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## DISTRICT BANKING IN AN EXPANDING ECONOMY

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Commercial banks in the Eleventh Federal Reserve District, along with those across the Nation, have operated for well over a year in an economic environment which has featured the continued press of credit demands against a limited supply of funds. It is not surprising, therefore, that bankers have made strong efforts during this period toward providing the maximum accommodation of sound credit demands. The steps which were taken to accomplish this end are evidenced by the marked changes in banking aggregates, and in the relationships between various bank accounts, which occurred in 1955 and the first 8 months of 1956. These changes reflect not only the adaptation of commercial bank lending and investing policies to the expanded credit demands of the economy but also the influence upon commercial bank operations of national monetary and credit policies.

It is a common observation that the general economic effects of Federal Reserve credit policies flow largely through the impact of these policies upon the reserve positions of the commercial banking system. At the present time, commercial banks have been functioning for well over a year within the framework of a central banking policy of credit restraint, designed to resist inflationary pressures arising out of continued growth in demand for the Nation's output as the economy's productive resources approached full utilization.

### Credit Demand and Bank Loans

A principal factor affecting banking operations and a prime consideration in the administration of credit policy during the last 18 months was the rapid pace of economic expansion and the growing demand for credit. This striking upsurge in credit demands was, indeed, the normal concomitant of an expanding economy which steadily pushed forward to establish record levels of production, employment, and income. The drama of the over-all expansion is apparent from a quick review of several economic indicators commonly used to measure the level of economic activity. Gross national product, which rose by more than 8 percent from \$360,700,000,000 in 1954 to \$390,900,000,000 in 1955, continued its climb in 1956, establishing an annual rate of \$408,300,-

000,000 in the second quarter. Personal income increased from \$287,300,000,000 in 1954 to \$306,100,000,000 in 1955 and to an annual rate of \$322,900,000,000 in the second quarter of 1956. Gains in employment were equally impressive. The number of workers employed, which averaged 63,193,000 in 1955, rose from a level of 65,488,000 in August 1955 to 66,752,000 in August 1956. Production scored large gains, and the Federal Reserve index of industrial production, which climbed from 125 in 1954 to 139 in 1955, fluctuated between 141 and 143 during the first 6 months of 1956.

The southwest area shared generously in the Nation's economic expansion; and employment, production, and income in the Eleventh District rose to record levels. In the District, as in the Nation, the expansion generated increased credit demands by virtually all types of borrowers. To industry of almost every type, the progression to higher levels of economic activity featured increased outlays for raw materials, plant and equipment, production payrolls, and product development. The credit demands originating from this sector of the economy were matched by the increased credit requirements of commerce, stimulated by an expanded volume of transactions in almost every line of business. Complementing the expanded commercial and industrial activity was a sharp rise in the level of consumer purchasing. Much of the latter was financed from a rising level of personal income, but a large part was also financed — either directly or indirectly — by bank credit. Thus, the upsurge in credit demands during 1955 and 1956 originated from increases in the credit requirements of almost every private sector of the economy. While nonbank lenders provided a substantial volume of funds through the capital markets, the mortgage markets, and other media, the major impact of the enlarged credit requirements fell upon commercial banks.

In accommodating the strong credit demands, member banks in the District increased their gross loan accounts from \$3,504,776,000 in April 1955 to \$3,903,684,000 in April 1956 and to \$3,931,366,000 on June 30, 1956. The April-to-April increase of \$398,908,000 featured expansion in all major loan categories except loans to banks and loans to



farmers directly guaranteed by the Commodity Credit Corporation. Almost three-fourths of the loan expansion occurred in the commercial and industrial loan category, as these loans rose \$288,687,000. At weekly reporting member banks in the District, nearly all types of commercial and industrial borrowers increased their bank indebtedness during the period. The largest increases were recorded in the bank borrowings of wholesale and retail trade establishments; sales finance companies; and firms classified in the petroleum, coal, chemicals, and rubber category. Only the borrowings of commodity dealers and grain and milling firms declined over the 12-month period.

Changes in other types of loans were smaller than the change in the commercial and industrial loan category. They were impressive, nevertheless, reflecting the broad front of economic expansion in the District. Mirroring the high level of construction activity, real-estate loans of member banks rose \$52,374,000 during the 12 months ended April 10, 1956, to a total of \$387,626,000, and loans to finance securities transactions increased \$22,880,000. As consumers stepped up their credit purchases, loans to individuals for personal expenditures increased \$22,468,000 during the 12-month period. The latter increase was significantly influenced by a \$34,697,000 decline in single-payment loans, but installment loans on passenger automobiles showed a gain of \$53,518,000, indicating the importance of bank credit in financing heavy consumer purchases of automobiles.

Between April 10 and June 30 of this year, loan accounts of member banks in the District registered further expansion, although the rate of growth fell somewhat below that of the previous year. During this period, gross loans increased \$27,682,000, with the pattern of changes in individual loan categories closely resembling that established during the previous 12 months. Real-estate loans, loans to finance securities transactions, commercial and industrial loans, and consumer loans showed general gains, while loans to banks and loans directly guaranteed by the Commodity Credit Corporation registered further declines. On balance, loan expansion between April 11, 1955, and June 30, 1956, amounted to \$426,590,000, an increase of slightly more than 12 percent. Approximately three-fifths of this increase occurred at reserve city banks, with country banks accounting for the remainder of the expansion.

Considered alone, the statistics of loan expansion offer clear evidence of the impact upon District banking of the strong demands for credit generated by rapid economic expansion. Considered along with the measures taken by banks to finance the loan expansion, they also provide an indication of the influence of national credit policies on the loan and investment policies and operations of banks in the District.

#### Deposits, Reserves, and Federal Reserve Credit Policy

In general, loan expansion is usually financed in either of two ways. First, banks may add to their loan accounts as deposits increase, or, in the absence of new deposits, the loan expansion may be financed by shifting funds to the loan portfolio from other asset accounts (including excess reserve

balances at the Federal Reserve bank). Analysis of the deposits and reserve positions of District banks since early 1955 demonstrates clearly how bank accommodation of strong loan demands, coupled with a more or less constant volume of bank reserves, set the stage for the important changes which occurred in District banking accounts.

Deposit growth during the past 18 months was relatively small. At \$8,729,000,000 in April 1956, daily average deposits at all member banks in the District were less than 1.5 percent, or \$120,000,000, above the average for April of the previous year. Seasonal declines after April reduced the daily average to \$8,591,000,000 in August, which is \$169,000,000 above the average for August 1955. Virtually all of the year-to-year deposit growth occurred in the time deposit category, as daily average demand deposits at both reserve city banks and country banks showed only small net changes.

There can be no precise measurement of the extent to which the deposit growth in this District contributed new reserves or to what extent the increases represent deposit gains induced by loan expansion in the District. Nevertheless, the relatively small increase in deposits over the period suggests that deposit growth did not provide the major source of funds for financing the loan expansion.

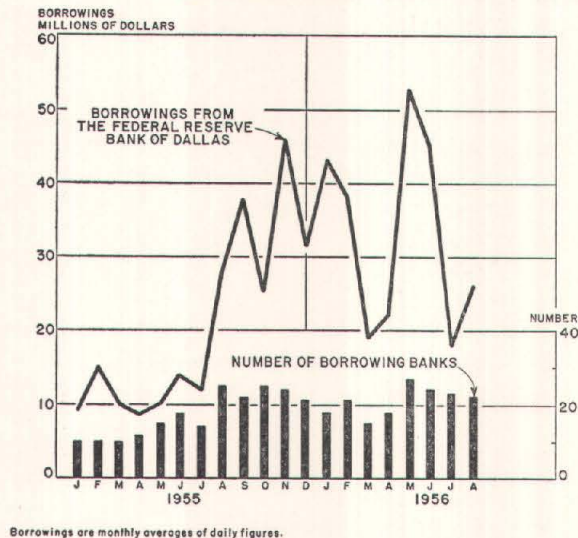
The most important factor influencing the lending capacity of commercial banks during the past 18 months was Federal Reserve credit policy. Early in 1955, as the last steps in the recovery from the 1953-54 decline were completed and the economy demonstrated signs of renewed strength and vigor, Federal Reserve credit policy shifted to mild restraint. As the expansion movement gained momentum in 1955 and 1956, increasingly heavy demands were made on the Nation's productive and credit facilities, and price pressures intensified. Under these circumstances, Federal Reserve credit policy moved gradually in the direction of greater restraint, and bank reserve positions were permitted to tighten as banks responded to the strong loan demand by increasing the volume of their lending operations. Administration of the policy of restraint featured System transactions in the Government securities markets, to maintain continued pressure on bank reserve positions, and successive increases in the discount rates at the Federal Reserve banks as competition for funds pushed market rates to higher levels.

System policy, allowing the rapid growth of credit demands to exert increasing pressure on bank reserve positions, found full reflection in District statistics. As member banks in the District increased their lending activities to accommodate the upsurge in loan demand, their reserve positions gradually tightened, and the margin of excess reserves began a downward movement. From an average of around \$70,000,000 in the early part of 1955, average excess reserves of District banks declined to around \$60,000,000 in late 1955 and to about \$55,000,000 in mid-1956. The corollary of this decline was a tendency for member bank borrowings from the Federal Reserve bank to increase, as more banks resorted to local Federal Reserve credit to correct temporary deficiencies in their required reserves. Reflecting the tightening of



## MEMBER BANK BORROWINGS

ELEVENTH FEDERAL RESERVE DISTRICT



reserve positions, average borrowings rose from around \$10,000,000 in the first 4 months of 1955 to approximately \$30,000,000 near the end of the year. In 1956, average borrowings continued to rise, establishing a peak of slightly more than \$53,000,000 in May.

The reserve position of reserve city banks was considerably tighter than that of country banks in 1955 and through August of this year. During this period, for example, average excess reserves of reserve city banks moved within a fairly narrow range of \$10,000,000, while the monthly average of excess reserves of country banks fluctuated between a low of \$43,000,000 and a high of \$62,000,000. Reflecting their tighter reserve positions, reserve city banks accounted for the major portion of borrowings. Average borrowings by these banks rose from around \$8,000,000 in early 1955 to a peak of \$47,000,000 in May of this year. In contrast, borrowings of country banks, which averaged around \$1,000,000 in early 1955, established a modest peak of \$6,000,000 in August 1956.

A more concise statement of the variance in reserve pressures at country banks and reserve city banks is provided by statistics of free reserves (excess reserves minus borrowings). While the decline in excess reserves and the modest increase in borrowings of country banks reduced their free reserves from around \$60,000,000 in early 1955 to an average of \$47,000,000 in the June-August 1956 period, the decline in excess reserves of reserve city banks, combined with the increase in borrowings of these banks, wiped out their free reserves in mid-1955, after which net borrowed reserves (borrowings less excess reserves) gradually rose and established an average of \$14,000,000 in the 3 months ended August 1956. Thus, average free reserves of \$33,000,000 for all member banks in the District during June-August 1956 represented free reserves of \$47,000,000 for country banks and net borrowed reserves of \$14,000,000 for reserve city banks.

As the level of economic activity moved upward in 1955 and 1956, the heavy credit demands which it sparked pressed progressively harder against a limited supply of loanable funds, producing upward adjustments in interest rates. Treasury bill rates, which fluctuated around  $1\frac{1}{4}$  percent in early 1955, rose gradually over the period to a level generally above  $2\frac{3}{4}$  percent in late August and September of this year. Likewise, rates on bankers' acceptances, commercial paper, and other short-term credit instruments rose steadily during 1955 and 1956 to reach the highest levels since the early 1930's.

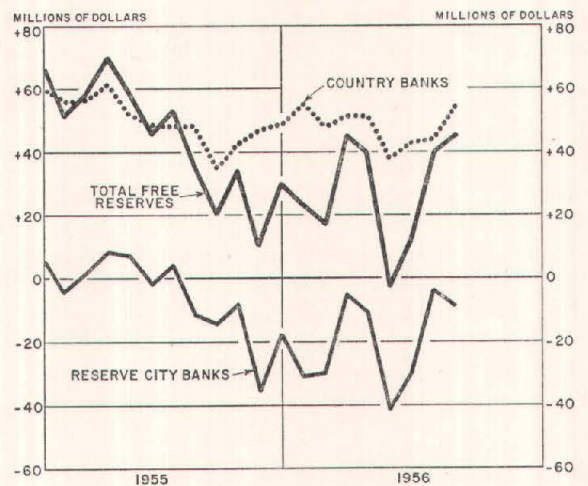
The rising volume of loan demand and the tightening of reserve positions also produced increases in bank lending rates. The prime loan rate of the larger commercial banks in the District, along with those throughout the Nation, was increased from 3 percent to  $3\frac{1}{4}$  percent in August 1955 and to  $3\frac{1}{2}$  percent the following October. In 1956 the sustained vigor of loan demand and the continued tightening of bank reserve positions produced further adjustments in the prime loan rate to  $3\frac{3}{4}$  percent in April and to 4 percent in August. Less dramatic, but of equal significance, were similar increases in rates on most other types of loans, including mortgage loans, consumer loans, and loans to brokers and dealers in securities.

Yields on long-term credit obligations were similarly affected by the press of strong credit demands against a limited supply of funds. Prices of Government securities registered general declines in all maturity ranges, and average yields on the two longest Government bonds outstanding increased from 2.92 percent in March and April 1955 to 3.19 percent in August 1956. Yields on corporate and municipal securities showed comparable increases over the period.

As market rates rose, discount rates at the Federal Reserve banks were also advanced. At the Federal Reserve Bank of

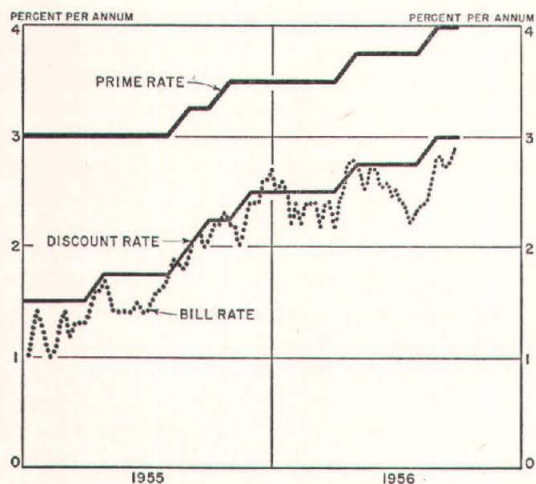
## MEMBER BANK FREE RESERVES

ELEVENTH FEDERAL RESERVE DISTRICT

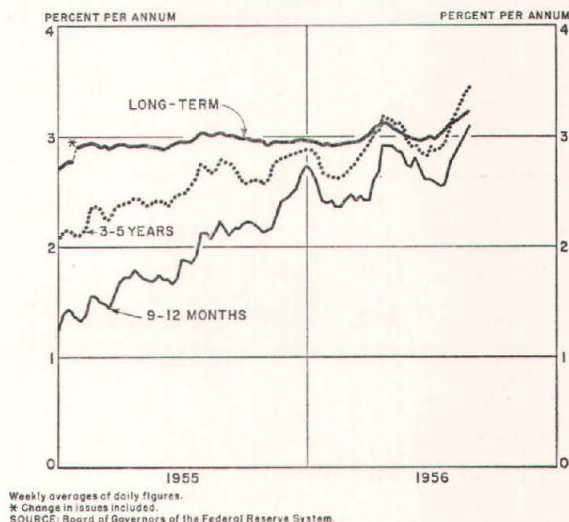




## SHORT-TERM MONEY RATES



## YIELDS ON U.S. GOVERNMENT SECURITIES



Dallas, the movement from a  $1\frac{1}{2}$ -percent rate in January 1955 to a 3-percent rate in September 1956 involved six successive increases of one-fourth of 1 percentage point. These increases occurred in April, August, September, and November 1955 and in April and August of this year — conforming closely with the movement of the discount rates at other Federal Reserve banks.

## Loan Policies — Financing the Loan Expansion

It has been noted that the accommodation of loan demand within the framework of a credit policy of restraint produced a steady tightening of bank reserve positions, and more banks found it necessary to borrow from the Federal Reserve bank to correct temporary deficiencies in their reserve positions. As reserve positions tightened and loan demand continued strong, banks were required by these circumstances to exercise greater selectivity in their lending operations. The more restrictive lending policies of commercial banks involved, among other features, the careful screening of loan applications, stricter terms as to compensating balances, careful scrutiny of lines of credit, and higher collateral requirements. In short, there developed a general tendency for commercial banks to allocate credit with greater scrutiny of all factors involved. The more restrictive lending policies, along with higher costs of borrowing, caused some prospective borrowers to defer their loan requests, while other borrowers made downward adjustments in the amounts requested. Notwithstanding these moderating influences, loan demand remained very active, and the volume of loans outstanding increased. That substantial efforts were made to accommodate the credit applicants is indicated by the statistics of loan expansion.

In the absence of additional permanent reserve funds provided through System operations, commercial banks resorted to sales and redemptions of securities in order to accommo-

date loan demands, and investment liquidation became a prominent feature of District banking activity. Between April 11, 1955, and April 10, 1956, member banks in the District sold and redeemed \$157,673,000 of securities, and investment holdings declined from \$3,061,467,000 to \$2,903,794,000. Between April 10 and the end of June 1956, the rate of investment liquidation accelerated, and investments declined \$88,801,000 during this period of less than 3 months. On balance, therefore, total investments were reduced \$246,474,000 between April 11, 1955, and June 30, 1956.

Investment liquidation over the period was limited to sales and redemptions of United States Government securities, as holdings of non-Government obligations registered a gain of \$41,517,000. While the liquidation of United States Government obligations produced declines in each category of holdings, the principal reductions occurred in the shorter-term instruments as practical considerations of investment management and declining prices tended to discourage bank sales of longer-term bonds. Bill holdings were reduced 38 percent, Treasury certificates of indebtedness declined 54 percent, note holdings decreased 8 percent, and United States Government bond holdings were reduced 4 percent. In aggregate amounts, of the over-all decline of \$287,991,000 in Government securities holdings between April 1955 and June 1956, reductions in Treasury bill holdings represented \$103,974,000, and liquidation of certificates of indebtedness accounted for \$76,464,000. Holdings of Treasury notes were reduced \$46,345,000, and United States Government bond accounts declined \$61,208,000.

Reflecting the relatively tighter reserve positions of the banks located in principal cities of the District and — to some extent — the heavier concentration of loan demands at these banks, a large portion of the investment liquidation which occurred in 1955 and 1956 stemmed from sales and



redemptions by weekly reporting member banks in the District. These banks' holdings of Treasury bills, which generally fluctuated between \$150,000,000 and \$200,000,000 in 1954, declined steadily throughout 1955 and 1956 to reach a level of \$35,000,000 in late August. Similarly, their holdings of certificates of indebtedness, which also ranged above \$150,000,000 during most of 1954, had declined to \$85,000,000 in late August of this year.

Bank liquidation of certificates of interest issued by the Commodity Credit Corporation was a corollary of investment liquidation. Reflecting in large part the sale and redemption of these certificates to finance other types of loan requests, loans to farmers directly guaranteed by the Commodity Credit Corporation registered a decline of \$37,364,000 during the 12 months ended April 10, 1956, and a further decline of \$43,204,000 between April 10 and June 30.

Cash accounts also reflected the pressure of credit demands and the central banking policy of credit restraint. During the last 6 months of 1955 and most of the first 8 months of 1956, these accounts were at considerably lower levels than in the previous years. The decline reflects, in addition to slightly smaller reserve balances, a reduction of balances with correspondent banks in order to accommodate loan demand. During the last 6 months of 1955, balances with domestic correspondents averaged \$140,000,000 below the monthly levels in the same period of the previous year. In the first 8 months of 1956, balances with domestic correspondents registered further declines, although in several months the amounts exceeded those in the comparable months of the previous year.

#### Structure of Banking Assets

Shaped by the presence of active credit demands and sustained pressure on reserve positions, the composition of banking assets underwent significant changes, best illustrated by percentage distributions. At reserve city banks in the District, loan expansion raised loans as a percentage of total assets from 42.0 percent in January 1955 to 44.8 percent in August 1955 and to 46.3 percent in August 1956. During the same period, investments as a percentage of total assets were reduced from 28.2 percent to 26.6 percent and then to 23.9 percent. At country banks, the changes were less marked. Loans, which amounted to 32.8 percent of total assets in January 1955, rose to 35.1 percent in August of that year and to 35.8 percent in August 1956. Over the same period, investments of country banks declined from 38.3 percent of total assets in January 1955 to 37.7 percent of the total in August 1956. For all member banks in the District, loans as a percentage of total assets rose from 37.3 percent in January 1955 to 41.2 percent in August of this year, while investments declined from 33.1 percent to 30.7 percent. Cash accounts, which represented 27.6 percent of total assets in January 1955, declined to 25.7 percent in August 1955 and were approximately the same percentage of total assets in August 1956.

Because investment liquidation during 1955 and the January-August period of 1956 featured heavy sales of shorter-term obligations, the maturity distribution of investments

also was altered. For example, holdings of United States Government securities by weekly reporting member banks in January 1955 consisted of 7.2 percent in Treasury bills, 8.0 percent in certificates of indebtedness, 18.8 percent in Treasury notes, and 66.0 percent in United States Government bonds. By August 1956, however, Treasury bill holdings had declined to 3.1 percent of the total, certificates of indebtedness had decreased to 7.5 percent, and Treasury notes had declined to 18.3 percent. Government bonds, however, rose to 73.1 percent. For all member banks in the District, changes in the composition of investment portfolios between April 11, 1955, and June 30, 1956, were similar. A feature of the shift in the relative importance of bonds, however, was an increase in aggregate holdings of Government bonds within 5 years of maturity, reflecting partially a shortening of maturities with the passing of time.

The direct result of loan expansion and investment liquidation, coupled with only moderate deposit growth, was a rising ratio of loans to deposits. This increase, in itself, tended to produce some restrictive effects. Between January and August 1955, the ratio of loans to deposits rose from 40.5 percent to 43.6 percent and then continued upward to 45.2 percent in August 1956. At reserve city banks, the loan-deposit ratio increased from 46.2 percent in January 1955 to 51.4 percent in August 1956. Country banks showed a more moderate increase in the loan-deposit ratio, which rose from 35.1 percent to 38.9 percent over the same period.

#### Bank Liquidity

As banks diverted funds from investment accounts and cash accounts, liquidity positions gradually declined. The decline in bank liquidity was reflected not only by declining ratios of cash and Government securities to total assets and total deposits but also by the reduction in liquidity of investment portfolios. The latter development resulted, on the one hand, from the substantial liquidation of short-term investments to accommodate loan demand and, on the other, from declining prices on intermediate- and long-term issues.

At all member banks in the District, cash and Government securities as a percentage of total deposits declined from 59.6 percent in January 1955 to 56.4 percent in August 1955 and to 55.1 percent in August 1956. From January 1955 to August 1956, the ratio of cash accounts and Government securities to total deposits at reserve city banks declined from 56.1 percent to 51.7 percent, while at country banks the ratio decreased from 62.8 percent to 58.6 percent.

#### Summary

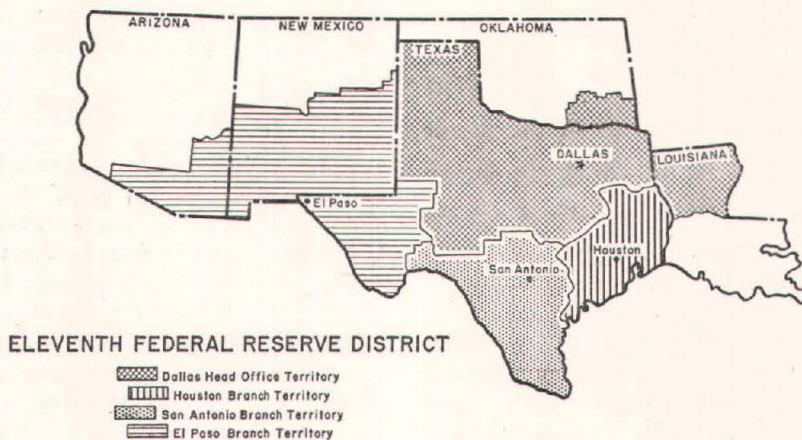
The principal factor affecting commercial banking operations during the past year and a half was a high level of economic activity, which produced a marked increase in the credit requirements of almost every private sector of the economy. As the expansion movement gained momentum, and strains and pressures within the economy developed, System policy moved in the direction of greater restraint. In the District, the active credit demands were fully reflected in the loan expansion which occurred during the period. The accom-



moderation of loan demand produced a gradual tightening of the reserve positions of member banks in the District, especially at reserve city banks; and the increased reserve pressures were reflected in reductions in excess reserves, increases in member bank borrowing, and a declining level of free reserves.

As reserve positions tightened, the lending policies of District banks became more restrictive, and banks found it necessary to finance a substantial portion of the loan expansion by sales and redemptions of investment holdings and

by reductions in cash accounts. These measures produced significant changes in the structure of bank assets and led to a sizable increase in the ratio of loans to deposits. Moreover, the process of investment liquidation produced a gradual decline in bank liquidity positions. These developments — outstanding features of District banking during 1955 and January-August 1956 — are attributable to a rapid and sustained rise in general economic and business conditions, a strong and persistent loan demand, and a central banking policy designed to assist in confining the expansion within the bounds of sustainable economic growth.





## REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Department store sales in the Eleventh District increased 15 percent, or less than seasonally, from July to August and were 5 percent higher than in August last year. At the end of August, department store stocks were 7 percent greater than a year earlier and were up 6 percent, or more than seasonally, from the previous month. Furniture store sales rose 11 percent from July and 2 percent from August 1955.

The drought continues throughout most of the District. Feed crop prospects deteriorated during the past month, and the 1956 cotton crop in the District states is indicated to be 11 percent smaller than a year earlier. Conditions of ranges are poor, and stock water is short in many areas. Cash receipts from farm marketings in the District states during January-July this year were 5 percent higher than a year earlier.

Crude runs to refinery stills increased during August and reached a record level in the first week of September. Because of the high level of gasoline stocks, however, a number of major oil companies scheduled reductions in refinery activity in mid-September. Crude oil production in the District and the Nation decreased slightly during the first half of September but was up significantly from a year ago. Texas allowables for October production have been reduced slightly.

Nonagricultural employment in the District states reached a record high of 4,101,200 workers during August, reflecting an increase of 12,500 over July. An increase in manufacturing employment to a record level of 767,200 workers and seasonal increases in other industries accounted for the gain.

The value of construction contracts awarded in the District during August increased 21 percent over July to reach a level 11 percent above that of a year earlier. Residential awards, with a 46-percent increase over July and a year-to-year gain of 31 percent, accounted for most of the improvement in total awards.

During the 5 weeks ended September 19, weekly reporting member banks in the District utilized funds from deposit gains, investment liquidation, and modest loan liquidation to add \$104,260,000 to their cash accounts. Member banks gained reserves during this period, and average reserve balances in August rose \$17,998,000 above July.



Department store sales in the Eleventh Federal Reserve District turned upward in August, but the increase in the dollar volume was less than seasonal. Partially because of two more trading days, August sales were 15 percent above July and 5 percent above August 1955. Reflecting the less than seasonal increase in sales from July to August, the adjusted index of department store sales declined to 148 percent of the 1947-49 average, compared with 152 in July and 142 in August 1955. Cumulative sales in the January-August period of this year were 5 percent higher than in the same 8 months last year.

During August, department store sales of home furnishings registered little change compared with a year ago. Sales in both the furniture and bedding and domestic floor coverings departments, which had been below last year's levels every month since April, showed year-to-year rises of approximately 7 percent in August. These gains were offset by declines in the sales of housewares and radios and television sets, down 13 percent and 3 percent, respectively. Major household appliance sales were at the same level as a year earlier.

In the soft goods departments in August, virtually all items which are usually in strong demand during this season of the year showed moderate to substantial gains over a year earlier. Sales of women's and misses' ready-to-wear accessories and small wares were up 7 percent and 6 percent, respectively. Back-to-school buying during the month rose well above the volume for the same period last year and was reflected in year-to-year increases of 8 percent in sales of both juniors' coats, suits, and dresses and women's and children's shoes.

## RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES			STOCKS <sup>1</sup>	
	Aug. 1956 from		8 mo. 1956 comp. with 8 mo. 1955	Aug. 1956 from	
	August 1955	July 1956		August 1955	July 1956
DEPARTMENT STORES					
Total Eleventh District.....	5	15	5	7	6
Corpus Christi.....	14	19	7	17	7
Dallas.....	3	13	2	0	3
El Paso.....	10	26	4	7	14
Fort Worth.....	3	16	6	18	6
Houston.....	6	10	7	10	6
San Antonio.....	0	13	0	0	6
Shreveport, La.....	6	21	4	7	10
Waco.....	-2	20	6	11	7
Other cities.....	9	23	7	12	11
FURNITURE STORES					
Total Eleventh District.....	2	11	2	1	-1
Amarillo.....	-24	-50	—	5	3
Austin.....	-7	29	-1	17	0
Dallas.....	-26	10	-20	-11	-5
Houston.....	36	9	11	3	-1
Lubbock.....	-12	-5	—	13	1
San Antonio.....	-10	3	-4	-1	-1
Shreveport, La.....	13	18	12	3	-2
Wichita Falls.....	-7	-4	—	—	—
Other cities.....	-3	8	9	-2	0
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	4	22	—	—	—
Dallas.....	14	26	—	—	—

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



## INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED				ADJUSTED <sup>1</sup>			
	Aug. 1956	July 1956	June 1956	Aug. 1955	Aug. 1956	July 1956	June 1956	Aug. 1955
SALES—Daily average								
Eleventh District.....	138	129	130	132r	148	152	143	142r
Dallas.....	126	120	112	123	143	145	131	139
Houston.....	152	150	145	144	162	170	160	153
STOCKS—End of month								
Eleventh District.....	158p	149	144	147r	160p	157	155	149r

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

r—Revised.

p—Preliminary.

Sales of girls' wear and boys' wear were up 8 percent and 6 percent, respectively.

Instalment accounts outstanding at the end of August remained at approximately the same level as in the previous 5 months and were 5 percent above a year earlier. Collections during the month amounted to 13 percent of first-of-month receivables, down 1 point from a month ago but unchanged from August last year.

Charge accounts outstanding rose seasonally during August, increasing month-end balances 6 percent above July. Compared with a year ago, charge accounts were up 7 percent. The charge account collection ratio amounted to 43 percent, or 4 points below a year ago and 2 points below July.

Department store inventories rose 6 percent, or more than seasonally, during August and at the end of the month were 7 percent higher than on the same date last year. The build-up in inventories was mainly in fall and winter wearing apparel. Orders outstanding at the end of August were 18 percent lower than at the close of the preceding month and were 3 percent less than a year earlier.

Furniture store sales in the District during August, reflecting a larger than seasonal increase, were 11 percent above those in the previous month and were 2 percent larger than in August 1955. Accounts receivable increased 2 percent during August and at the end of the month were 8 percent larger than on the same date last year. End-of-month inventories were 1 percent above those on the corresponding date a year ago.

Registration of new car sales during August in Dallas, Fort Worth, Houston, and San Antonio was down 24 percent from a year ago but was up 10 percent from July. Cumulative sales for the first 8 months of the year were down 20 percent from the comparable period in 1955.



Harvesting of maturing crops and land preparation and seeding for next year's crops dominated agricultural activity throughout the District during September. Generally

clear, open weather favored rapid harvest in most sections, but lack of moisture curtailed crop prospects in late areas. Range forage and stock water supplies are critically low

## CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

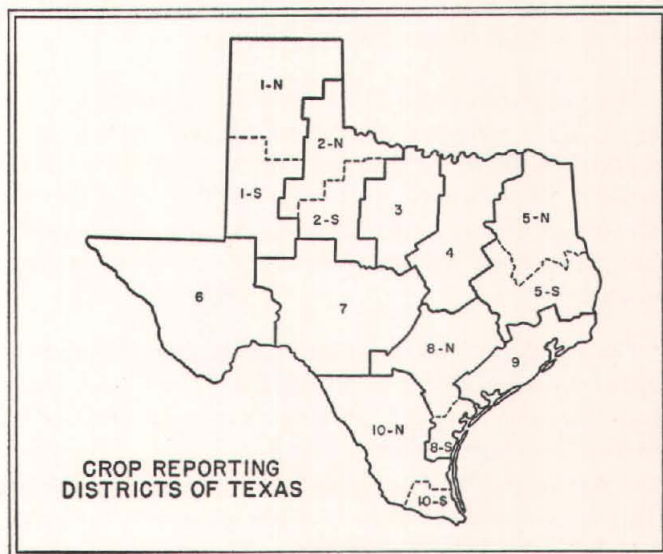
Crop	TEXAS			FIVE SOUTHWESTERN STATES <sup>1</sup>		
	Estimated Sept. 1, 1956	1955	Average 1945-54	Estimated Sept. 1, 1956	1955	Average 1945-54
Cotton <sup>2</sup> .....	3,460	4,039	3,518	5,435	6,078	5,256
Corn.....	25,528	48,288	44,209	47,949	77,273	78,089
Winter wheat....	28,275	14,326	50,722	95,129	41,204	131,765
Oats.....	21,998	23,590	27,090	39,052	40,518	44,837
Barley.....	2,480	2,072	2,040	17,023	17,181	10,589
Rye.....	184	124	244	910	691	822
Rice <sup>3</sup> .....	10,841	14,880	11,837	22,532	28,030	23,476
Sorghum grain....	88,428	148,309	82,103	104,767	175,296	97,420
Flaxseed.....	95	96	911	147	174	1,293
Hay <sup>4</sup> .....	1,541	2,261	1,660	4,955	6,255	4,951
Peanuts <sup>5</sup> .....	88,550	239,235	252,600	143,750	374,055	366,517
Irish potatoes <sup>6</sup> ..	1,286	1,760	71,474	3,155	3,787	73,382
Sweet potatoes <sup>6</sup> ..	660	1,914	71,397	4,723	7,932	76,369
Pecans <sup>7</sup> .....	25,000	38,000	30,565	51,300	99,460	65,595

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.<sup>2</sup> In thousands of bales.<sup>3</sup> In thousands of bags containing 100 pounds each.<sup>4</sup> In thousands of tons.<sup>5</sup> In thousands of pounds.<sup>6</sup> In thousands of hundredweight.<sup>7</sup> Average, 1949-54.

SOURCE: United States Department of Agriculture.

over a major portion of the District. Scattered showers in southern and eastern Texas and in various other local areas were beneficial, but rainfall during the past month was below needs in most sections of the District. Lack of moisture is delaying winter grain seeding in many areas, although some grain has been planted in dry soils in hope of rain in the near future.

In contrast to the Nation, where favorable crop development in most of the Corn Belt placed September 1 estimates of total crop production in the United States only moderately below the high level of 1955, crop production in the District states deteriorated during August as a result of continuing drought. Most of the 1956 corn crop in the District states has been harvested, except some acreage in the northern Blacklands and late plantings in the irrigated High Plains of Texas and in Arizona and New Mexico. Corn output in the District states, as of September 1, is placed at 47,949,000 bushels, or 2 percent smaller than the month-earlier forecast and 38 percent lower than the large 1955 crop.





According to the United States Department of Agriculture, prospects for grain sorghums — the principal feed grain crop in the District — also are disappointing. Combining of the crop is under way in some northwestern areas, although considerable acreage has been cut for fodder or grazed where lack of moisture prevented normal maturity. As of September 1, grain sorghum output in the District states is estimated at 104,767,000 bushels, or 12 percent smaller than a month earlier and 40 percent less than the outturn last year. Although hay in the irrigated sections of western Texas, Arizona, and New Mexico is yielding satisfactorily, dry-land acreages have deteriorated. Scattered rains in September boosted prospects for grazing from late-planted Sudan, Hegari, and early seeded winter grains in some areas, but forage prospects are poor in most of the District. The 1956 hay crop in the District states is estimated, as of September 1, to be a fifth below 1955 production.

Combining of rice is well advanced in the coastal rice areas of the District states. Prospective yields deteriorated during August, and output of this year's crop is placed at 22,532,000 bags, or 5 percent less than the month-earlier forecast and a fifth below the 1955 output. A short peanut crop also is in prospect; the September 1 estimate places production almost two-thirds below that last year. In the Texas Cross Timbers, some of the peanut crop is being baled for hay as a result of poor development of the nuts.

Activity related to the 1956 cotton crop in the District states is varied. Most growers in the Lower Valley and Coastal Bend of Texas destroyed stalks well in advance of the plow-up date, while harvesting is approaching a peak in the western portions of the District. Picking is virtually complete in south-central counties of Texas, and the peak harvest is past in the Brazos River bottoms. In the Low Rolling Plains, pulling of the short crop is well advanced. Irrigated cotton in western areas made good development during the past month, and harvesting is under way earlier than usual. Dry-land cotton in some northwestern counties of the District developed poorly as a result of insufficient moisture, and considerable acreage opened prematurely.

#### COTTON PRODUCTION Texas Crop Reporting Districts

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

Crop reporting district	1956 Indicated Sept. 1	1955	1954	1956 as percent of 1955
1-N.....	435	379	512	115
1-S.....	1,050	1,024	1,097	103
2-N.....	170	273	221	62
2-S.....	100	264	179	38
3.....	7	23	21	30
4.....	370	642	447	58
5-N.....	95	145	76	66
5-S.....	75	94	75	80
6.....	300	269	261	112
7.....	8	33	26	24
8-N.....	90	163	142	55
8-S.....	140	69	217	203
9.....	170	238	192	71
10-N.....	55	40	67	138
10-S.....	395	383	407	103
State.....	3,460	4,039	3,940	86

SOURCE: United States Department of Agriculture.

#### LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	August 1956	August 1955	July 1956	August 1956	August 1955	July 1956
Cattle.....	112,125	79,710	119,734	34,033	37,851	37,728
Calves.....	31,076	24,384	30,351	27,979	30,130	26,542
Hogs.....	43,341	35,615	37,438	4,472	4,573	5,029
Sheep.....	104,627	55,735	90,422	136,159	125,782	128,596

<sup>1</sup> Includes goats.

The 1956 indicated production of cotton in the Nation, as of September 1, is placed at 13,115,000 bales, or 437,000 bales below a month earlier and 11 percent below the outturn in 1955, according to the Department of Agriculture. Lint yield per harvested acre is placed at 402 pounds, compared with the record high of 417 pounds in 1955. Crop prospects declined during August in all parts of the Cotton Belt except the major irrigated western areas.

In the District states, cotton output is estimated, as of September 1, at 5,435,000 bales, or 4 percent below a month earlier and 11 percent smaller than the 1955 crop. A 30-percent decline in estimated production in Oklahoma during August and a 4-percent decrease in Texas accounted for all of the reduction in prospective production in the District states, inasmuch as indicated output in both Arizona and New Mexico increased 2 percent and Louisiana showed no change. The 1956 lint yield per harvested acre in the District states is estimated at 324 pounds, compared with 330 pounds in 1955.

In Texas the prospective cotton crop is placed at 3,460,000 bales, which is lower than the output in any year since 1950 and is 14 percent below production in 1955. The yield per harvested acre is indicated at 266 pounds, which is the highest state yield since the turn of the century except the 281 pounds per acre in 1955. This prospective high yield in spite of the state-wide drought results from increased acreages of irrigated cotton, removal of low-yielding cotton under the provisions of the Soil Bank program, and plowing up of excess acreage in compliance with allotments. As of September 1, the acreage of cotton for harvest in Texas is estimated at 6,250,000 acres — the smallest acreage since 1946.

As a result of scattered rains in the Lower Valley of Texas during early September, the outlook for vegetables improved

#### FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended Sept. 20, 1956	Comparable week, previous month	Comparable week, previous year
COTTON, Middling 15/16-inch, Dallas....	lb.	\$ .3275	\$ .3250	\$ .3195
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.51¾	2.45¾	2.43
OATS, No. 2 white, Fort Worth.....	bu.	.95½	.97¾	.83
CORN, No. 2 yellow, Fort Worth.....	bu.	1.81	1.95½	1.55
SORGHUMS, No. 2 yellow, Fort Worth....	cwt.	2.37	2.48	2.05
HOGS, Choice, Fort Worth.....	cwt.	16.75	17.50	17.50
SLAUGHTER STEERS, Choice, Fort Worth...	cwt.	25.50	25.00	23.50
SLAUGHTER CALVES, Choice, Fort Worth....	cwt.	19.00	19.00	18.50
STOCKER STEERS, Choice, Fort Worth.....	cwt.	19.50	19.50	20.00
SLAUGHTER SPRING LAMBS, Choice, Fort Worth.....	cwt.	20.00	19.00	18.50
BROILERS, south Texas.....	lb.	.18	.20	.26



## CASH RECEIPTS FROM FARM MARKETINGS

Five Southwestern States

(In thousands of dollars)

Area	June		July		January—July	
	1956	1955	1956	1955	1956	1955
Arizona....	\$ 29,302	\$ 29,222	\$ 16,002	\$ 18,140	\$ 177,784	\$ 191,653
Louisiana....	13,734	12,395	13,408	12,768	126,579	121,807
New Mexico..	7,541	7,634	6,535	5,687	68,791	65,280
Oklahoma....	65,879	45,829	56,908	37,989	262,882	228,845
Texas.....	104,050	98,827	141,630	97,168	792,024	750,311
Total.....	\$220,506	\$193,907	\$234,483	\$171,752	\$1,428,060	\$1,357,896

SOURCE: United States Department of Agriculture.

slightly, but soils generally are too dry for extensive plantings. A small increase in water in Falcon Dam made it possible to ease restrictions slightly, but the supply is insufficient to meet irrigation requirements for an extended period. Fall vegetables in the Winter Garden and Eagle Pass areas are making satisfactory development, and the condition of lettuce in the Panhandle is good. Prospects for citrus fruits are improved as a result of the release of irrigation water from Falcon Reservoir, but yields may be below earlier expectations.

Early September rains benefited ranges and pastures in some southern, eastern, and western Texas counties, but precipitation is urgently needed over most of the State. Range conditions in the District states are generally poor. As of September 1, conditions in Texas were equal to the all-time low of the 1934 drought. Forage supplies are fair in the higher elevations of western New Mexico, but pastures are generally dry. Supplemental feeding is being continued throughout a major portion of the District. Livestock marketings continue heavy at the major livestock centers, and many of the animals are thin. Cattle and calf receipts at the major southwestern livestock markets in August were 19 percent above those of a year earlier, and sheep supplies were 73 percent larger.

The mid-August index of prices received by Texas farmers and ranchers — at 250 percent of the 1910-14 average — was 2 percent lower than a month earlier and almost 3 percent below the August 1955 level, according to the United States Department of Agriculture. The all-crops index on August 15 was 249 percent of the average, or 3 percent lower than a month earlier but unchanged from a year ago. The livestock and livestock products index declined only 1 point from mid-July but was 6 percent lower than on August 15, 1955.

Cash receipts from farm marketings in the District states totaled \$1,428,060,000 during January-July this year, or 5 percent more than in the corresponding period in 1955. Receipts from crops were 11 percent larger, and those from livestock were 1 percent higher than a year earlier.



Weekly reporting member banks in the District used funds from deposit gains, investment liquidation, and modest loan liquidation to add \$104,260,000 to their cash accounts during the 5 weeks ended September 19. Reflecting a

\$35,297,000 increase in demand deposits and a \$4,575,000 increase in time accounts, total deposits rose \$39,872,000. In both the demand and time deposit categories, balances of individuals and businesses and balances of banks showed the largest gains.

Investment liquidation by reporting banks amounted to \$40,395,000 between August 15 and September 19. Holdings of all types of Government securities were reduced, but the principal reductions occurred in Treasury bills and Treasury certificates of indebtedness, which declined \$17,983,000 and \$16,635,000, respectively. Treasury note holdings declined \$67,000, and Government bond accounts showed a decrease of \$4,508,000. Total holdings of Government securities decreased \$39,193,000; non-Government investments declined \$1,202,000.

Gross loans at reporting banks declined \$1,131,000 between August 15 and September 19, compared with an increase of \$31,870,000 during the corresponding period of 1955. Loan

CONDITION STATISTICS OF WEEKLY REPORTING  
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Sept. 19, 1956	Sept. 21, 1955	Aug. 15, 1956
<b>ASSETS</b>			
Commercial, industrial, and agricultural loans...	\$1,533,205	\$1,496,323	\$1,529,755
Commercial and industrial loans <sup>1</sup> .....	1,501,306	—	1,501,688
Agricultural loans <sup>1</sup> .....	31,899	—	28,067
Loans to brokers and dealers in securities.....	24,359	20,081	26,905
Other loans for purchasing or carrying securities.....	145,380	117,850	142,082
Real-estate loans.....	214,259	209,528	213,168
Loans to banks.....	8,540	8,635	18,140
All other loans.....	578,435	508,832	575,259
Gross loans.....	2,504,178	2,361,249	2,505,309
Less reserves and unallocated charge-offs..	32,803	25,201	32,621
Net loans.....	2,471,375	2,336,048	2,472,688
U. S. Treasury bills.....	37,992	48,845	55,975
U. S. Treasury certificates of indebtedness.....	76,943	16,196	93,578
U. S. Treasury notes.....	213,024	272,312	213,091
U. S. Government bonds (inc. gtd. obligations)...	801,932	832,815	806,440
Other securities.....	237,606	255,013	238,808
Total investments.....	1,367,497	1,425,181	1,407,892
Cash items in process of collection.....	436,429	388,109	409,094
Balances with banks in the United States.....	518,053	453,350	427,303
Balances with banks in foreign countries.....	1,347	2,240	1,885
Currency and coin.....	47,859	47,927	46,123
Reserves with Federal Reserve Bank.....	567,979	587,650	583,002
Other assets.....	157,924	132,154	154,662
TOTAL ASSETS.....	5,568,463	5,372,659	5,502,649
<b>LIABILITIES AND CAPITAL</b>			
Demand deposits			
Individuals, partnerships, and corporations....	2,838,267	2,837,931	2,803,801
United States Government.....	91,911	74,976	140,226
States and political subdivisions.....	168,172	189,628	157,382
Banks in the United States.....	953,837	867,372	914,824
Banks in foreign countries.....	19,285	18,562	19,441
Certified and officers' checks, etc.....	66,893	57,974	67,394
Total demand deposits.....	4,138,365	4,046,443	4,103,068
Time deposits			
Individuals, partnerships, and corporations....	720,854	697,898	717,660
United States Government.....	12,229	12,159	12,229
Postal savings.....	452	452	452
States and political subdivisions.....	133,550	121,653	137,169
Banks in the U. S. and foreign countries.....	7,185	1,635	2,185
Total time deposits.....	874,270	833,797	869,695
Total deposits.....	5,012,635	4,880,240	4,972,763
Bills payable, rediscounts, etc.....	44,400	48,500	31,440
All other liabilities.....	85,172	58,536	74,010
Total capital accounts.....	426,256	385,383	424,436
TOTAL LIABILITIES AND CAPITAL.....	5,568,463	5,372,659	5,502,649

<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	August 29, 1956	August 31, 1955	July 25, 1956
<b>ASSETS</b>			
Loans and discounts.....	\$3,881	\$3,643	\$3,939
United States Government obligations.....	2,297	2,375	2,242
Other securities.....	596	565	579
Reserves with Federal Reserve Bank.....	985	938	898
Cash in vault <sup>e</sup> .....	123	137	127
Balances with banks in the United States.....	966	912	991
Balances with banks in foreign countries <sup>e</sup> .....	2	2	1
Cash items in process of collection.....	358	349	425
Other assets <sup>e</sup> .....	220	182	204
<b>TOTAL ASSETS<sup>e</sup>.....</b>	<b>9,428</b>	<b>9,103</b>	<b>9,406</b>
<b>LIABILITIES AND CAPITAL</b>			
Demand deposits of banks.....	1,003	943	1,013
Other demand deposits.....	6,195	6,129	6,180
Time deposits.....	1,387	1,277	1,380
<b>Total deposits.....</b>	<b>8,585</b>	<b>8,349</b>	<b>8,573</b>
Borrowings.....	17	25	36
Other liabilities <sup>e</sup> .....	96	66	75
Total capital accounts <sup>e</sup> .....	730	663	722
<b>TOTAL LIABILITIES AND CAPITAL<sup>e</sup>.....</b>	<b>9,428</b>	<b>9,103</b>	<b>9,406</b>

<sup>e</sup>—Estimated.

liquidation was limited to reductions in loans to banks, which declined \$9,600,000, and in loans to brokers and dealers in securities, which were reduced \$2,546,000. Other loans for purchasing securities rose \$3,298,000. Commercial, industrial, and agricultural loans increased \$3,450,000, compared with a \$21,630,000 increase during the comparable weeks of 1955, and real-estate loans advanced \$1,091,000. The residual category "all other loans"—principally consumer loans—showed an increase of \$3,176,000.

Average gross demand deposits at all member banks in the District declined \$61,416,000 from July to August, while average time deposits advanced \$1,245,000. The decline in demand deposits reduced the August average to \$7,210,443,000, which is \$65,451,000 more than in August 1955. The bulk of the month-to-month decline occurred at reserve city banks, where average gross demand deposits in August were \$50,091,000 below the July figure. A monthly decline of \$11,325,000 was recorded at country banks. The \$1,245,000 increase in time deposits to \$1,381,338,000 in August marks the tenth consecutive monthly gain. At country banks, time deposits rose \$7,286,000 above July, but this increase was partially offset by the \$6,041,000 decline which occurred at reserve city banks. Average time deposits in August were \$104,399,000 above the year-earlier level.

Member bank reserve balances averaged \$1,012,060,000 in August, reflecting an increase of \$17,998,000 over the pre-

## RESERVE POSITIONS OF MEMBER BANKS

## Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	August 1956	August 1955	July 1956
<b>RESERVE CITY BANKS</b>			
Reserve balances.....	\$ 560,510	\$ 554,059	\$552,360
Required reserves.....	548,995	546,012	543,182
Excess reserves.....	11,515	8,047	9,178
Borrowings.....	20,492	20,776	12,861
Free reserves.....	-8,977	-12,729	-3,683
<b>COUNTRY BANKS</b>			
Reserve balances.....	451,550	443,272	441,702
Required reserves.....	391,247	387,841	392,325
Excess reserves.....	60,303	55,431	49,377
Borrowings.....	6,202	7,650	5,499
Free reserves.....	54,101	47,781	43,878
<b>MEMBER BANKS</b>			
Reserve balances.....	1,012,060	997,331	994,062
Required reserves.....	940,242	933,853	935,507
Excess reserves.....	71,818	63,478	58,555
Borrowings.....	26,694	28,426	18,360
Free reserves.....	45,124	35,052	40,195

vious month. Part of this gain, or \$4,735,000, was absorbed by an increase in required reserves; consequently, average excess reserve balances rose \$13,263,000 to \$71,818,000. Borrowings from the Federal Reserve bank also rose in August, and the monthly average of \$26,694,000 was \$8,334,000 larger than average borrowings in July. The increase in borrowings was more than offset by the increase in excess reserves, however, and free reserves (excess reserves minus borrowings) of member banks in the District rose \$4,929,000 to \$45,124,000.

Although the \$17,998,000 increase in reserve funds was fairly evenly distributed between reserve city banks and country banks, the required reserves of reserve city banks increased \$5,813,000, while required reserves of country banks declined \$1,078,000. Consequently, the improvement in excess reserves occurred at country banks. Reflecting this development and the preponderant share of increased borrowings by reserve city banks, average free reserves of country banks rose \$10,223,000 to \$54,101,000, while net borrowed reserves (borrowings minus excess reserves) of reserve city banks rose \$5,294,000 to \$8,977,000.

Treasury operations and an expansion of local Federal Reserve credit provided the principal reserve gains resulting in the \$8,332,000 addition to member bank reserve balances between August 15 and September 19. Treasury operations contributed \$45,385,000 of reserve funds, while the increase

## CHANGES IN FACTORS AFFECTING MEMBER BANK RESERVE BALANCES

## Eleventh Federal Reserve District

(In thousands of dollars)

<b>GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS</b>						
<b>Eleventh Federal Reserve District</b>						
(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
August 1954...	\$6,992,543	\$1,078,297	\$3,439,030	\$600,994	\$3,553,513	\$477,303
August 1955...	7,144,992	1,276,939	3,480,158	755,284	3,664,834	521,655
April 1956....	7,372,879	1,355,993	3,603,370	766,864	3,769,509	589,129
May 1956....	7,132,519	1,365,058	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
July 1956....	7,271,859	1,380,093	3,579,411	770,067	3,692,448	610,026
August 1956...	7,210,443	1,381,338	3,529,320	764,026	3,681,123	617,312

FACTORS	CHANGE <sup>1</sup>	
	5 weeks ended Sept. 19, 1956	Dec. 28, 1955— Sept. 19, 1956
Federal Reserve credit—local.....	+\$21,690	+\$ 35,475
Interdistrict commercial and financial transactions...	— 62,829	— 810,907
Treasury operations.....	+ 45,385	+ 758,239
Currency transactions.....	+ 2,842	+ 40,696
Other deposits at Federal Reserve Bank.....	+ 535	+ 89
Other Federal Reserve accounts.....	+ 709	+ 12,171
<b>RESERVE BALANCES</b>	<b>+\$ 8,332</b>	<b>+\$ 35,763</b>
September 19, 1956.....	\$982,823	
August 15, 1956.....	\$974,491	

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



## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Sept. 19, 1956	Sept. 21, 1955	Aug. 15, 1956
Total gold certificate reserves.....	\$733,171	\$743,488	\$747,443
Discounts for member banks.....	15,951	52,482	23,345
Other discounts and advances.....	0	1,253	0
U. S. Government securities.....	937,401	944,833	930,714
Total earning assets.....	953,352	998,568	954,059
Member bank reserve deposits.....	982,823	981,492	974,491
Federal Reserve notes in actual circulation.....	710,049	717,115	707,966

in local Federal Reserve credit supplied \$21,690,000. An additional reserve gain of \$2,842,000 resulted from currency transactions, and changes in other deposits at the Federal Reserve bank and other Federal Reserve accounts added \$1,244,000. The only reserve drain during the 5 weeks stemmed from inter-district commercial and financial transactions, as payments exceeded receipts by \$62,829,000.

Reflecting a decline in discounts for member banks which was partially offset by increased holdings of Government securities, earning assets of the Federal Reserve Bank of Dallas declined \$707,000 in the 5 weeks ended September 19. Discounts for member banks decreased \$7,394,000, while holdings of Government securities increased \$6,687,000. At \$733,171,000 on September 19, gold certificate reserves were \$14,272,000 below the amount on August 15 and \$10,317,000 below the year-earlier level. This bank's Federal Reserve notes in actual circulation on September 19 totaled \$710,049,000, or \$7,066,000 below the amount in circulation on September 21, 1955.

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>			
	August 1956	Percentage change from		August 31, 1956	Annual rate of turnover		
		Aug. 1955	July 1956		Aug. 1956	Aug. 1955	July 1956
ARIZONA							
Tucson.....	\$ 150,558	12	-6	\$ 97,059	18.2	17.2	18.8
LOUISIANA							
Monroe.....	62,800	12	2	47,641	15.6	16.3	14.8
Shreveport.....	246,726	0	-2	185,771	15.8	16.1	16.4
NEW MEXICO							
Roswell.....	26,561	-2	-3	26,723	11.9	12.4	12.4
TEXAS							
Abilene.....	74,233	11	0	57,474	15.5	13.7	15.7
Amarillo.....	164,397	4	0	103,149	18.8	17.5	18.2
Austin.....	147,890	7	-9	113,791	15.6	14.2	16.8
Beaumont.....	137,873	10	-1	104,442	15.8	15.4	16.0
Corpus Christi.....	183,008	4	1	110,154	20.2	19.3	20.0
Corpus Christi.....	14,946	-9	-3	21,187	8.5	8.9	8.6
Dallas.....	2,052,930	1	-4	965,559	25.6	25.0	26.2
El Paso.....	248,968	16	8	127,796	23.2	19.8	21.5
Fort Worth.....	680,712	11	-4	371,141	22.0	14.0	22.7
Galveston.....	109,530	33	23	72,748	18.6	14.0	14.9
Houston.....	2,267,235	12	0	1,223,456	22.3	20.5	22.1
Laredo.....	21,221	7	3	18,633	13.6	12.2	13.1
Lubbock.....	117,198	1	3	85,002	16.3	15.1	15.6
Port Arthur.....	58,778	7	6	44,216	16.0	14.6	15.2
San Angelo.....	45,035	5	1	45,731	11.9	11.3	11.9
San Antonio.....	495,191	3	1	349,906	17.0	17.2	17.2
Texarkana.....	18,979	9	-5	17,008	13.6	11.9	14.2
Tyler.....	75,139	5	-1	57,721	15.5	15.1	15.4
Waco.....	89,199	2	4	64,973	16.6	15.8	16.3
Wichita Falls.....	99,939	6	-1	103,300	11.6	10.9	11.6
Total—24 cities.....	\$7,589,046	7	-1	\$4,414,581	20.6	19.6	20.6

<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 \$40,898,000 for the month of August 1956.

## NEW MEMBER BANKS

*The First National Bank in Center, Center, Texas, located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business September 1, 1956, as a conversion of the State Guaranty Bond Bank of Center, Center, Texas. The new member bank has capital of \$50,000, surplus of \$100,000, and undivided profits of \$60,000. The officers are: C. P. Sanders, President; P. D. Jones, Vice President; Ben P. Parker, Loan Officer; B. M. Gewin, Cashier; and Joe L. Jones, Assistant Cashier.*

*The First National Bank of Andrews, Andrews, Texas, located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, opened for business September 4, 1956, as a conversion of the First State Bank, Andrews, Texas. The new member bank has capital of \$200,000, surplus of \$150,000, and undivided profits of \$160,000. The officers are: Jackson E. Parker, President; Raymond H. Bristow, Executive Vice President; Robert M. Barns, Jr., Vice President; Evans C. Holland, Cashier; and F. W. Hoermann, Assistant Cashier.*

## NEW PAR BANKS

*The Hurst State Bank, Hurst, Texas, an insured, non-member 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, September 8, 1956. The officers are: Stuart Lydick, Chairman of the Board; Zach M. Gilliland, President; Jack M. Pearce, Vice President and Cashier; and Richard Taylor, Assistant Cashier.*

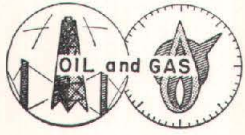
*The San Jacinto State Bank, Pasadena, Texas, an insured, nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, September 14, 1956. The officers are: John A. Campbell, Chairman of the Board; S. R. Jones, Jr., President; James G. Byus, Executive Vice President; and Louis H. McGrede, Vice President and Cashier.*

*The Highlands State Bank, Highlands, Texas, an insured, nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, September 24, 1956. The officers are: Donald R. Lang, Chairman of the Board; Frank S. Woodard, President; Lawrence N. Jacobs, Vice President and Cashier; and Jay Hendrick, Assistant Cashier.*

Bank debits in the District's 24 reporting centers showed mixed changes from July to August. Monthly increases occurred in 10 cities, with Galveston and El Paso reporting the largest gains. Declines occurred in 11 cities. For all 24 reporting centers, bank debits in August declined 1 percent below July but were 7 percent above August 1955. The annual rate of



deposit turnover was 20.6 in August, reflecting no change from July; the rate of deposit turnover in August 1955 was 19.6.



The most significant development in the Nation's petroleum industry during August and early September was the record-high level of refinery activity, resulting primarily from

the need for a seasonal build-up of fuel oil stocks. In order to build up fuel oil stocks, however, a substantial quantity of gasoline is also produced in the refining process. Record production of gasoline, combined with a somewhat disappointing demand, already has created excessive stocks, according to industry sources. Consequently, a number of major companies have announced immediate or forthcoming cutbacks in refinery activity.

Averaging 3,319,900 barrels per day, crude oil production in the District decreased slightly during the first half of September but was 6 percent greater than a year ago. Texas allowables for October production were reduced 75,160 barrels per day, although the number of producing days remained at 15. The Texas Railroad Commission announced that it could raise allowables on short notice by 1,000,000 barrels per day if Suez Canal difficulties interfere with foreign oil receipts. Crude oil production in the Nation during early September, at 7,042,600 barrels per day, was 1 percent below August but was 5 percent above the year-earlier average.

Imports in the 5 weeks ended September 14 averaged 1,396,000 barrels per day, or 6 percent above the previous 5-week period and 27 percent above the comparable period of 1955. As a result of heavy refinery activity and the slight decline in crude oil production, crude stocks decreased during early September. Crude oil stocks on September 15, totaling 275,253,000 barrels, were 1 percent below the September 1 level but 8 percent greater than a year earlier.

Reflecting the seasonal increase in fuel oil stocks, and possibly the Suez Canal situation, crude runs to refinery stills increased during August and early September. District crude runs, at 2,380,000 barrels per day in the first half of September, were 1 percent above August and 11 percent above the average for September 1955. Refinery crude runs in the Nation, at 8,078,000 barrels per day, were 1 percent above

August and 8 percent above September last year. By mid-September, some reductions in refinery activity had become noticeable.

Because of the high level of refinery activity, stocks of the major refined products also rose during August and early September. Stocks of these products totaled 403,860,000 barrels on September 14, or 3 percent above the August 31 level and 7 percent above the level on September 16, 1955. The recent growth in stocks was the result of seasonal inventory gains in distillate and residual fuel oil and kerosene. Gasoline stocks, almost unchanged from August, did not show the usual seasonal decrease. Totalling 175,767,000 barrels on September 14, gasoline stocks were 23,602,000 barrels — or 16 percent — above the level in September 1955. Both distillate and residual fuel oil stocks were 3 percent above the year-earlier levels.

The demand for petroleum products during August and early September was only fair and did not show as great a year-to-year increase as that experienced in earlier months of 1956. The demand for the four major products during the 5 weeks ended September 14 was 3 percent above the previous 5-week period and 5 percent above the comparable period a year ago. The demand for gasoline was up 1 percent from the previous 5-week period and 5 percent from the corresponding period last year. However, gasoline demand was below expectations for the vacation season, and the year-to-year increase was less than in the early months of 1956. Reflecting the resumption of steel production and the resulting increase in railroad and industrial activity, the demand for residual fuel oil was 3 percent above the previous 5-week period although 2 percent below the comparable period in 1955. The demand for distillate fuel oil increased 9 percent from the preceding 5-week period and 13 percent from the year-earlier average.



Nonagricultural employment in the five states lying wholly or partly within the District reached a record high of 4,101,200 workers during August, reflecting an increase of 12,500 over July and a gain of 119,700 from a year earlier. A large increase in manufacturing employment and seasonal increases in other industries accounted for the month-to-month gain.

Manufacturing employment during August was up 9,900 from July to a record level of 767,200 workers, or 24,400 above a year earlier. Settlement of labor-management disputes in primary metals and chemicals manufacturing and expansion in the aircraft industry were major factors contributing to the month-to-month gain. Food-processing employment showed a seasonal decline, and more than 4,000 aluminum workers in Arizona and Texas were reported to be idle during mid-August as a result of work stoppages which ended later in the month.

Unemployment in the District during August reflected a seasonal decline, as job opportunities increased and college

#### CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	August 1956 <sup>1</sup>	August 1955 <sup>2</sup>	July 1956 <sup>1</sup>	Change from	
				August 1955	July 1956
ELEVENTH DISTRICT.....	3,379.1	3,080.5	3,359.0	298.6	20.1
Texas.....	3,025.6	2,737.0	3,002.4	288.6	23.2
Gulf Coast.....	611.9	564.1	611.7	47.8	.2
West Texas.....	1,254.0	1,076.9	1,242.6	177.1	11.4
East Texas (proper).....	210.5	202.7	210.5	7.8	.0
Panhandle.....	100.0	92.4	97.3	7.6	2.7
Rest of State.....	849.2	800.9	840.3	48.3	8.9
Southeastern New Mexico..	231.1	223.5	234.1	7.6	-3.0
Northern Louisiana.....	122.4	120.6	122.5	1.8	-1.1
OUTSIDE ELEVENTH DISTRICT.	3,727.1	3,584.1	3,729.4	143.0	-2.3
UNITED STATES.....	7,106.2	6,664.6	7,088.4	441.6	17.8

SOURCES: <sup>1</sup> Estimated from American Petroleum Institute weekly reports.

<sup>2</sup> United States Bureau of Mines.



## NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change Aug. 1956 from	
	August 1956e	August 1955r	July 1956	Aug. 1955	July 1956
Total nonagricultural wage and salary workers..	4,101,200	3,981,500	4,088,700	3.0	0.3
Manufacturing.....	767,200	742,800	757,300	3.3	1.3
Nonmanufacturing.....	3,337,100	3,238,700	3,331,500	3.0	.2
Mining.....	262,300	251,500	263,400	4.3	—4
Construction.....	297,000	290,800	295,500	2.1	.5
Transportation and public utilities.....	404,500	403,900	403,200	.1	.3
Trade.....	1,047,200	1,019,900	1,044,800	2.7	.2
Finance.....	175,800	167,100	175,400	5.2	.2
Service.....	478,900	466,700	479,100	2.6	—1
Government.....	668,300	638,800	670,000	4.6	—3

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

e—Estimated.

r—Revised.

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

students and other temporary summer workers withdrew from the labor market prior to the reopening of schools. Available data show Texas unemployment during August at 110,200 workers, representing a decrease of 6,100 from July.

Construction contracts awarded in the District during August reflected an upturn of 21 percent from July to reach a total of \$154,120,000, or 11 percent above the level of August 1955. Residential awards, with a 46-percent increase from their low July level and a year-to-year gain of 31 percent, accounted for most of the improvement in total awards. "All other" construction awards increased 8 percent over July and were at the same level as a year earlier.

In the Nation, construction contract awards during August declined 4 percent from July but were 9 percent above the August level last year. Accounting for the month-to-month decline was a 14-percent decrease in "all other" awards, which more than offset a 15-percent rise in residential construction. Compared with a year earlier, residential awards were up 5 percent, and "all other" construction showed a gain of 13 percent.

Cumulative construction awards during the first 8 months of 1956 were 15 percent higher in the District and 8 percent higher in the Nation than in the comparable period last year. "All other" construction—comprising nonresidential building, public works, and public utility construction—has provided most of the gains in total construction thus far in 1956, with year-to-year increases of 21 percent in the District and

13 percent in the Nation. However, residential awards also have contributed to the over-all gain, with increases of 8 percent in the District and 1 percent in the Nation.

On September 20, Government housing agencies announced program changes intended to increase the availability of mortgage credit. The Federal Housing Administration reduced down payment requirements from 7 percent to 5 percent on homes valued at \$9,000 or less, with the change affecting only homes in that price class. The Federal National Mortgage Association reduced the amount of its common stock which mortgage sellers to the association are required to buy. The requirement will be equal to 1 percent of the value of mortgages sold, instead of the 2 percent formerly required. The association announced that, later, it will increase from 92 percent to 94 percent of par value the price it pays on advance commitments to buy Government-backed mortgages. In addition, the Federal Home Loan Bank Board increased the limits of member borrowings from 10 percent to 12.5 percent of a member's capital ownership in the system.

Commercial and manufacturing construction accounted for approximately 60 percent of total nonresidential building awards in the District during the first 8 months of 1956. Contract awards data indicate that the value of commercial and manufacturing construction in Texas was 25 percent higher than in the corresponding period of 1955. Higher costs accounted for part of this increase, and the value of contract awards per square foot of floor area rose 5 percent to an average of \$16.23. Physical volume, represented by total floor area in these awards, showed a year-to-year gain of 19 percent.

The District's importance in light metals production will be increased by the investment of \$11,000,000 to expand primary aluminum capacity 20,000 tons at Point Comfort, Texas. Construction of this project was scheduled to begin last month, and production from the new facilities is expected by January 1958.

## BUILDING PERMITS

Area	8 months 1956							
	August 1956		Percentage change in valuation from				Percentage change in valuation from 8 months 1955	
	Number	Valuation	Aug. 1955	July 1956	Number	Valuation		
ARIZONA								
Tucson.....	376	\$ 2,788,055	45	—11	3,322	\$ 16,503,121	86	
LOUISIANA								
Shreveport....	435	2,073,327	—56	13	3,542	19,555,486	—28	
TEXAS								
Abilene.....	169	1,476,948	—41	—36	1,484	17,169,480	24	
Amarillo.....	259	1,489,211	11	—35	1,854	14,136,558	—12	
Austin.....	288	3,114,877	—13	11	2,125	31,056,467	8	
Beaumont....	290	1,534,157	88	205	2,135	9,579,299	55	
Corpus Christi..	355	996,537	—54	—40	2,706	14,397,049	—37	
Dallas.....	2,053	7,761,196	60	—45	16,882	106,708,089	—14	
El Paso.....	393	2,056,798	13	—18	3,298	19,191,127	—22	
Fort Worth.....	722	6,093,814	49	149	5,400	30,802,215	—25	
Galveston.....	91	166,025	—87	—28	783	3,287,450	—9	
Houston.....	876	14,098,400	60	2	7,396	109,075,121	5	
Lubbock.....	219	1,711,210	—29	4	1,868	15,619,273	—24	
Port Arthur....	203	451,355	—22	—24	1,455	3,387,698	—3	
San Antonio....	1,474	5,352,203	17	37	13,734	44,895,661	10	
Waco.....	343	895,169	—39	0	2,386	10,767,150	—3	
Wichita Falls..	143	617,730	—24	—47	1,181	6,723,934	—24	
Total—17 cities..	8,689	\$52,677,012	—15	—5	71,551	\$472,855,178	—7	

## VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	January—August				
	August 1956p	August 1955	July 1956	1956p	1955
ELEVENTH DISTRICT...	\$ 154,120	\$ 139,063	\$ 127,712	\$ 1,364,729	\$ 1,183,219
Residential.....	62,936	48,186	43,191	572,683	528,968
All other.....	91,184	90,877	84,521	792,046	654,251
UNITED STATES <sup>1</sup> .....	2,068,754	1,894,841	2,148,559	17,416,272	16,130,149
Residential.....	874,233	835,418	757,919	7,330,820	7,231,168
All other.....	1,194,521	1,059,423	1,390,640	10,085,452	8,898,981

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

p—Preliminary.

SOURCE: F. W. Dodge Corporation.



