

BUSINESS REVIEW

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THE YEAR OF GROWTH WITH ADJUSTMENTS

The economy of the Southwest continued to expand in 1956. Near-capacity levels of industrial production and strong pressures from rising plant and equipment expenditures brought new records in employment, construction, income, and credit. This continued growth was a substantial achievement in view of the difficulties and problems of the past year, notably the widespread and persistent drought, industrial adjustments in a few basic industries, and the sharply competitive atmosphere in almost all lines of endeavor. Consumer and business confidence was well sustained throughout the year but was especially strong during the final quarter.

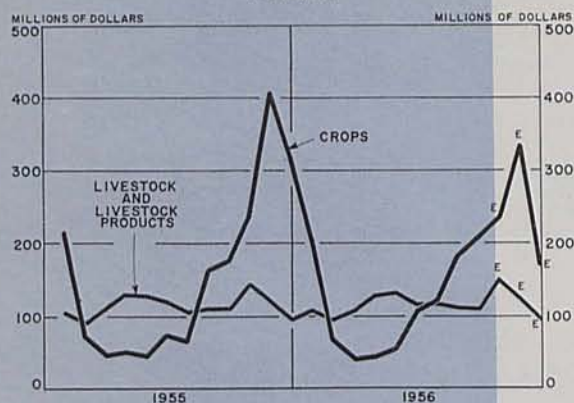
Physical output indicators in a few industries and man-hour data in others suggest that industrial production in the Southwest may have expanded as much as 4 percent during 1956, although changes varied widely among the major industries. Industrial capacity continued to grow, particularly in the petroleum, fabricated metals, machinery, and chemical industries. This expansion was concentrated largely in the major industrialized sections of the District, but in a number of new areas, industrialization increased in importance.

Despite declines in agricultural production, cash farm income was slightly above the year-earlier total, principally because of the larger wheat crop, increased livestock marketings, and a substantial rise in Government payments to farmers. In addition, many farmers were able to supplement their incomes with nonfarm employment during slack times of the year.

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

CASH RECEIPTS FROM FARM MARKETINGS

SOUTHWEST



E—Estimated.
SOURCE: U.S. Department of Agriculture.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

(Averages of monthly figures)

Type of employment	Number of persons		Percentage increase
	1956e	1955	
Total nonagricultural			
wage and salary workers...	4,096,000	3,952,600	3.6
Manufacturing.....	761,000	731,100	4.1
Nonmanufacturing.....	3,335,000	3,221,500	3.5
Mining.....	255,300	245,700	3.9
Construction.....	288,400	274,900	4.9
Transportation and public utilities.....	399,700	396,300	.9
Trade.....	1,049,900	1,017,800	3.2
Finance.....	173,000	164,900	4.9
Service.....	474,900	460,000	3.2
Government.....	693,800	661,900	4.8

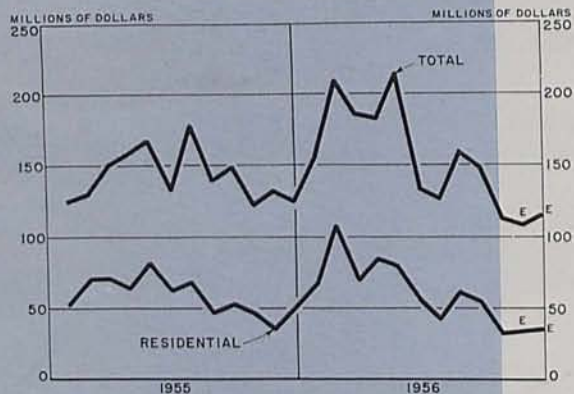
¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

e — Estimated.

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

VALUE OF CONSTRUCTION CONTRACTS AWARDED

ELEVENTH FEDERAL RESERVE DISTRICT



E—Estimated.
SOURCE: F.W. Dodge Corporation.

Production of most major crops in the District, except wheat, registered moderate to heavy declines. The intense, widespread drought and the reductions in acreage allotments — partially offset by the increased acreage under irrigation and timely rains for the wheat crop — were the major factors in the agricultural crop situation in 1956.

The construction industry in the Southwest, as measured by construction contracts awarded, showed marked growth, with the total value of such awards about 8 percent above the 1955 level. This change in dollar volume reflected, in large measure, the rising costs of labor, materials, and credit. In general, residential building continued the downward trend evident in late 1955, while nonresidential construction moved up sharply.

More workers were employed in nonagricultural jobs in the Southwest in 1956 than at any other time; the gain over 1955 in average employment was nearly 150,000, or 4 percent. Increases were evident in almost all major categories, although manufacturing, finance, government, and mining provided the primary upward impetus.

The tightness in the labor markets was reflected in a steady upward movement of wage rates; hourly and weekly earnings continued to grow. Average hourly earnings of Texas manufacturing workers increased nearly 8 percent over 1955. The increase in wage rates and the record level of employment, though modified by a slight decline in the number of hours worked, brought about a sharp expansion in personal incomes.

These factors were of basic significance to the continued high level of consumer purchases in the Southwest. Retail trade was well sustained during 1956, with strength especially evident in the early spring. Retail purchases in certain localities were affected significantly by drought, while unseasonable weather at various times of the year had a marked effect upon total retail trade in the District. Narrowing profit margins, caused by more intense competition (particularly at household durable goods outlets), were another important factor in the over-all picture of retail trade.

Banking and finance in the Southwest led national trends to some extent, particularly early in the year, when strong credit demands pressed against a limited supply of loanable funds. Internal adjustments by banks through lower cash balances, liquidation of investments, and higher borrowings were particularly

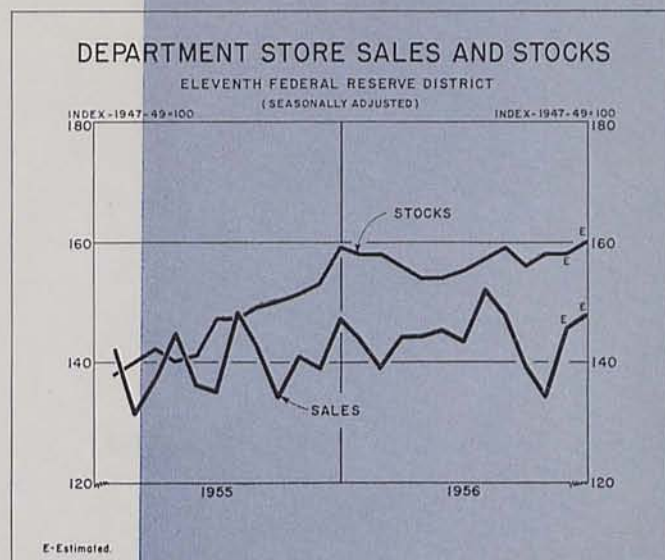
evident in the first half of the year. Some moderation of the loan expansion in the second half of 1956 enabled banks to expand cash and investment positions; but, with only a slight rise in deposits, bank liquidity at the end of 1956 was reduced still further as compared with a year earlier.

Major Economic Contrasts

Probably the most outstanding characteristic of the southwestern economy in 1956—other than its ability to grow despite several adverse conditions—was the evidence of internal balancing in many segments of the economy, fashioned from a number of economic contrasts. Total industrial production showed moderate growth, but declines in particular segments were quite noticeable. As measured by manufacturing employment, the major gains occurred in durable goods industries, led by the transportation equipment, machinery, and fabricated metals categories. Among the nondurables, the strongest growth was reflected in the chemical and printing and publishing industries. Within the transportation equipment section, the decline in automobile assembly—following the national pattern—was more than offset by substantial expansion in aircraft production. Toward the end of the year, seasonal gains at automobile assembly plants brought a new stimulant to this sector.

The employment decline in the lumber and wood products industry reflected primarily the lower level of residential construction. The decrease in apparel and textile products employment generally followed the national trend of an adjustment in the textile industry, induced by declining demand and rising inventories. Toward the end of 1956, there was some evidence of a recovery in textile mill operations in both the Nation and the Southwest, as renewed demand from higher automobile output and improved apparel sales reduced textile inventories to a more balanced position.

In the Southwest's oil industry, new records were established in production, refining, drilling, and marketing. Because international tensions created new demand for southwestern oil products, the industry ended 1956 in an atmosphere of pronounced expansion. During the year, though, the southwestern oil industry faced problems of considerable magnitude. Representative of these problems was the fact that Texas oil allowables were held within a range of 15 to 17 operating days per month, and pipeline prorationing by companies unable to absorb their full share of

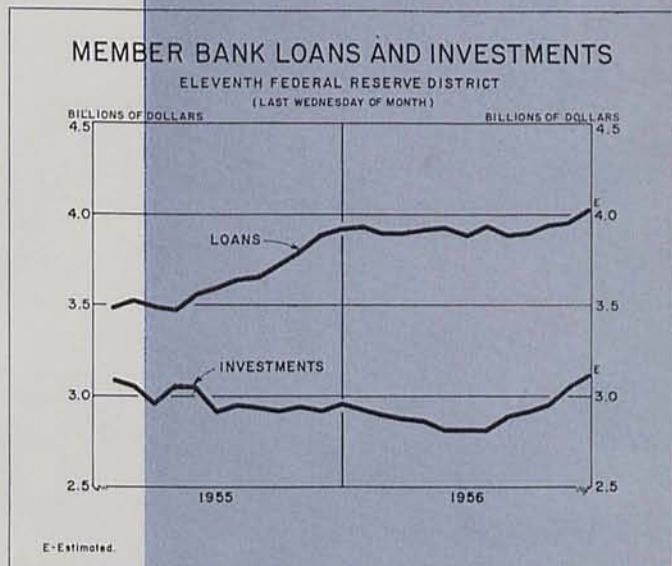


GROSS AVERAGE HOURLY EARNINGS

Texas

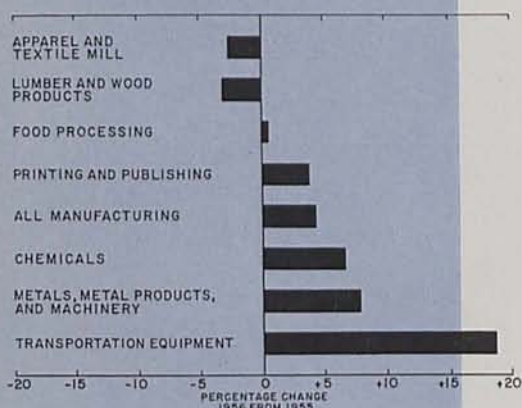
Industry segment	October 1956p	October 1955	Percentage increase
MANUFACTURING.....	\$1.98	\$1.84	7.6
NONMANUFACTURING			
Mining.....	2.31	2.22	4.1
Public utilities.....	1.86	1.76	5.7
Retail trade.....	1.42	1.40	1.4
Wholesale trade.....	1.86	1.75	6.3

p — Preliminary.
SOURCE: Texas Employment Commission.



MANUFACTURING EMPLOYMENT

SOUTHWEST



SOURCE: State employment agencies.

DRILLING STATISTICS

Texas

Item	Jan. 1-Dec. 15, 1956	Comparable period 1955	Percentage increase
Regular drilling applications.....	23,669	23,507	0.7
Oil well completions.....	15,579	14,655	6.3
Wildcats.....	548	396	38.4
Gas well completions.....	1,694	1,165	45.4
Wildcats.....	130	86	51.2
Dry holes.....	7,778	7,059	10.2
Wildcats.....	4,537	3,878	17.0
Wells plugged.....	11,409	9,518	19.9

SOURCE: Texas Railroad Commission.

allowables was common in parts of the region. Although total marketings increased, crude production capacity expanded at an even faster rate because of new well completions. Moreover, rising imports and greater crude capacity in regions not subject to production allowables provided steadily increasing competition in the major markets served by southwestern oil producers.

Thus, excess capacity relative to effective demand became evident in the Southwest. While the Middle East crisis has temporarily relieved this situation, it may return with renewed vigor if large-scale Middle East imports and production are resumed. The rising total of gasoline stocks created a problem in refinery management and, at times, occasioned a curtailment in refinery activity. The international crisis also has brought attention to another problem — the inadequacy of trunk pipeline capacity, especially from the large west Texas and New Mexico fields to the Gulf Coast terminals.

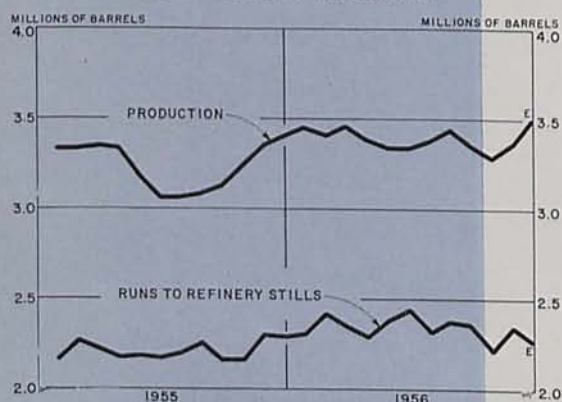
In other types of mining activity — particularly natural gas, potash, copper, and sulfur, record levels of output prevailed in 1956. Production was curtailed in the copper industry in the late spring as inventory accumulation, stemming from slightly reduced demand, and increased capacity occasioned some retrenchment. Natural gas production moved up nearly 10 percent in 1956, partly because many industries and homes converted to natural gas as a primary source of power and heat and partly because industries used more gas to maintain higher levels of activity.

Plant capacity expansion in many lines of industrial activity was more marked in 1956 than in any previous year. The foremost additions were in the chemical, fabricated metals, machinery, petroleum, and rubber industries. Proposed expansions in the aluminum, steel, and electronics industries foreshadow a continuance of this trend. In addition, the development of automation has stimulated demand for new machinery in many industries and has been at least partly responsible for a decline in labor requirements in a few industries, such as lumber and wood products.

The construction industry of the Southwest also reflected counterbalancing influences. Although the value of residential contract awards was nearly 2 percent more than in 1955, unit construction declined sharply. Rising construction costs, a move toward higher-priced homes, and buyers' insistence upon modern and complete furnishings — such as all-electric

CRUDE OIL PRODUCTION AND REFINING

ELEVENTH FEDERAL RESERVE DISTRICT



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

kitchens and air conditioning — largely accounted for the rising value of residential construction awards. The home-building industry of the Southwest, following the national pattern, steadily reduced the number of new starts in 1956, but the value of awards was moderately higher than in 1955. The decline in the number of new housing starts occurred in response to a large overhang in the market, particularly in certain price classes, which developed in the early fall of 1955 and in response to the slightly tighter terms of mortgage loans. Some downward effect may also have stemmed from the competition for funds which faced all borrowers in 1956.

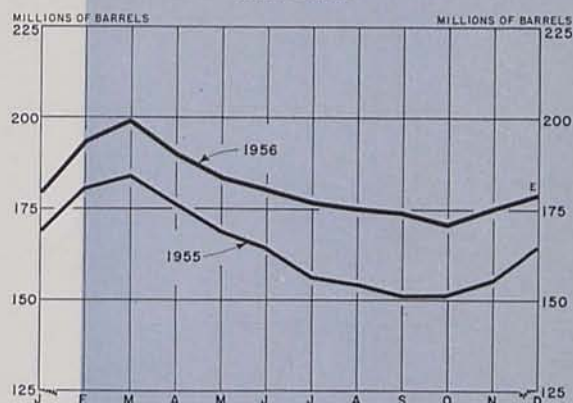
In contrast to the declining trend in residential building, industrial, commercial, and public works construction programs showed marked expansion in 1956. The value of construction awards for these types of building was almost one-fifth above that of the previous year, led by a substantial increase in educational and science buildings awards and in manufacturing buildings awards. The impetus to the industrial construction gain came primarily from rising plant and equipment expenditures. The total floor area of industrial awards rose at a somewhat lower rate than the value of such awards, reflecting substantially higher construction costs during the past year, particularly for structural steel.

The rising wage, employment, and income totals for workers in the Southwest encouraged consumer buying and saving during the year, but the most important feature of the retail trade picture was the shifting of consumer attention from durable goods to nondurables and services. The major retail outlets showing the strongest percentage gains in sales over 1955 were the apparel and drug and proprietary stores and gasoline service stations. The primary losses from a year earlier were shown by furniture, home furnishings, appliance, and automotive establishments. Consumer buying was a sustaining, not an expansive, force in the Southwest during 1956, but marked strength was evident at certain types of retail outlets. The declines in automotive and appliance sales tended to obscure the underlying strength and overshadowed the gains in other segments of retail trade.

Marked contrasts were important in agricultural trends in 1956. Winter wheat production increased more than 130 percent from the low 1955 level, while all the other major crops showed moderate to sharp declines, ranging from 8 percent in cotton production

GASOLINE STOCKS

UNITED STATES



E - Estimated.
SOURCE: American Petroleum Institute.

WHOLESALE PRICE INDEXES

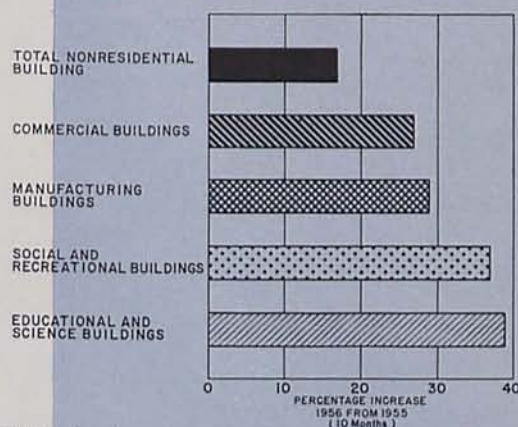
(1947-49 = 100)

Group	November 1956p	November 1955	Percentage increase
All commodities.....	115.9	111.2	4.2
Farm products.....	87.9	84.1	4.5
Processed foods.....	103.6	98.8	4.9
All commodities other than farm and foods.....	124.2	119.4	4.0

p — Preliminary.
SOURCE: United States Department of Labor.

VALUE OF NONRESIDENTIAL CONTRACT AWARDS

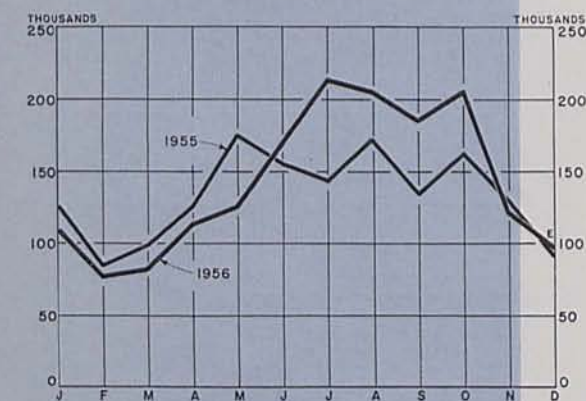
TEXAS



SOURCE: F.W. Dodge Corporation.

CATTLE AND CALF RECEIPTS

MAJOR SOUTHWESTERN LIVESTOCK MARKETS



E - Estimated
SOURCES: Fort Worth Stockyards, Fort Worth, Texas;
Union Stock Yards, San Antonio, Texas.

CROP PRODUCTION

Five Southwestern States¹

(Amounts in thousands)

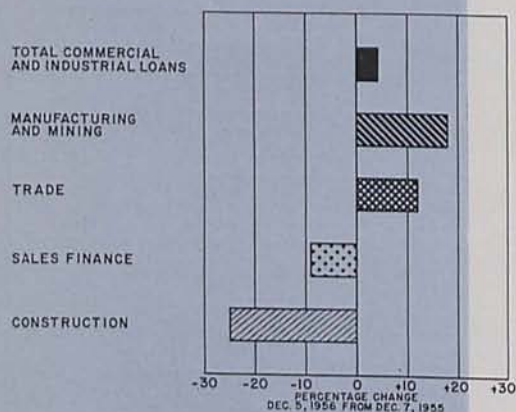
Commodity and unit	1956e	1955	Percentage change
Cotton (bales).....	5,596	6,078	-8
Corn (bushels).....	51,995	77,592	-33
Oats (bushels).....	36,527	40,518	-10
Winter wheat (bushels)...	96,908	41,578	133
Rice (bags).....	22,700	29,368	-23
Sorghum grain (bushels)...	138,289	175,296	-21
Hay (tons).....	4,284	6,215	-31
Peanuts (pounds).....	147,500	374,055	-61

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
e - Estimated.

SOURCE: United States Department of Agriculture.

COMMERCIAL AND INDUSTRIAL LOANS

WEEKLY REPORTING MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT



to 61 percent in the output of peanuts. Acreage allotments were a major factor in reduced crop production, especially in the rice industry, where output declined 23 percent from the previous year. Nevertheless, the intense, widespread drought was the primary depressing influence on crop production this past year. Many crops were severely damaged by the intense heat, and others were unable to reach maturity because of a lack of moisture.

In the livestock industry, marketings were forced steadily higher as range conditions worsened. Toward the end of the year, ranchers faced a full winter feeding season and rising costs of feed. Many ranchers, deciding that it would be uneconomical to feed the cattle throughout the winter, substantially reduced or sold out their foundation herds. Cash farm income was slightly higher as increased cattle marketings, a larger wheat crop, and higher Government payments offset declines in crop production.

Finally, many segments within the banking industry offered substantial contrasts during 1956. The major trends in banking and finance were linked directly to rising demands for funds, particularly for more working capital, inventory accumulation, and capital expenditures. Loan expansion was not as marked as in 1955, but, considering the reduced liquidity of banks in early 1956, the expansion was substantial. Some of the loan demand during 1956 arose from the use of intermediate-term bank credit as a temporary substitute for security issues.

Total loans at the end of 1956 were moderately above those of the previous year, with the greatest gain occurring at the reserve city banks. However, within the loan total, there were marked differences from the previous year. One major change was a substantial decline in loans outstanding to sales finance companies. In general, these loans were repaid from the proceeds of new capital security issues floated in the summer and early fall. The decline in construction loans was fostered by bank lending policies which encouraged builders to maintain a closer construction and sales relationship. Thus, by building fewer houses at any one time, builders needed less credit. A significantly lower rate of growth in "all other" loans—principally consumer loans—stemmed from the rise in repayments, which limited the increase in outstandings, and from the reduced needs for automobile financing.

In contrast, manufacturing and mining categories generally showed greater loan expansion, particularly

companies engaged in metal and metal products, transportation, and "all other" manufacturing. Most of the increase in credit extensions to metal companies was a result of intense demand for raw materials, both to sustain current production and for inventory accumulation, especially in the first half of the year.

The increase in loans at District banks was most pronounced in the early part of the year but moderated from June through October. Toward the close of the year, mainly seasonal requirements were being accommodated. Since deposits moved up only slightly until late 1956, member banks had to make substantial adjustments in their assets to provide for the loan expansion. To meet new credit demands, banks continued their liquidation of Government securities, made a more effective use of cash and balances, and borrowed from other banks. The major portion of these adjustments took place at the reserve city banks, where loan demand was most pronounced and widespread.

As the expansive forces in the economy gained strength and virtually all of the Nation's available resources were utilized, inflationary pressures became increasingly important. To moderate the forces that might lead to economic instability and to hold the growth in the economy to a sustainable rate, monetary policy gradually moved toward greater restriction. Strong demands for credit at times when the supply of loanable funds was limited brought higher rates of interest. The market rise in such rates was followed by increases in the discount rates of the Reserve banks. Furthermore, the reserves supplied by the Federal Reserve System were limited to the amount deemed necessary for seasonal requirements and for sustainable growth in the economy.

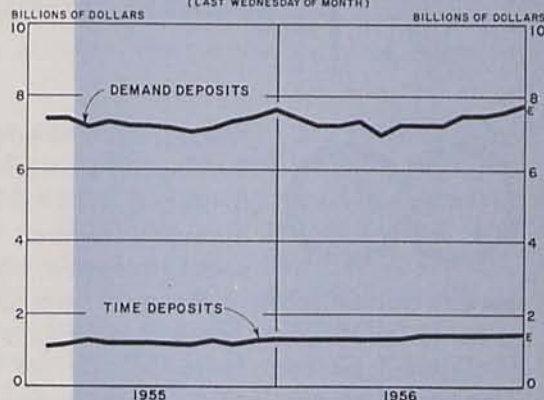
Summary

Apparently, 1956 was a prosperous year in the Southwest. Rolling adjustments in certain industries were offset by the basic strength of the southwestern economy with its rapid growth in industrialization, population, and income. However, another year of drought could mean serious difficulties in meeting water requirements of all users.

The problem of rising costs and prices is likely to prevail again in 1957, particularly in view of the wage boosts recently given to workers whose contracts are tied to the cost of living. Nevertheless, it does not appear likely that these problems will stifle the growth of this area.

DEPOSITS OF MEMBER BANKS

ELEVENTH FEDERAL RESERVE DISTRICT
(LAST WEDNESDAY OF MONTH)



E-Estimated.

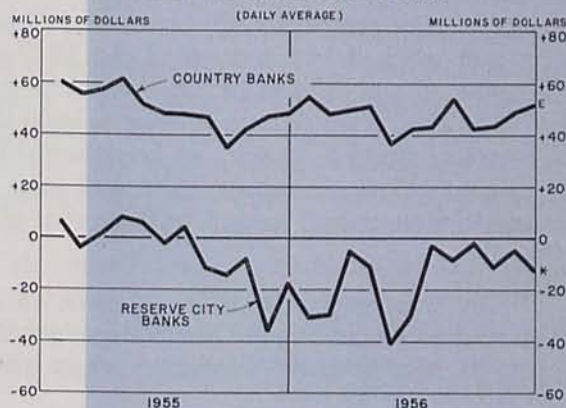
HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES BY WEEKLY REPORTING MEMBER BANKS

Eleventh Federal Reserve District
(In thousands of dollars)

Type of security	Dec. 19, 1956	June 20, 1956	Dec. 21, 1955
Treasury bills.....	\$ 107,879	\$ 24,817	\$ 68,384
Treasury certificates of indebtedness.....	61,973	40,825	49,393
Treasury notes.....	210,064	226,971	243,901
United States Government bonds.....	805,616	809,517	824,584
Total United States Government securities..	\$1,185,532	\$1,102,130	\$1,186,262

MEMBER BANK FREE RESERVES

ELEVENTH FEDERAL RESERVE DISTRICT



M-Through Dec. 12, 1956.
E-Estimated.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Nonagricultural employment in the District states increased to a record 4,184,800 workers during November, with a seasonal increase in trade employment providing most of the gain from October. The value of construction contract awards in the District declined 4 percent from October to November, despite a 4-percent upturn in residential awards.

The Middle East crisis resulted in a sharp increase in foreign demand for southwestern crude oil during November and December. Consequently, District crude oil production rose substantially, and crude stocks were reduced.

Sales at District department stores in November increased 9 percent over the lower than seasonal level of October and were 5 percent over November a year earlier. Late reports indicate that Christmas

buying at such stores may approximate the record Christmas trade of 1955. Sales at furniture stores in the District during November decreased 4 percent from October but were 5 percent above November 1955.

Mid-December rains in the eastern third of the District materially boosted prospects for small grains, but range feed conditions remain poor. Production of winter vegetables in Texas for 1957 is estimated to be 38 percent below output in 1956. Orange production in the District states is estimated at 16 percent above the 1955-56 season, and grapefruit production is about a third larger.

Deposit expansion, investment liquidation, and additions to cash accounts were the primary features of the activity at weekly reporting member banks during the 4 weeks ended December 19. Member banks gained reserves during November, and free reserves increased.



In the 4 weeks ended December 22, sales at District department stores were about the same as those during the comparable period a year earlier, indicating that pre-Christmas sales may equal or exceed the record Christmas trade of 1955.

During November, department store sales increased approximately 9 percent over the lower than seasonal level of October and 5 percent over November a year earlier. The seasonally adjusted index of sales for the month reached 146 percent of the 1947-49 average, compared with 134 in October and 139 in November 1955. The recent pattern of sales in individual departments continued, as sales of home furnishings were 3 percent below November 1955 and sales in the soft goods departments were 1 to 3 percent above a year earlier.

The year-to-year margin of gain in installment accounts outstanding at District department stores narrowed steadily until November, when it remained at

the October level of 1 percent. Charge accounts rose seasonally during November, increasing 10 percent over the preceding month end and 3 percent over a year ago.

Inventories at department stores at the end of November were up 1 percent from a month earlier and 3 percent from the comparable date in 1955. Orders outstanding on November 30 were 8 percent more than at the close of October but were 1 percent below those at the end of November 1955.

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

Area	SALES (Daily average)							
	Unadjusted				Seasonally adjusted			
	Nov. 1956	Oct. 1956	Sept. 1956	Nov. 1955	Nov. 1956	Oct. 1956	Sept. 1956	Nov. 1955
Eleventh District.....	166	142	139	158r	146	134	139	139r
Dallas.....	153	129	132	151r	133	121	125	131r
Houston.....	178	155	155	175	156	151	152	154
Area	STOCKS (End of month)							
	Nov. 1956	Oct. 1956	Sept. 1956	Nov. 1955	Nov. 1956	Oct. 1956	Sept. 1956	Nov. 1955
Eleventh District.....	175p	174	166	170r	157p	158	156	153r

r—Revised.
p—Preliminary.

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES			STOCKS (End of month)	
	Nov. 1956 from		11 mos. 1956 comp. with 11 mos. 1955	Nov. 1956 from	
	Oct. 1956	Nov. 1955		Oct. 1956	Nov. 1955
DEPARTMENT STORES					
Total Eleventh District.....	9	5	4	1	3
Corpus Christi.....	14	17	7	6	1
Dallas.....	10	1	1	1	-5
El Paso.....	5	15	5	-3	8
Fort Worth.....	10	6	6	-1	9
Houston.....	6	1	5	-2	4
San Antonio.....	4	3	0	2	0
Shreveport, La.....	22	10	3	5	14
Waco.....	-2	1	4	0	6
Other cities.....	13	14	7	2	10
FURNITURE STORES					
Total Eleventh District.....	-4	5	2	-5	-3
Amarillo.....	-8	-25	—	-1	0
Austin.....	10	-7	-3	-2	12
Dallas.....	1	-5	-19	1	-19
Houston.....	-12	8	10	-14	-9
Lubbock.....	49	34	—	—	—
San Antonio.....	0	-1	-4	0	-3
Shreveport, La.....	7	13	11	4	9
Wichita Falls.....	9	15	—	3	1
Other cities.....	10	7	2	-5	-2
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	-9	0	—	—	—
Dallas.....	2	-2	—	—	—



A fast-moving cold front in mid-December provided the most rainfall in the eastern third of the District since early November. Very heavy rains in the

Coastal Bend and upper coastal areas of Texas extended generally westward to the eastern edge of the Edwards Plateau and the Low Rolling Plains. Small amounts occurred at scattered locations in the Trans-Pecos, but the High Plains of Texas and New Mexico received little or no moisture.

Low temperatures in late November damaged tender vegetables in most of south Texas. Hardy-type vegetables received little injury, and shipments of cabbage, cauliflower, carrots, and lettuce are moving in volume from irrigated areas. Production of winter vegetables in Texas for the 1957 season is estimated, as of

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State and crop	Indicated 1956-57	1955-56	1954-55	Average of 10 seasons ended 1945-54
ARIZONA				
Oranges.....	1,300	1,150	1,130	1,022
Grapefruit.....	3,000	2,370	2,470	2,991
LOUISIANA				
Oranges.....	115	195	175	238
TEXAS				
Oranges.....	2,000	1,600	1,500	2,656
Grapefruit.....	3,000	2,200	2,500	10,000

SOURCE: United States Department of Agriculture.

December 1, 1956, to be 38 percent below the 1956 output and 16 percent below the 1949-55 average. Drought and a shortage of irrigation water are primarily responsible for the light outturn indicated this winter, since growers were unable to plant intended acreages.

Citrus trees in the Lower Valley also escaped damage from the low temperatures, but blooms and young fruit on other kinds of trees were frostbitten. Based on conditions as of December 1, 1956, the orange crop in the District states is estimated at 3,415,000 boxes, or 16 percent above a year earlier, and grapefruit production is expected to reach 6,000,000 boxes, or about one-third larger than in 1955.

The December rains will stimulate the development of small grains, winter grasses, and weeds in the eastern third of the District and should provide much-needed forage for livestock. Soaking rains are needed in the High Plains before dry-land wheat will provide grazing. Little grass is available over most of the western range areas of the District, and stock are being maintained on hay and range pellets. As of December 1, 1956, range feed conditions were the worst for this time of year since the 1934 drought. The condition of livestock was poorer than both a year ago and the long-time average.



Deposit expansion, investment liquidation, and additions to cash balances were prominent features of the activity at District weekly reporting banks during the 4 weeks ended December 19. The growth in deposits, confined to demand balances, occurred largely in the accounts of banks and individuals and businesses, as these accounts recorded the advances which customarily accompany the year end.

Investment liquidation during the 4 weeks amounted to \$47,523,000 and extended to all investment categories except United States Government bonds. Holdings of Treasury bills, certificates of indebtedness, and notes showed the largest declines. Loan expansion during the 4 weeks was modest and was considerably below the increase in loans during the comparable period in 1955. Loans to finance securities transactions and "all other" loans — primarily consumer loans — showed continued strength, while other loan categories declined. Loan expansion represented only a small portion of the proceeds from investment liqui-

CONDITION STATISTICS OF WEEKLY REPORTING
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 19, 1956	Nov. 21, 1956	Dec. 21, 1955
ASSETS			
Commercial, industrial, and agricultural loans...	\$1,531,328	\$1,535,711	\$1,601,916
Commercial and industrial loans ¹	1,502,596	1,506,045	—
Agricultural loans ¹	28,732	29,666	—
Loans to brokers and dealers in securities.....	37,725	29,883	20,052
Other loans for purchasing or carrying securities.....	147,221	142,884	115,858
Real-estate loans.....	204,917	216,808	213,694
Loans to banks.....	774	899	6,840
All other loans.....	595,045	589,603	539,467
Gross loans.....	2,517,010	2,515,788	2,497,827
Less reserves and unallocated charge-offs..	36,437	35,904	25,517
Net loans.....	2,480,573	2,479,884	2,472,310
U. S. Treasury bills.....	107,879	126,464	68,384
U. S. Treasury certificates of indebtedness.....	61,973	76,568	49,393
U. S. Treasury notes.....	210,064	225,283	243,901
U. S. Government bonds (inc. gtd. obligations)...	805,616	798,390	824,584
Other securities.....	239,318	245,668	244,037
Total investments.....	1,424,850	1,472,373	1,430,299
Cash items in process of collection.....	472,631	423,460	450,740
Balances with banks in the United States.....	535,597	474,871	500,915
Balances with banks in foreign countries.....	1,812	1,444	2,049
Currency and coin.....	51,104	47,050	52,136
Reserves with Federal Reserve Bank.....	599,526	593,738	573,538
Other assets.....	192,598	181,181	141,234
TOTAL ASSETS.....	5,758,691	5,674,001	5,623,221
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,898,462	2,848,652	2,927,857
United States Government.....	112,123	186,124	88,086
States and political subdivisions.....	165,545	166,537	172,179
Banks in the United States.....	1,025,296	956,556	996,673
Banks in foreign countries.....	17,574	19,565	16,606
Certified and officers' checks, etc.....	75,239	55,145	64,730
Total demand deposits.....	4,294,239	4,232,579	4,266,131
Time deposits			
Individuals, partnerships, and corporations....	721,889	727,141	707,087
United States Government.....	12,390	12,240	12,074
Postal savings.....	452	452	452
States and political subdivisions.....	131,305	130,532	147,307
Banks in the U. S. and foreign countries.....	6,955	7,005	2,025
Total time deposits.....	872,991	877,370	868,945
Total deposits.....	5,167,230	5,109,949	5,135,076
Bills payable, rediscounts, etc.....	38,500	23,950	12,450
All other liabilities.....	116,516	103,884	68,289
Total capital accounts.....	436,445	436,218	407,406
TOTAL LIABILITIES AND CAPITAL.....	5,758,691	5,674,001	5,623,221

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

dation and deposit growth, and banks were able to make substantial additions to their cash accounts.

Member bank reserve balances showed a small increase between November 21 and December 19, reflecting primarily an expansion of float and an excess of receipts over payments in connection with inter-district commercial and financial transactions. Reserve gains from these sources were largely offset, however, by Treasury operations and seasonal withdrawals of currency. On a monthly average basis, reserve balances showed a significant increase in November. Required reserves also rose, reflecting both seasonal deposit gains and a growth in Government deposits resulting

from credits to Tax and Loan Accounts in payment for a special issue of Treasury bills at midmonth. The growth in reserve balances exceeded the increase in required reserves; consequently, excess reserves increased, and average borrowings from the Federal Reserve Bank were reduced. Net borrowed reserves of reserve city banks declined to \$5,702,000, while free reserves of country banks increased to \$49,203,000.

Earning assets of the Federal Reserve Bank of Dallas rose \$36,949,000 in the 4 weeks ended December 19, reflecting increases in both Government securities owned and discounts and advances. The increase in holdings of Government securities was related to System purchases to provide reserve funds for seasonal needs. A decline in gold certificate reserves during the period also partially reflected System purchases in the open market. The increase in Federal Reserve notes in actual circulation, a seasonal occurrence, amounted to \$9,393,000 in the 4 weeks ended December 19.

MEMBER BANK RESERVE BALANCES AND CHANGES IN RELATED FACTORS

Eleventh Federal Reserve District

(In thousands of dollars)

Factor	CHANGE ¹	
	4 weeks ended Dec. 19, 1956	Dec. 28, 1955— Dec. 19, 1956
Federal Reserve credit—local.....	+\$40,345	+\$ 55,066
Interdistrict commercial and financial transactions.....	+ 29,843	— 928,987
Treasury operations.....	— 63,205	+ 898,881
Currency transactions.....	— 5,270	+ 37,943
Other deposits at Federal Reserve Bank.....	+ 87	— 2,380
Other Federal Reserve accounts.....	+ 203	+ 15,974
Net change.....	+\$ 2,003	+\$ 76,497
	Dec. 19, 1956	Nov. 21, 1956
RESERVE BALANCES.....	\$1,023,557	\$1,021,554

¹ Sign of change indicates effect on reserve balances.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	November 1956	October 1956	November 1955
RESERVE CITY BANKS			
Reserve balances.....	\$ 573,442	\$ 558,009	\$ 563,352
Required reserves.....	562,239	549,668	558,110
Excess reserves.....	11,203	8,341	5,242
Borrowings.....	16,905	20,184	41,472
Free reserves.....	—5,702	—11,843	—36,230
COUNTRY BANKS			
Reserve balances.....	459,280	446,876	455,353
Required reserves.....	408,377	400,366	403,238
Excess reserves.....	50,903	46,510	52,115
Borrowings.....	1,700	3,303	5,271
Free reserves.....	49,203	43,207	46,844
MEMBER BANKS			
Reserve balances.....	1,032,722	1,004,885	1,018,705
Required reserves.....	970,616	950,034	961,348
Excess reserves.....	62,106	54,851	57,357
Borrowings.....	18,605	23,487	46,743
Free reserves.....	43,501	31,364	10,614



The sharp increase in foreign demand for District crude oil, caused by disruption of normal supplies from the Middle East, continued during December.

Shipments of crude oil from the Gulf Coast during November are estimated to have averaged 400,000 barrels per day above normal; 300,000 barrels daily were shipped to Europe and 100,000 barrels per day, to the East Coast as replacement for declining Middle Eastern imports.

On November 30, the United States Government activated its emergency oil plan for Europe. The plan provides for an increase of 500,000 barrels daily in shipments of crude oil from the Gulf Coast to Europe by the end of December and also provides for increased shipments of 300,000 barrels daily from the Gulf Coast to the East Coast.

Increased demand for District crude oil has resulted in larger production and upward revisions in state allowables. Crude oil production in the District averaged 3,430,000 barrels per day during the first half of December, or 2 percent above the November average. New Mexico allowables for January production were increased 8,000 barrels per day over December. Louisiana increased January allowables by 3,500 barrels per day, primarily because of new wells being brought into production. At the Texas Railroad Commission hearings, nominations by purchasers were 240,000 barrels above December, but the commission deferred action on allowables until after Christmas.

As a result of increased foreign demand, crude stocks — at 273,617,000 barrels on December 8 — declined 9,214,000 barrels from the November 3 level. European demand for heating oils and seasonal domestic demand caused stocks of the major refined products to decrease 15,673,000 barrels, or 4 percent, from the end of November to a level of 392,210,000 barrels in mid-December. Gasoline stocks, however, were unaffected by foreign demand and showed a slight seasonal increase.



The District states' nonagricultural employment during November reached a record 4,184,800, which is 13,500 above October and reflects gains in all

categories except construction and services. The major increase was in seasonal trade employment.

Stimulated by increases in aircraft manufacture, automobile assembly, and food processing, manufacturing employment rose 4,000 to a new record. The average weekly hours in Texas manufacturing industries declined slightly from 41.5 in October to 41.3 in November, compared with 42.0 a year earlier. Unemployment in Texas increased seasonally to 109,800 in November, compared with 104,200 in October and 97,400 in November 1955.

District construction contract awards declined further by 4 percent from October to November, although residential awards turned up 4 percent. Awards for "all other" categories decreased 7 percent from October and 24 percent from a year earlier, mainly because of the unusually large value of manufacturing building awards during November 1955. Despite the downturn in recent months, contract awards for the 11 months ended November 30 point to new annual records for both residential and "all other" construction. In the Nation, construction contract awards during November reflected a continuation of the decline begun during the summer, as residential awards declined 5 percent from the previous month.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	November 1956p	October 1956	November 1955	January—November	
				1956p	1955
ELEVENTH DISTRICT...	\$ 108,446	\$ 112,888	\$ 134,056	\$ 1,739,261	\$ 1,589,839
Residential.....	33,921	32,552	36,113	693,692	664,037
All other.....	74,525	80,336	97,943	1,045,569	925,802
UNITED STATES ¹	1,689,261	1,706,406	1,796,787	22,836,733	21,824,523
Residential.....	624,713	656,464	725,712	9,375,814	9,474,053
All other.....	1,064,548	1,049,942	1,071,075	13,460,919	12,350,470

¹ 37 states east of the Rocky Mountains.

p—Preliminary.

SOURCE: F. W. Dodge Corporation.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Nov. 1956 from	
	November 1956e	October 1956	November 1955r	Oct. 1956	Nov. 1955
Total nonagricultural	4,184,800	4,171,300	4,050,500	0.3	3.3
wage and salary workers..	777,200	773,200	757,100	.5	2.7
Manufacturing.....	3,407,600	3,398,100	3,293,400	.3	3.5
Nonmanufacturing.....	253,800	252,500	248,600	.5	2.1
Mining.....	301,400	304,000	280,200	-.9	7.6
Construction.....	402,000	401,500	402,900	.1	-.2
Transportation and public utilities.....	1,078,000	1,068,500	1,048,200	.9	2.8
Trade.....	175,900	175,800	167,300	.1	5.1
Finance.....	482,900	484,200	467,500	-.3	3.3
Service.....	713,600	711,600	678,700	.3	5.1
Government.....					

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

e—Estimated.

r—Revised.

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

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

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts ¹			Demand deposits ¹		
	November 1956	Percentage change from		November 30, 1956	Annual rate of turnover	
		Oct. 1956	Nov. 1955		Nov. 1956	Oct. 1955
ARIZONA						
Tucson.....	\$ 161,021	-4	17	\$ 100,714	19.6	20.5
LOUISIANA						
Monroe.....	67,435	-2	8	52,838	15.6	16.3
Shreveport.....	241,416	-7	2	196,523	15.1	16.7
NEW MEXICO						
Roswell.....	30,831	-10	1	30,048	12.5	14.8
TEXAS						
Abilene.....	70,835	-12	-3	61,681	14.2	16.4
Amarillo.....	169,833	-3	7	108,201	19.0	19.9
Austin.....	141,895	-12	9	109,144	15.2	17.0
Beaumont.....	144,376	-3	10	110,136	15.8	16.9
Corpus Christi.....	169,019	-3	6	115,984	18.1	19.2
Corsicana.....	14,307	-13	-5	22,231	7.9	9.1
Dallas.....	2,158,976	-3	5	973,602	26.6	27.1
El Paso.....	278,324	2	15	143,700	24.2	24.7
Fort Worth.....	653,694	-9	9	380,407	20.9	23.2
Galveston.....	113,253	16	45	72,495	18.5	15.8
Houston.....	2,260,695	-6	14	1,211,911	22.4	23.6
Laredo.....	21,928	-1	8	20,196	13.2	13.8
Lubbock.....	181,274	0	14	105,501	21.2	23.2
Port Arthur.....	57,724	-1	8	45,616	15.5	16.0
San Angelo.....	44,450	-8	2	46,738	11.5	12.6
San Antonio.....	481,981	-2	8	359,688	16.2	17.0
Texarkana.....	18,406	-9	-5	17,166	13.3	15.0
Tyler.....	75,022	-2	7	61,671	14.6	15.4
Waco.....	85,578	-7	-1	67,597	15.2	16.7
Wichita Falls.....	94,440	-5	-7	102,993	11.2	11.8
Total—24 cities.....	\$7,736,713	-4	9	\$4,516,781	20.8	21.8

¹ Deposits of individuals, partnerships, and corporations and of states and political sub divisions.

² 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 \$39,560,000 for the month of November 1956.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Dec. 19, 1956	Nov. 21, 1956	Dec. 21, 1955
Total gold certificate reserves.....	\$ 757,136	\$ 792,498	\$753,396
Discounts for member banks.....	24,500	8,700	14,565
Other discounts and advances.....	1,377	102	0
U. S. Government securities.....	976,436	956,562	976,635
Total earning assets.....	1,002,313	965,364	991,200
Member bank reserve deposits.....	1,023,557	1,021,554	996,260
Federal Reserve notes in actual circulation.....	726,556	717,163	730,102

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	Change from				
	November 1956 ¹	October 1956 ¹	November 1955 ²	October 1956	November 1955
ELEVENTH DISTRICT.....	3,368.1	3,292.7	3,352.9	75.4	15.2
Texas.....	3,002.1	2,932.1	2,996.7	70.0	5.4
Gulf Coast.....	597.2	584.5	627.9	12.7	-30.7
West Texas.....	1,273.5	1,221.3	1,196.0	52.2	77.5
East Texas (proper).....	208.1	202.1	219.1	6.0	-11.0
Panhandle.....	105.1	102.3	94.7	2.8	10.4
Rest of State.....	818.2	821.9	859.0	-3.7	-40.8
Southeastern New Mexico.....	240.0	240.5	232.7	-2.5	7.3
Northern Louisiana.....	126.0	120.1	123.5	5.9	2.5
OUTSIDE ELEVENTH DISTRICT.....	3,755.9	3,704.5	3,660.6	51.4	95.3
UNITED STATES.....	7,124.0	6,997.2	7,013.5	126.8	110.5

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

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Nov. 28, 1956	Oct. 31, 1956	Nov. 30, 1955
ASSETS			
Loans and discounts.....	\$3,964	\$3,949	\$3,892
United States Government obligations.....	2,455	2,357	2,345
Other securities.....	612	605	570
Reserves with Federal Reserve Bank.....	1,011	945	969
Cash in vault.....	137	149	148
Balances with banks in the United States.....	1,077	1,088	1,009
Balances with banks in foreign countries.....	2	2	2
Cash items in process of collection.....	437	447	414
Other assets.....	246	231	199
TOTAL ASSETS.....	9,941	9,773	9,548
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,114	1,122	1,002
Other demand deposits.....	6,525	6,376	6,381
Time deposits.....	1,390	1,387	1,287
Total deposits.....	9,029	8,885	8,670
Borrowings.....	37	38	96
Other liabilities.....	119	102	82
Total capital accounts.....	756	748	700
TOTAL LIABILITIES AND CAPITAL.....	9,941	9,773	9,548

e—Estimated.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1954: Nov.....	\$7,464	\$3,650	\$3,814	\$1,127	\$635	\$492
1955: Nov.....	7,410	3,587	3,823	1,275	747	528
1956: July.....	7,272	3,579	3,693	1,380	770	610
Aug.....	7,210	3,529	3,681	1,381	764	617
Sept.....	7,389	3,642	3,747	1,389	765	624
Oct.....	7,405	3,613	3,792	1,386	763	623
Nov.....	7,587	3,668	3,919	1,392	762	630

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	Percentage change					
	NUMBER		Nov. 1956 from		11 mos. 1956 comp. with 11 mos. 1955	
	Nov. 1956	11 mos. 1956	Nov. 1956	11 months 1956	Oct. 1956	Nov. 1955
ARIZONA						
Tucson.....	283	4,308	\$ 2,464	\$ 22,933	-18	305
LOUISIANA						
Shreveport....	377	4,770	966	25,121	-70	-57
TEXAS						
Abilene.....	63	1,807	1,641	21,344	8	16
Amarillo.....	155	2,441	968	17,974	-31	-15
Austin.....	202	2,826	1,875	43,043	-61	-21
Beaumont.....	298	3,139	1,159	15,119	-55	164
Corpus Christi.....	252	3,633	1,113	18,685	-50	-6
Dallas.....	1,702	22,426	8,573	133,011	22	-20
El Paso.....	240	4,412	2,233	26,221	-23	-8
Fort Worth.....	499	7,059	9,188	46,939	182	204
Galveston.....	83	1,081	127	4,292	-9	-69
Houston.....	633	9,565	10,718	142,897	-9	30
Lubbock.....	162	2,438	1,308	22,177	-63	-22
Port Arthur.....	173	2,010	320	4,817	-43	-5
San Antonio.....	1,246	18,055	3,092	55,823	-27	-26
Waco.....	221	3,185	867	16,089	-59	-27
Wichita Falls.....	109	1,592	778	8,873	-7	-38
Total—17 cities.....	6,698	94,747	\$47,390	\$625,358	-14	12