District during July, as high temperatures and dry winds wilted moisture-starved crops. Beneficial showers fell in northwestern Texas and eastern New Mexico during the past month, but in most other parts of the District, rainfall was localized or too light to be effective; and soaking rains are needed. Field work is tapering off except for harvesting of cotton and sorghums in early areas, insect control, and maintenance of cattle herds.

The total acreage of 13 principal crops for harvest in the District states this year is estimated, as of July 1, at 38,736,000 acres, or about the same as the indicated acreage on July 1,

## CROP ACREAGE

Texas and Five Southwestern States

(In thousands of acres)

Crop	TEXAS			FIVE SOUTHWESTERN STATES <sup>1</sup>		
	For harvest 1956	Harvested		For harvest 1956	Harvested	
		1955	Average 1945-54		1955	Average 1945-54
Cotton.....	7,175	6,900	8,574	9,135	8,845	11,096
Winter wheat....	2,262	1,508	4,407	6,487	4,770	10,432
Corn.....	1,891	2,012	2,524	2,918	3,091	4,405
Oats.....	1,294	1,348	1,214	2,108	2,200	2,035
Barley.....	155	148	129	578	594	373
Rye.....	23	19	29	117	96	100
Rice.....	413	480	517	876	1,006	1,125
Sorghums.....	8,661	8,748	6,284	11,235	11,571	8,287
Hay.....	1,991	2,072	1,644	4,583	4,791	3,921
Peanuts (alone)...	403	429	615	544	573	835
Flaxseed.....	19	32	136	21	35	151
Irish potatoes....	15	18	23	34	39	147
Sweet potatoes..	22	29	34	100	133	127

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.<sup>2</sup> Average, 1949-54.

SOURCE: United States Department of Agriculture.

1955, according to the United States Department of Agriculture. Prospective acreages for harvest of only three crops — cotton, winter wheat, and hay — exceed the prospective acreages for harvest on the same date in 1955. Adverse growing conditions during the remainder of the season could result in reductions in the acreages finally harvested this year. In Texas the acreage of principal crops for harvest is estimated at 24,324,000 acres, or only slightly above that on the same date in 1955. An increase in acreage of wheat harvested more than offsets the slight decreases in acreages of other important crops.

Cotton harvesting is at its peak in the Lower Valley of Texas and is active in the Coastal Bend; yields are fair in both areas. Lack of moisture is limiting growth and fruiting of the crop in central, south-central, and southwestern counties of the State; some plants are opening prematurely. Dry-land cotton is deteriorating rapidly in the Low Rolling Plains and adjacent counties, and the crop is in need of moisture in some High Plains areas that were missed by mid-July showers. In northern and northeastern Texas and northwestern Louisiana, cotton is holding up remarkably well, considering the dryness of the soils, and is fruiting heavily, although plants are small. Irrigated cotton in the High Plains of Texas and in Arizona and New Mexico is growing well and is fruiting heavily. Insect control measures generally have been effective in most cotton-growing areas of the District.

## FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended July 23, 1956	Comparable week, previous month	Comparable week, previous year
COTTON, Middling 15/16-inch, Dallas....	lb.	\$ .3400	\$ .3545	\$ .3295
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.41½	2.36	2.50¾
OATS, No. 2 white, Fort Worth.....	bu.	.97½	.90½	.82½
CORN, No. 2 yellow, Fort Worth.....	bu.	1.98¾	1.88	1.82¾
SORGHUMS, No. 2 yellow, Fort Worth....	cwt.	2.60	2.44	2.20
HOGS, Choice, Fort Worth.....	cwt.	16.50	16.25	18.00
SLAUGHTER STEERS, Choice, Fort Worth...	cwt.	22.50	21.50	24.00
SLAUGHTER CALVES, Choice, Fort Worth...	cwt.	18.00	20.00	20.00
STOCKER STEERS, Choice, Fort Worth.....	cwt.	19.00	18.50	22.00
SLAUGHTER SPRING LAMBS, Choice, Fort Worth.....	cwt.	20.00	22.00	20.00
BROILERS, south Texas.....	lb.	.21	.22	.29



## PLANTED COTTON ACREAGE, JULY 1

## Texas Crop Reporting Districts

(In thousands of acres)

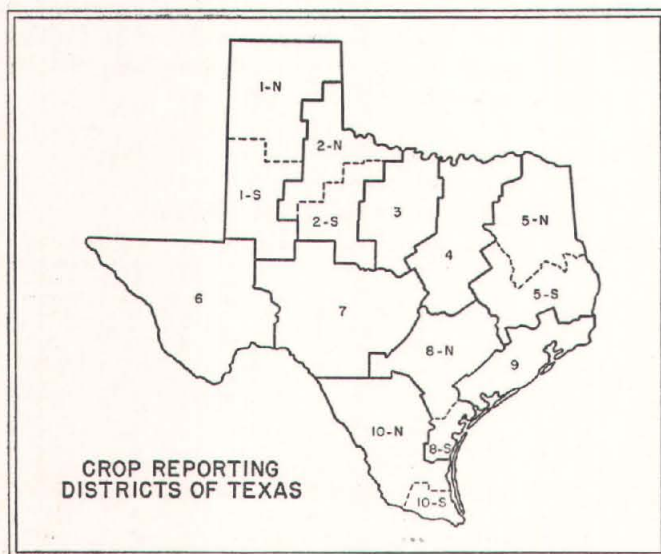
Crop reporting district	1953	1954 <sup>r</sup>	1955 <sup>r</sup>	1956	1956 as percent of 1955
1-N.....	799	505	441	440	100
1-S.....	1,695	1,885	1,766	1,730	98
2-N.....	630	706	653	615	94
2-S.....	1,130	895	803	670	83
3.....	119	128	102	110	108
4.....	2,169	1,666	1,461	1,545	106
5-N.....	282	274	244	255	105
5-S.....	222	163	142	150	106
6.....	223	149	158	160	101
7.....	176	166	133	110	83
8-N.....	493	396	343	365	106
8-S.....	305	249	200	205	103
9.....	410	263	241	235	98
10-N.....	175	146	98	125	128
10-S.....	740	474	485	460	95
State.....	9,568	8,065	7,270	7,175	99

<sup>r</sup>—Revised.

SOURCE: United States Department of Agriculture.

Cotton acreage in cultivation on July 1 in the District states is placed at 9,135,000 acres, compared with 9,271,000 acres at the same time last year, according to the Department of Agriculture. The acreage in cultivation in each of the states except Arizona was below the year-earlier level. In the Nation, cotton acreage in cultivation as of July 1 is estimated at 16,962,000 acres, which reflects a 3-percent decline from a year ago and is a fourth smaller than the 10-year (1945-54) average.

In Texas the acreage of cotton in cultivation is placed at 7,175,000 acres, or about 1 percent less than the 7,270,000 acres as of July 1, 1955, but about a fifth smaller than the 10-year average. In line with changes in acreage allotments, cotton acreages in cultivation generally were moderately larger than last year in northern, eastern, south-central, and some southern counties. These increases were more than offset by smaller acreages in the High Plains, Low Rolling Plains, Lower Valley, and upper coastal counties. Drought conditions reduced the acreage of cotton in the southern Low Rolling Plains and adjacent counties, but soil moisture in most areas was adequate for planting and sprouting of intended acreages.



## CROP PRODUCTION

## Texas and Five Southwestern States

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES <sup>1</sup>		
	Estimated July 1, 1956	1955	Average 1945-54	Estimated July 1, 1956	1955	Average 1945-54
Winter wheat....	27,144	14,326	50,772	93,998	41,204	131,765
Corn.....	32,147	48,288	44,209	57,349	77,273	78,089
Oats.....	21,998	23,590	27,090	38,916	40,518	44,837
Barley.....	2,480	2,072	2,040	16,665	17,181	10,589
Rice <sup>2</sup> .....	12,390	14,880	11,837	23,734	28,030	23,476
Hay <sup>3</sup> .....	1,635	2,261	1,660	5,257	6,255	4,951
Flaxseed.....	95	96	911	147	174	1,293
Irish potatoes <sup>4</sup> ...	798	1,270	742	3,094	3,787	3,382
Sweet potatoes <sup>5</sup> ..	770	1,914	1,397	4,928	7,932	6,369

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.<sup>2</sup> In thousands of bags containing 100 pounds each.<sup>3</sup> In thousands of tons.<sup>4</sup> In thousands of hundredweight.<sup>5</sup> Average, 1949-54.

SOURCE: United States Department of Agriculture.

Feed and hay prospects declined during July. Combining of prematurely ripening grain sorghums is moving into the northern Texas Blacklands. Sorghums are in the boot stage in much of the Low Rolling Plains and adjacent Plateau and Cross Timbers areas, and moisture is needed to fill out the heads. Peanuts in the Cross Timbers area continue on the downgrade as a result of insufficient moisture. Dry-land hay crops over a large part of the District have virtually ceased growing. On the brighter side, alfalfa in irrigated western areas is yielding satisfactorily. Harvest of a good grain sorghum crop is complete in the Lower Valley and Coastal Bend of Texas, and sorghums and pastures in the High Plains sections of Texas and New Mexico are responding to mid-July showers.

The indicated production of corn in the District states, as of July 1, is 26 percent below output in 1955. The prospective crops of hay and rice are 16 percent and 15 percent, respectively, below the outturns last year. On the other hand, winter wheat output is estimated to be more than double last year's very small crop.

Range and pasture feed supplies dwindled during the past month, as effects of the drought broadened and intensified. Scattered showers were beneficial in northwestern parts of the District and local areas, but much of the moisture was dissipated by hot, dry winds. Receipts of cattle and calves at the principal Texas livestock markets during June totaled 170,688, or 11 percent more than during the same month in 1955; however, sheep marketings were 9 percent smaller. Hog sales during June were about a fifth larger than a year earlier.

Range feed conditions on July 1 were fair in Oklahoma and poor in Arizona, New Mexico, and Texas. Conditions in Texas

## LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	June 1956	June 1955	May 1956	June 1956	June 1955	May 1956
Cattle.....	99,210	90,354	70,743	32,825	27,592	29,720
Calves.....	19,899	20,636	13,418	18,754	15,534	11,415
Hogs.....	40,736	33,775	53,508	4,210	3,535	3,958
Sheep.....	139,574	155,146	183,596	130,798	133,104	128,276

<sup>1</sup> Includes goats.



## CASH RECEIPTS FROM FARM MARKETINGS

## Five Southwestern States

(In thousands of dollars)

Area	April		May		January—May	
	1956	1955	1956	1955	1956	1955
Arizona....	\$ 23,238	\$ 17,884	\$ 20,416	\$ 17,767	\$132,480	\$133,953
Louisiana....	18,980	19,485	14,924	13,505	99,437	97,964
New Mexico....	11,252	10,587	10,570	11,256	54,715	50,595
Oklahoma....	22,523	27,286	29,527	27,084	140,095	149,069
Texas.....	94,489	102,620	109,601	99,932	546,344	555,991
Total.....	\$170,482	\$177,862	\$185,038	\$169,544	\$973,071	\$987,572

SOURCE: United States Department of Agriculture.

were the poorest for any July 1 in 34 years of record. Live-stock are being maintained in fair condition through supplemental feeding, although many cattle in Texas are losing weight.

Revised estimates of cash receipts from farm marketings in the District states during the first 5 months of 1956 totaled \$973,071,000, or only 1 percent less than in the January-May period last year, according to the Department of Agriculture. Receipts from livestock were 3 percent larger, while those from crops were 7 percent less.



Weekly reporting member banks in the Eleventh District in the 4 weeks ended July 18 used a deposit increase of about \$39,280,000, loan repayments of \$799,000, and a \$4,650,000 decline in cash accounts, principally to repay bills payable and rediscounts but also to increase their investment accounts. The diminution in loans resulted from \$10,500,000 decreases in both "all other" loans and commercial, industrial, and agricultural loans and nearly offsetting increases in the remaining loan accounts.

The combined Treasury bill portfolio rose \$12,832,000, as the banks replenished their bill holdings, in part, by reinvest-

CONDITION STATISTICS OF WEEKLY REPORTING  
MEMBER BANKS IN LEADING CITIES

## Eleventh Federal Reserve District

(In thousands of dollars)

Item	July 18, 1956	July 20, 1955	June 20, 1956
<b>ASSETS</b>			
Commercial, industrial, and agricultural loans...	\$1,519,668	\$1,454,662	\$1,530,161
Commercial and industrial loans <sup>1</sup> .....	1,489,915	—	1,501,479
Agricultural loans <sup>1</sup> .....	29,753	—	28,682
Loans to brokers and dealers in securities.....	26,997	22,408	33,112
Other loans for purchasing or carrying securities.....	136,727	116,135	131,404
Real-estate loans.....	209,211	203,163	202,757
Loans to banks.....	16,640	23,304	12,165
All other loans.....	569,829	489,749	580,272
Gross loans.....	2,479,072	2,309,421	2,479,871
Less reserves and unallocated charge-offs..	32,450	23,226	32,242
Net loans.....	2,446,622	2,286,195	2,447,629
U. S. Treasury bills.....	37,649	63,649	24,817
U. S. Treasury certificates of indebtedness.....	35,342	40,843	40,825
U. S. Treasury notes.....	228,855	273,229	226,971
U. S. Government bonds (inc. gtd. obligations)...	807,411	859,649	809,517
Other securities.....	235,462	246,938	237,185
Total investments.....	1,344,719	1,484,308	1,339,315
Cash items in process of collection.....	406,123	378,396	402,698
Balances with banks in the United States.....	478,451	462,103	489,840
Balances with banks in foreign countries.....	1,781	1,464	1,601
Currency and coin.....	47,412	47,531	46,369
Reserves with Federal Reserve Bank.....	543,778	570,010	541,684
Other assets.....	139,974	120,413	131,269
<b>TOTAL ASSETS.....</b>	<b>5,408,860</b>	<b>5,350,420</b>	<b>5,400,405</b>
<b>LIABILITIES AND CAPITAL</b>			
Demand deposits			
Individuals, partnerships, and corporations....	2,800,421	2,787,729	2,824,982
United States Government.....	78,872	140,928	97,571
States and political subdivisions.....	177,480	180,729	162,753
Banks in the United States.....	905,716	864,692	843,979
Banks in foreign countries.....	15,564	17,919	15,192
Certified and officers' checks, etc.....	66,258	79,214	59,121
Total demand deposits.....	4,044,311	4,071,211	4,003,598
Time deposits			
Individuals, partnerships, and corporations....	721,791	688,193	723,455
United States Government.....	12,229	12,159	12,146
Postal savings.....	452	447	452
States and political subdivisions.....	136,495	139,195	136,396
Banks in the U. S. and foreign countries.....	2,455	1,785	2,405
Total time deposits.....	873,422	841,779	874,854
Total deposits.....	4,917,733	4,912,990	4,878,452
Bills payable, rediscounts, etc.....	16,700	17,500	53,700
All other liabilities.....	55,583	39,419	49,411
Total capital accounts.....	418,844	380,511	418,842
<b>TOTAL LIABILITIES AND CAPITAL.....</b>	<b>5,408,860</b>	<b>5,350,420</b>	<b>5,400,405</b>

<sup>1</sup> Prior to January 4, 1956, agricultural loans were not reported separately. Comparable year-earlier figures will be shown as they become available.

## CONDITION STATISTICS OF ALL MEMBER BANKS

## Eleventh Federal Reserve District

(In millions of dollars)

Item	June 27, 1956	June 29, 1955	May 30, 1956
<b>ASSETS</b>			
Loans and discounts.....	\$3,883	\$3,581	\$3,935
United States Government obligations.....	2,241	2,360	2,276
Other securities.....	576	548	575
Reserves with Federal Reserve Bank.....	909	964	909
Cash in vault.....	123	121	92
Balances with banks in the United States.....	1,051	1,036	858
Balances with banks in foreign countries <sup>a</sup> .....	2	2	2
Cash items in process of collection.....	386	352	327
Other assets <sup>a</sup> .....	190	171	190
<b>TOTAL ASSETS<sup>a</sup>.....</b>	<b>9,361</b>	<b>9,135</b>	<b>9,164</b>
<b>LIABILITIES AND CAPITAL</b>			
Demand deposits of banks.....	1,024	1,055	881
Other demand deposits.....	6,162	6,130	6,081
Time deposits.....	1,370	1,225	1,362
Total deposits.....	8,556	8,410	8,324
Borrowings <sup>a</sup> .....	23	20	59
Other liabilities <sup>a</sup> .....	63	51	64
Total capital accounts <sup>a</sup> .....	719	654	717
<b>TOTAL LIABILITIES AND CAPITAL<sup>a</sup>.....</b>	<b>9,361</b>	<b>9,135</b>	<b>9,164</b>

e—Estimated.

ing the proceeds of the redemption of Tax Anticipation certificates in late June. Certificates declined \$5,483,000. Treasury note holdings increased almost \$1,900,000, but this was more than matched by the decline in Government bonds and other securities.

The increase in demand deposits was \$40,713,000, with correspondent banks, local governments, and bank drafts outstanding pacing the growth in demand liabilities. Demand deposits of individuals and businesses were down \$24,561,000, and United States Government balances decreased \$18,699,000. Tax payments by the public and debt redemption by the Government figured largely in these deposit transfers. Bills payable and rediscounts were reduced to \$16,700,000, or \$37,000,000 below the volume of indebtedness outstanding on June 20.

Member banks in the Eleventh District improved their reserve positions in June, as daily average free reserves measured \$12,293,000 as contrasted with net borrowed reserves



## RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	June 1956	June 1955	May 1956
<b>RESERVE CITY BANKS</b>			
Reserve balances.....	\$543,941	\$556,989	\$543,549
Required reserves.....	534,835	549,297	537,489
Excess reserves.....	9,106	7,692	6,060
Borrowings.....	39,705	9,671	47,443
Free reserves.....	-30,599	-1,979	-41,383
<b>COUNTRY BANKS</b>			
Reserve balances.....	442,213	438,724	440,504
Required reserves.....	393,427	385,532	396,799
Excess reserves.....	48,786	53,192	43,705
Borrowings.....	5,894	4,640	5,863
Free reserves.....	42,892	48,552	37,842
<b>MEMBER BANKS</b>			
Reserve balances.....	986,154	995,713	984,053
Required reserves.....	928,262	934,829	934,288
Excess reserves.....	57,892	60,884	49,765
Borrowings.....	45,599	14,311	53,306
Free reserves.....	12,293	46,573	-3,541

of \$3,541,000 during May. Daily average reserve balances increased about \$2,100,000, and required reserves were over \$6,000,000 lower. The combined effect of these changes increased excess reserves about \$8,125,000, despite a decline of more than \$7,700,000 in the use of borrowings.

The reserve positions of both country and reserve city banks reflected the easier condition, as net borrowed reserves of reserve city banks declined \$10,784,000 and country banks added \$5,050,000 to their free reserves. For both classes of banks, daily average reserve balances increased within a narrow range, but required reserves were reduced more substantially. While the borrowings of country banks virtually held steady, the reserve city banks decreased their indebtedness \$7,738,000.

The daily average of gross demand deposits at all District member banks increased more than \$17,800,000 from May to June, with the gain at reserve city banks more than offsetting the decline at country banks. Time deposits increased slightly from May. Compared with the year-earlier level, daily average demand deposits in June declined more than \$40,000,000, with the reserve city banks experiencing about two-thirds of this reduction.

Debits to demand deposit accounts in June declined 4 per cent from May, principally because of the smaller number of business days in the month. Most reporting cities showed month-to-month decreases. The yearly change indicates an increased level of deposit activity in most areas. The velocity

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

(Amounts in thousands of dollars)

Area	DEBITS <sup>1</sup>			DEPOSITS <sup>2</sup>			
	Percentage change from			Annual rate of turnover			
	June 1956	June 1955	May 1956	June 30, 1956	June 1956	June 1955	May 1956
<b>ARIZONA</b>							
Tucson.....	\$ 150,053	14	-7	\$ 104,471	17.0	17.5	18.2
<b>LOUISIANA</b>							
Monroe.....	60,957	7	-2	50,765	15.0	16.2	15.7
Shreveport.....	269,974	6	-5	180,660	17.4	16.6	18.2
<b>NEW MEXICO</b>							
Roswell.....	26,689	-4	-2	26,400	12.0	11.9	12.1
<b>TEXAS</b>							
Abilene.....	73,424	10	-4	55,633	16.0	13.7	16.4
Amarillo.....	161,052	4	0	110,729	17.6	17.0	17.3
Austin.....	134,585	-3	-13	118,390	13.9	14.4	15.8
Beaumont.....	134,259	6	-2	104,849	15.6	15.5	15.6
Corpus Christi.....	174,764	4	4	108,229	19.8	19.4	19.1
Corsicana.....	14,540	8	-1	21,578	8.2	7.4	8.2
Dallas.....	2,042,056	3	-4	997,560	25.2	24.0	26.3
El Paso.....	245,685	11	-1	128,352	22.7	20.8	22.2
Fort Worth.....	672,749	9	3	379,637	22.0	20.2	21.8
Galveston.....	89,349	13	6	74,925	15.1	13.4	14.9
Houston.....	2,186,639	9	-7	1,260,349	21.4	21.1	23.4
Laredo.....	23,946	12	-2	18,793	15.0	13.2	14.9
Lubbock.....	117,470	-5	-2	87,380	16.2	15.4	16.2
Port Arthur.....	53,219	-3	-8	43,175	14.9	15.2	15.7
San Angelo.....	43,293	-4	-4	44,362	11.8	11.6	12.2
San Antonio.....	486,624	3	-5	343,978	17.2	17.0	17.9
Texarkana <sup>3</sup> .....	19,673	11	-1	17,320	13.8	12.2	13.9
Tyler.....	73,455	4	-3	60,102	15.0	14.6	15.6
Waco.....	85,803	2	-5	62,056	16.3	15.1	16.6
Wichita Falls.....	98,818	1	-4	105,191	11.4	11.3	11.6
Total—24 cities.....	\$7,439,076	5	-4	\$4,504,884	20.2	19.4	21.1

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

<sup>2</sup> Demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.

<sup>3</sup> 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 \$42,707,000 for the month of June 1956.

of demand deposits in June was higher than during June 1955 but was lower than in May.

In the 4 weeks ended July 18, member bank reserve balances registered a \$6,208,000 decline. Local Federal Reserve credit was lower, as float expansion did not offset the decrease in rediscounts. Interdistrict commercial and financial transactions drained \$30,631,000 of reserves; for the year to date, the result of transactions on trade and investment accounts with other districts has led to an outflow of \$686,426,000. However, Treasury operations in 1956 have supplied \$625,462,000 of reserves and in the 4 weeks ended July 18 added \$52,969,000 to reserve accounts. Currency transactions resulted in a \$9,273,000 withdrawal in reserve accounts, principally reflecting the increased summertime usage of currency.

## CHANGES IN FACTORS AFFECTING MEMBER BANK RESERVE BALANCES

Eleventh Federal Reserve District

(In thousands of dollars)

FACTORS	CHANGE <sup>1</sup>	
	4 weeks ended July 18, 1956	Dec. 28, 1955—July 18, 1956
Federal Reserve credit—local.....	-\$19,726	+\$ 2,661
Interdistrict commercial and financial transactions...	-30,631	-686,426
Treasury operations.....	+52,969	+625,462
Currency transactions.....	-9,273	+41,511
Other deposits at Federal Reserve Bank.....	+403	+443
Other Federal Reserve accounts.....	+856	+7,761
<b>RESERVE BALANCES</b>	<b>-\$ 6,208</b>	<b>-\$ 9,474</b>
June 20, 1956.....	\$943,794	
July 18, 1956.....	\$937,586	

<sup>1</sup> Sign of change indicates effect on reserve balances.

## GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Date	COMBINED TOTAL		RESERVE CITY BANKS		COUNTRY BANKS	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
June 1954....	\$6,804,576	\$1,083,140	\$3,313,244	\$605,899	\$3,491,332	\$477,241
June 1955....	7,190,550	1,223,862	3,518,648	704,471	3,671,902	519,391
Feb. 1956....	7,257,906	1,333,369	3,464,715	767,155	3,793,191	566,214
March 1956....	7,281,949	1,342,450	3,528,707	762,057	3,753,242	580,393
April 1956....	7,372,879	1,355,993	3,603,370	766,864	3,769,509	589,129
May 1956....	7,132,519	1,363,058	3,454,927	766,439	3,677,592	596,619
June 1956....	7,150,377	1,369,915	3,493,663	767,137	3,656,714	602,778



## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 18, 1956	July 20, 1955	June 20, 1956
Total gold certificate reserves.....	\$726,359	\$732,647	\$711,449
Discounts for member banks.....	12,063	9,210	41,270
Other discounts and advances.....	0	2,976	0
U. S. Government securities.....	933,361	960,089	933,651
Total earning assets.....	945,424	972,275	974,921
Member bank reserve deposits.....	937,586	965,325	943,794
Federal Reserve notes in actual circulation.....	702,124	712,853	691,331

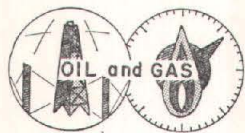
The combined effect of changes in other deposits at the Federal Reserve bank and other Federal Reserve accounts was to add \$453,000 in reserves.

Gold certificate reserves of the Federal Reserve Bank of Dallas increased \$14,910,000 in the period between June 20 and July 18. The bank's holdings of United States Government securities declined less than \$300,000, and discounts for member banks decreased \$29,207,000. In the year-to-year comparison, earning assets of the Federal Reserve Bank of Dallas declined \$26,851,000, reflecting primarily the reduced portfolio of United States Governments.

The Treasury Department announced an offering of 23½-percent Treasury notes maturing August 1, 1957, in exchange for the 2-percent notes maturing August 15, 1956, and the 1½-percent notes maturing October 1, 1956. Subscriptions of the new notes amounted to \$12,056,465,000, leaving \$881,878,000 for cash redemption. Holders in this District exchanged \$111,816,000.

## NEW PAR BANK

*The Security State Bank, Big Spring, 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, July 14, 1956. The officers are: G. W. Dabney, President; Larson Lloyd, Executive Vice President; Bertil E. Anderson, Assistant Vice President; and Chester C. Cathey, Cashier.*



The most significant development in the Nation's oil industry during the past month was the continued weakening of demand, which was particularly noticeable in distillate and residual products. In large measure, this recent decline was an indirect result of the steel strike because the slowdown in railroad operations lowered demand for residual fuel oil. However, the decline in demand goes further than just the effects of the steel strike, since gasoline demand also showed less favorable gains than had been evident in previous months. A partial result of this lowered demand for gasoline has been downward adjustments in gasoline prices in various areas.

## CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	June 1956 <sup>1</sup>	June 1955 <sup>2</sup>	May 1956 <sup>1</sup>	Change from	
				June 1955	May 1956
ELEVENTH DISTRICT.....	3,318.2	3,077.9	3,342.3	240.3	—24.1
Texas.....	2,956.6	2,740.3	2,977.2	216.3	—20.6
Gulf Coast.....	603.4	572.3	608.2	31.1	—4.8
West Texas.....	1,223.7	1,078.6	1,233.3	145.1	—9.6
East Texas (proper).....	204.4	210.3	209.8	—5.9	—5.4
Panhandle.....	95.2	90.2	94.2	5.0	1.0
Rest of State.....	829.9	788.9	831.7	41.0	—1.8
Southeastern New Mexico.....	237.1	219.3	241.2	17.8	—4.1
Northern Louisiana.....	124.5	118.3	123.9	6.2	.6
OUTSIDE ELEVENTH DISTRICT.....	3,721.7	3,535.1	3,714.4	186.6	7.3
UNITED STATES.....	7,039.9	6,613.0	7,056.7	426.9	—16.8

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

Total demand for the four major refined products in the 5 weeks ended July 13 was 1 percent below the previous 5-week period and only 2 percent above the comparable period in 1955. Gasoline demand showed a 5-percent increase over both the recent period and a year earlier. In contrast, the demand for distillate and residual fuel oil was down sharply when compared with the preceding 5 weeks.

Despite this weakening of demand, crude oil production in early July showed a slight increase over June and a substantial increase over the year-earlier figure. District crude oil production, at 3,356,100 barrels per day, was 1 percent above the June level and 9 percent above the average in July 1955. Crude oil production in the Nation showed similar changes and, at 7,084,800 barrels per day, was up 1 percent from June and 7 percent from a year earlier. Texas allowables were left unchanged for August by the Railroad Commission, despite the continued pressure from some buyers for a lower schedule of operating days.

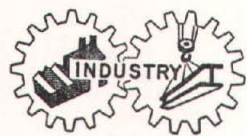
Imports in the 5 weeks ended July 13 totaled 1,399,000 barrels per day, or 3 percent above the previous 5-week period and 32 percent above the comparable period of 1955. All of the recent increase stemmed from the rise in crude oil imports, whereas compared with a year earlier, both refined and crude imports were sharply higher.

Although crude oil production has not yet reflected the decrease in demand, refinery activity declined in early July, particularly in this District. Crude runs to refinery stills in the District, at 2,313,000 barrels per day, were 5 percent below the June level but 6 percent above the average of July 1955. In the Nation, crude runs averaged over 8,000,000 barrels per day, or 1 percent below June but 6 percent above July last year. Crude stocks on July 14 totaled 275,132,000 barrels, which is virtually unchanged from the June 30 level and is only 2 percent above the level in the middle of July last year.

The declines in demand, only partially offset by reductions in refinery activity, caused an increase in stocks of the four major refined products during early July. Stocks of these products totaled 351,228,000 barrels on July 13, or 4 percent above the June 29 level and 2 percent above the total on July 15, 1955. Most of the recent increase in stocks stemmed from gains in distillate and residual fuel oil and kerosene, since



gasoline stocks declined nearly 2 percent. Compared with a year earlier, however, residual, distillate, and kerosene stocks reflected a substantially lower position, while gasoline stocks were higher. Gasoline stocks on July 13 totaled 178,366,000 barrels, or down nearly 20,000,000 barrels from the March peak but an equal amount above the level on July 15, 1955.



Nonagricultural employment in the District states showed another seasonal increase during June to reach a near-record total of 4,098,200 workers, which reflects a gain of 44,500 over May. Seasonal increases occurred in all industrial classifications except government employment, which declined with the close of school. The largest gain was accounted for by manufacturing, led by food processing and the transportation group (other than automobile assembly). Large employment gains also occurred in oil refining, metalworking, and machinery manufacturing.

Construction employment showed a seasonal gain, despite new work stoppages resulting from labor-management disputes. A strike in Houston, which affected over 1,000 construction workers, and a plumbers' strike in Dallas were among the major work stoppages during June. The national steel strike, which began July 1, idled over 3,000 steelworkers in the Houston area.

Unemployment rose seasonally in June as graduates and students seeking summer employment were added to the labor force. In Texas, unemployment during the month totaled 127,000, compared with 108,100 in May and 126,800 a year earlier.

Construction contracts awarded in the District during June totaled \$137,797,000, or 36 percent below the record level of May. Residential awards declined 28 percent, and "all other" awards were down 41 percent from the previous month. Compared with June 1955, total awards were up 3 percent as a result of the 11-percent increase in "all other" awards. Residential awards were 6 percent below their year-earlier level.

#### NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change June 1956 from	
	June 1956e	June 1955r	May 1956	June 1955	May 1956
Total nonagricultural					
wage and salary workers..	4,098,200	3,975,100	4,053,700	3.1	1.1
Manufacturing.....	764,600	737,700	754,700	3.6	1.3
Nonmanufacturing.....	3,333,600	3,237,400	3,299,000	3.0	1.0
Mining.....	261,400	253,500	252,000	3.1	3.7
Construction.....	289,500	286,000	281,100	1.2	3.0
Transportation and public utilities.....	405,100	399,100	395,300	1.5	2.5
Trade.....	1,041,900	1,014,000	1,036,100	2.8	.6
Finance.....	174,700	166,100	171,800	5.2	1.7
Service.....	476,700	463,300	473,800	2.9	.6
Government.....	684,300	655,400	688,900	4.4	—7

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

e—Estimated.

r—Revised.

SOURCES: State employment agencies. Federal Reserve Bank of Dallas.

#### VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	June 1956p	June 1955	May 1956	January—June	
				1956p	1955
ELEVENTH DISTRICT...	\$ 137,797	\$ 133,476	\$ 215,511	\$ 1,087,268	\$ 866,158
Residential.....	57,538	61,147	80,229	468,636	412,074
All other.....	80,259	72,329	135,282	618,632	454,084
UNITED STATES <sup>1</sup> .....	2,197,815	2,255,209	2,479,775	13,198,959	11,963,771
Residential.....	826,218	951,104	1,129,262	5,698,668	5,437,730
All other.....	1,371,597	1,304,105	1,350,513	7,500,291	6,526,041

<sup>1</sup> 37 states east of the Rocky Mountains.

p—Preliminary.

SOURCE: F. W. Dodge Corporation.

In the Nation, construction awards during June showed a decline of 11 percent from May, compared with the larger seasonal decline in the District. A 27-percent decrease in residential awards was partially offset by a 2-percent gain in "all other" construction. In the year-to-year comparison, total awards were down 3 percent, residential awards declined 13 percent, and "all other" construction gained 5 percent.

Cumulative construction awards in the District during the first half of 1956 totaled \$1,087,268,000, reflecting a gain of 26 percent over the same period in 1955. "All other" awards led with an increase of 36 percent, while residential construction rose 14 percent. Comparable data for the Nation show gains of 10 percent for total awards, 15 percent for "all other" construction, and 5 percent for residential awards.

The new highway legislation signed by the President in June is to provide new major highway systems traversing the District east to west, from Shreveport to Tucson, and north to south, from Dallas-Fort Worth to Galveston and Laredo. Federal funds coming to the District under this program will be substantial, with \$434,000,000 to be spent in Texas alone over the next 3 years.

Forest resources of east Texas have shown gains since 1935, according to a report recently released by the United States Forest Service. Reversion of abandoned farms to

#### BUILDING PERMITS

Area	June 1956		Percentage change in valuation from		6 months 1956		Percentage change in valuation from 6 months 1955	
	Number	Valuation	June 1955	May 1956	Number	Valuation	June 1955	May 1956
ARIZONA								
Tucson.....	449	\$ 2,556,099	198	11	2,548	\$ 10,570,421	80	
LOUISIANA								
Shreveport....	467	3,743,312	10	132	2,679	15,653,286	—21	
TEXAS								
Abilene.....	194	1,609,146	—2	—20	1,145	13,400,183	38	
Amarillo.....	254	1,598,627	16	—8	1,354	10,371,890	—21	
Austin.....	270	2,903,896	—31	—8	1,598	25,130,485	11	
Beaumont....	289	1,731,822	168	112	1,751	7,541,865	56	
Corpus Christi..	341	2,353,502	—40	51	2,096	11,736,812	—35	
Dallas.....	2,150	12,513,363	—14	—17	12,772	84,911,982	—8	
El Paso.....	338	1,811,469	—26	—34	2,413	14,636,282	—21	
Fort Worth....	630	3,452,093	—21	—39	4,131	22,259,382	—25	
Galveston....	105	314,488	—16	22	592	2,889,949	76	
Houston.....	880	13,083,700	6	17	5,646	81,184,021	—2	
Lubbock.....	200	1,589,875	—38	—53	1,422	12,257,603	—20	
Port Arthur....	144	294,038	—29	—28	1,053	2,340,158	—11	
San Antonio..	1,664	5,566,338	—3	55	10,723	35,642,365	14	
Waco.....	277	1,640,281	68	43	1,707	8,975,172	22	
Wichita Falls..	179	1,079,732	24	—5	866	4,945,032	—24	
Total—17 cities..	8,831	\$57,841,781	—5	0	54,496	\$364,446,888	—4	



forests and the increased stocking of timbered areas in southeast Texas have provided increases in forest area and total growing stock. In an 18-county area of southeast Texas, softwood saw timber volume increased 23 percent in the past 20 years.

The net annual growth of all saw timber in east Texas is now equal to 1,700,000,000 board feet, with the annual cut estimated at 1,500,000,000 board feet. Saw logs are still the main timber product, but the establishment of large pulp and paper mills in the area and in Arkansas and Louisiana has made pulpwood a major timber product in recent years.

## DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

Area	May 1956 <sup>1</sup>	May 1955	April 1956 <sup>2</sup>	August—May	
				This season	Last season
CONSUMPTION					
Total					
Texas mills.....	10,905	10,841	12,122	121,567	112,916
U. S. mills.....	713,940	704,029	721,577	7,785,513	7,426,211
Daily average					
Texas mills.....	545	542	606	565	525
U. S. mills.....	35,697	35,202	36,079	36,212	34,541
STOCKS, U.S.—End of period					
Consuming establishments.	1,420,476	1,716,141	1,585,268	—	—
Public storage and compresses.....	13,908,773	10,466,986	14,681,596	—	—

<sup>1</sup> Four weeks ended May 26.<sup>2</sup> Four weeks ended April 28.

SOURCE: United States Bureau of the Census.