



# BUSINESS REVIEW

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## DISTRICT AREAS OF INDUSTRIAL GROWTH

The industrialization of the Southwest has had a significant influence on the economy of the region, but this development has not been shared equally by all areas. Manufacturing has tended to concentrate in particular areas and in a relatively few centers within these areas, although new pockets of industry have emerged and shown rapid development. This pattern of growth has resulted in shifts in income and population and in the over-all economic structure of the region.

The basis for the upsurge of modern industrial growth in most areas of the Southwest has been the presence of large supplies of raw materials — agricultural, forest, and mineral. Rising national demands, spurred by wartime needs for the products of oil and other raw materials, stimulated the growth of raw material-oriented industries. These developments, in turn, provided expanding markets for a wide range of local manufacturing activities to serve the needs of the basic industries. General post-war economic growth and the related expansion of local and regional consumer markets have provided other increasingly important incentives to industrialization in many areas.

The main exception to the pattern has been the growth of the aircraft industry since 1940. In this case, availability of production and testing sites, a suitable climate, a large supply of labor, the Government's dispersal policy, and wartime demands were more important in determining location than the availability of raw materials.

**FEDERAL RESERVE BANK OF DALLAS**  
**DALLAS, TEXAS**

The dominance in the Southwest of chemical, food, petroleum, and transportation equipment manufacturing demonstrates the importance of raw material supplies and aircraft manufacture to the region's industrial development. Also, large parts of the high-ranking machinery and metals industries serve the needs of the raw material-oriented and aircraft industries. With the exception of food processing and petroleum refining, these leading industries have also been the fastest growing in the postwar period.

Total value added by manufacture in the five southwestern states of Arizona, Louisiana, New Mexico, Oklahoma, and Texas nearly doubled between 1947 and 1954, reaching almost \$5.6 billion — or about 5 percent of the national total. Over the same period, manufacturing employment increased one-third to a total of almost 676,000 workers. Since 1954, factory employment has risen another 12 percent, bringing the total gain for the decade to nearly 50 percent. Manufacturing employment now accounts for 18 percent of total nonagricultural employment in the Southwest and an even higher proportion of wages and salaries. The Eleventh Federal Reserve District accounts for approximately two-thirds of the industry of the five states, and its industrial growth has been at a faster pace.

### Industrial Areas

The four major areas of industrial production in the District may be defined roughly as the Houston Gulf Coast Area, the Dallas-Fort Worth and Central Texas Area, the Northeast Texas-North Louisiana

Area, and the San Antonio and South Gulf Coast Area. In addition, widely dispersed industrial concentrations in western sections of the District — including Hutchinson County (Texas), El Paso, and Tucson — contribute a significant share of industrial output. Reflecting the degree to which manufacturing is concentrated within a few centers, three metropolitan areas — Houston, Dallas, and Fort Worth — provided nearly one-half of all value added by manufacture in the District during 1954. Other ranking industrial centers are Beaumont-Port Arthur, Galveston, Brazoria County, and San Antonio, which, together, contributed another 17 percent. The areas of industrial concentration and growth were determined mainly with reference to the value added by manufacture as reported by the 1954 Census of Manufactures.

The growth in manufacturing value since World War II has been most pronounced in the Dallas-Fort Worth and Central Texas Area and the Houston Gulf Coast Area, representing a trend toward continued concentration in already heavily industrialized areas. Although small concentrations of industry in the other areas have shown spectacular development, the over-all rate of growth in each of them — Northeast Texas-North Louisiana, the San Antonio and South Gulf Coast Area, and the western sections — has been below the District average.

### Houston Gulf Coast Area

Houston is the nucleus of one of the largest aggregations of industry in the Southwest. Its metropolitan area alone accounts for nearly one-fourth the total

VALUE ADDED BY MANUFACTURE, 1954 AND 1947  
BY MAJOR INDUSTRIAL CENTERS

Eleventh Federal Reserve District

General area and metropolitan area or county	Value added by manufacture (In thousands of dollars)		Percentage change
	1954	1947	
<b>HOUSTON GULF COAST</b>			
Houston area.....	\$869,021	\$384,718	126
Beaumont-Port Arthur area.....	222,802	177,508	26
Galveston area.....	156,569	71,361	119
Brazoria County.....	147,257	(1)	—
Orange County.....	76,285	16,598	360
<b>DALLAS-FORT WORTH AND CENTRAL TEXAS</b>			
Dallas area.....	508,271	238,839	113
Fort Worth area.....	368,152	146,501	151
Waco area.....	62,764	32,621	92
<b>NORTHEAST TEXAS-NORTH LOUISIANA</b>			
Shreveport area.....	65,453	36,311	80
Ouachita Parish (Monroe area).....	51,540	25,646	101
Webster Parish (Minden area).....	50,038	(1)	—
<b>SAN ANTONIO AND SOUTH GULF COAST</b>			
San Antonio area.....	111,139	68,931	61
Corpus Christi area.....	71,593	41,599	72
<b>WESTERN SECTIONS</b>			
Hutchinson County.....	54,057	69,171	-22
El Paso area.....	51,252	35,175	46

<sup>1</sup> Withheld to avoid disclosing figures for individual companies.  
SOURCE: United States Bureau of the Census.

VALUE ADDED BY MANUFACTURE, 1954 AND 1947  
BY SMALLER INDUSTRIAL CONCENTRATIONS

Eleventh Federal Reserve District

Metropolitan area or county (city area) <sup>1</sup>	Value added by manufacture (In thousands of dollars)		Percentage increase
	1954	1947	
Milam County (Cameron, Rockdale) <sup>2</sup> .....	\$15,391	\$ 503	2,960
Morris County (Daingerfield) <sup>3</sup> .....	18,384	1,089	1,588
Tucson area <sup>4</sup> .....	37,438	6,015	522
Taylor County (Abilene) <sup>1</sup> .....	20,753	5,068	310
Ector County (Odessa) <sup>1</sup> .....	11,145	3,114	258
Nolan County (Sweetwater) <sup>1</sup> .....	18,563	5,404	244
Moore County (Dumas) <sup>1</sup> .....	24,929	7,436	235
Bell County (Temple) <sup>2</sup> .....	10,927	3,742	192
Lamar County (Paris) <sup>2</sup> .....	13,608	4,743	187
Lubbock area <sup>4</sup> .....	22,902	8,558	168
Bowie County (Texarkana) <sup>3</sup> .....	21,793	8,719	150
Gray County (Pampa) <sup>1</sup> .....	13,611	5,900	131
Harrison County (Marshall) <sup>3</sup> .....	17,587	7,977	121
Hunt County (Greenville) <sup>2</sup> .....	10,489	4,778	120
Smith County (Tyler) <sup>3</sup> .....	23,664	11,676	103

<sup>1</sup> With a 1954 value added of over \$10 million but less than \$50 million and showing an increase of 100 percent or more from 1947 to 1954.

<sup>2</sup> In Dallas-Fort Worth and Central Texas Area.

<sup>3</sup> In Northeast Texas-North Louisiana Area.

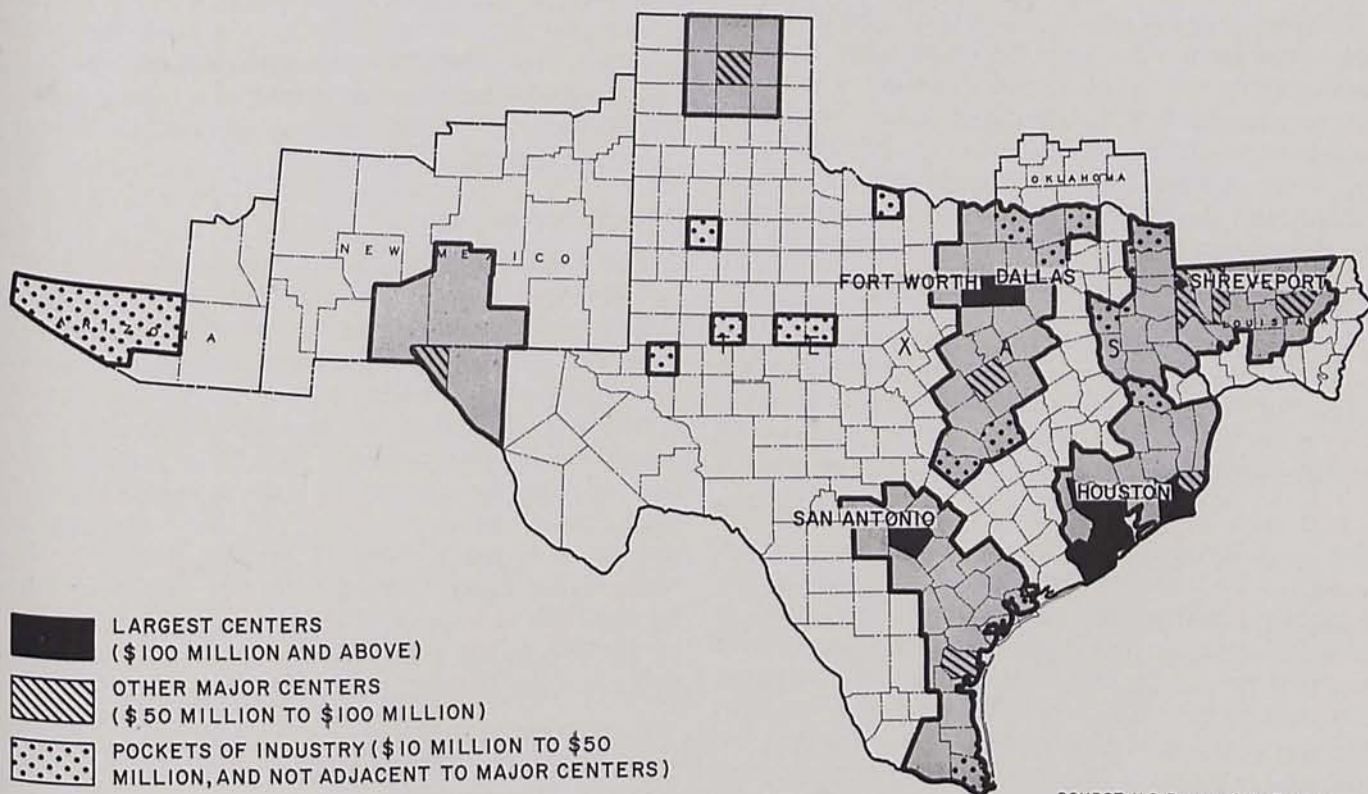
<sup>4</sup> In western sections.

SOURCE: United States Bureau of the Census.

# INDUSTRIAL AREAS

## BASED ON VALUE ADDED BY MANUFACTURE, 1954

### ELEVENTH FEDERAL RESERVE DISTRICT



SOURCE: U.S. Bureau of the Census.

value added by manufacture in the District. The major industrial centers of Galveston and Brazoria County adjoin the Houston metropolitan area, and the important industrial areas of Beaumont-Port Arthur and Orange County are only a short distance to the east. A small pocket of industry around Lufkin, in Angelina County, might also be considered a part of the general area. Sixteen industrial counties within this area accounted for more than 40 percent of the value added by manufacture in the District during 1954 and had about 30 percent of the manufacturing employees.

From 1947 to 1954, manufacturing value added in the area showed a strong gain relative to employment, reflecting rapid expansion of the chemical industry with its high value added per worker. The growth in total manufacturing value added was approximately the same as for the region — or about 100 percent, while manufacturing employment increased only about one-fourth, compared with a gain of around 36 percent in

the District. Scattered data for early 1957 indicate that the area, especially Houston, has shown an accelerated growth in manufacturing employment since 1954.

The present dominant position, as well as continued industrial growth, of the Houston Gulf Coast is founded, to a large extent, on the events of earlier periods, such as the discovery of oil at Spindletop (near Beaumont) in 1901, the opening of the Houston Ship Channel during World War I, and the expansion of defense-related industries during World War II.

The dominant factors which attracted industry to this area are readily apparent — raw materials and coastal location. These provided the basis for the important petroleum refining and chemical industries. The expansion of steel, metal products, and machinery manufacturing was largely to meet the needs of the two major resource-oriented industries. Primary steel capacity at Houston is now over 1,250,000 tons per year, or nearly two-thirds of the District total, and

further expansion to meet oil country steel requirements is projected. The lumber, pulp, and paper industries — important to the inland counties of this area — were attracted by the pine timber of east Texas.

The processing of crude materials and the manufacture of producer goods are the outstanding types of manufacturing in the area; yet, there is considerable diversity. In addition to the major industries already mentioned, manufacturing activities include shipbuilding, wheat and rice milling, freezing and canning of seafood, and the production of cement, synthetic rubber, magnesium, tin, and many other products.

#### **Dallas-Fort Worth and Central Texas Area**

The 120-percent gain in manufacturing value added from 1947 to 1954 in 26 industrial counties in the Dallas-Fort Worth and Waco area was well above the average for the District. An even larger gain — 125 percent — was registered in the three major centers.

This area, although including more counties and urban population than the Houston Gulf Coast Area, accounted for a smaller value added by manufacture, or slightly less than one-third of the District total, in 1954. However, its share of manufacturing employment surpassed that of the other area, amounting to about 35 percent of the District total. The metropolitan areas of Dallas and Fort Worth, together, comprise the principal concentration of industrial employment, accounting for 121,000 factory workers in 1954, or 27 percent of the District total.

Waco, the industrial center of central Texas, is the next most important manufacturing concentration in this area. Smaller concentrations are Denison, Sherman, Greenville, and Paris to the northeast of Dallas, and Austin and Temple on the southern fringes of the area.

Since the nineteenth century, Dallas and Fort Worth have been trade centers to a wide regional market, have had well-developed rail and highway networks, and have provided agricultural processing and other services. However, the main stimuli to industrial growth in the two centers stemmed from the discovery of the East Texas Oil Field in 1931 and the establishment of aircraft industries in their immediate areas during World War II.

Aircraft manufacturing accounted for 28 percent of factory employment in Dallas and nearly 45 percent in Fort Worth by 1954; these proportions have increased since then. Other important industrial products of the two cities are construction, mining, and special indus-

trial machinery; apparel; paints and other chemical products; products of the printing and publishing industry; structural metal products; automobiles; processed foods; and electrical equipment. Within the general area, there is also important production of aluminum, rubber tires, missile fuels, lumber and wood products, furniture, and paper. The main type of manufacturing, with the major exception of aircraft and related activities, is light, diversified industry oriented to a wide consumer market.

#### **Other Industrial Areas**

The Northeast Texas-North Louisiana Area, a long-settled region with an economy based largely on agriculture and timber, began to industrialize with the advent of its major oil developments about 25 years ago. This industrialization gained momentum during World War II, and in the postwar period, 1947-54, manufacturing employment within 25 industrial counties scattered throughout the area showed a gain of more than 40 percent — or slightly above the District average — to reach about 11 percent of the District total. Value added showed a smaller gain than that for the District because of the different characteristics of manufacturing and, by 1954, was only about 8 percent of the District total.

The larger manufacturing concentrations are in Louisiana in the vicinities of Shreveport, Monroe, and Minden. Concentrations in Texas are at Longview, Marshall, Tyler, and Texarkana. The major industries are lumber and wood products, pulp and paper, furniture, petroleum refining, clay products, ordnance, and primary metals. One of the District's major steelworks is near Daingerfield, Texas, and important foundries are located at Tyler.

The San Antonio and South Gulf Coast Area includes the major centers of San Antonio and Corpus Christi and smaller pockets of manufacturing in Calhoun, San Patricio, and Cameron Counties. San Antonio is the seventh-ranking manufacturing center in the District in terms of the value added. It has a large number of manufacturing workers relative to the value added, because of the type of principal industries — food, apparel, stone and clay products, fabricated metals, lumber and wood products, and machinery. A lithium hydroxide plant at San Antonio is a recent significant addition to the area's light metals industry. Important in other parts of the area are chemical production, petroleum refining, and metal (aluminum and magnesium) production.

In addition to the major industrial areas, there are a number of scattered industrial concentrations to the west. In terms of the net value of output, the major centers are Hutchinson County (in the Texas Panhandle) and El Paso. Next in the net value of output at the time of the 1954 census was the metropolitan area of Tucson, Arizona. An area of industrial concentrations in west Texas includes the cities of Abilene, Sweetwater, Big Spring, and Odessa; and small, isolated pockets of industry are located at Wichita Falls and Lubbock.

Industrialization in much of the Texas portion of this western area is related to the development of local oil and gas resources. The major industries in Hutchinson County, along with petroleum refining, are those producing carbon black, synthetic rubber chemicals, and oil field equipment. Major sources of helium gas production are nearby. Large expansions of refineries and chemical plants have been started in the past 2 years in Hutchinson County and at Abilene, Big Spring, Odessa, and El Paso.

El Paso is a trade center for a wide western region. Its diversified industry includes the manufacture of apparel, food processing, copper refining, printing and publishing, petroleum refining, and the production of building materials.

Tucson is one of the most rapidly growing centers in the District. Its value added by manufacture increased from \$6 million in 1947 to nearly \$37.5 million in 1954, reflecting a gain of more than 500 percent, to make it the sixteenth-ranking industrial center of the District. Available data indicate that its manufacturing employment has approximately doubled since 1954. The aircraft and electronics industries account for much of this growth. Other key industrial activities of the Tucson-Pima County Area are the production of cement and other construction materials, copper mining, the manufacture of chemical and allied products, and the production of a diversified group of consumer products for the Arizona market.

In a number of other locations in Arizona and New Mexico, metals and potash mining and related manufacturing and military activities — including atomic energy and missiles work — are important industrial activities.

Taken together, all of these widely scattered western areas were below the District average in the expansion of manufacturing value added from 1947 to 1954 but showed a greater gain — more than 50 percent — in

manufacturing employment. By 1954, the western areas' manufacturing value added was 9 percent of the District total, and their factory employment amounted to nearly 8 percent.

### Summary and Conclusion

Access to the abundant raw materials of the region has been, historically, a dominant factor of industrial location in most areas of the District, but the influence of the defense industries — aircraft and electronics — and expanding consumer markets have increased in importance. The resource-oriented industries of the Houston Gulf Coast Area continue to make it the most industrialized section of the District, but aircraft and related industries have provided the Dallas-Fort Worth and Central Texas Area with the most rapid postwar gain.

Generally, there has been increasing concentration of industry within the older and more important areas. During the postwar period, however, there has been less tendency toward concentration in the major centers. The total share of District manufacturing value added in the 12 most important centers showed little change from 1947 to 1954, with strong gains in a few of the larger centers — Houston, Galveston, Dallas, and Fort Worth — being offset by below-average gains in others.

As a group, the smaller pockets of industry have shown the most rapid growth. Striking gains have occurred in the aircraft and chemical centers of the western areas, and new centers of primary metals production have emerged in central and northeast Texas.

Outside the major centers and the smaller pockets of industry, there generally has been below-average growth in manufacturing value added. However, in the fringe counties of major centers, expansion of manufacturing employment has been about on a par with the District average. Lower costs and nearness to markets account for the continued industrial growth of these fringe areas. Over-all industrial growth in the remainder of the counties outside the major centers and pockets of industry has been practically at a standstill during the postwar period, but new manufacturing plants in a number of these counties have been of considerable importance to the local economies. Expansion potentials exist for many of the less-industrialized small cities and rural areas within the region, especially those nearer major centers.

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## EARNINGS AND EXPENSES OF COMMERCIAL BANK TRUST DEPARTMENTS, 1956

One aspect of District banking activity which has received relatively little attention is the rapid growth of commercial bank trust departments. Total income from commissions and fees of member bank trust departments has increased steadily in the postwar period, rising from \$1,309,000 in 1945 to \$6,169,000 in 1956. The increase from 1955 to 1956 was almost 7 percent.

In order to develop useful data in the area of trust operations, the Federal Reserve Bank of Dallas has completed a study of the 1956 earnings and expenses of member bank trust departments. Data for this study were provided by 31 trust departments, which received \$5,248,291 in income from commissions and fees in 1956, or 85 percent of total member bank trust department income in the District. Eleven of these trust departments received commissions and fees of more than \$100,000, while the remaining 20 had smaller incomes. Eight banks in each size group conducted profitable trust operations. Three of the larger trust departments and 12 of the smaller departments showed net losses before adjustment for credits allowed on funds deposited with the commercial banking department. The following table shows the distribution of income, expenses as a percentage of trust income, and net earnings or losses before income taxes of the trust departments, grouped by income size.

### DISTRIBUTION OF INCOME AND RELATED ITEMS FOR COMMERCIAL BANK TRUST DEPARTMENTS, 1956

Eleventh Federal Reserve District  
(Percentage of total commissions and fees)

Item	31 banks with total commissions and fees of:	
	Under \$100,000	Over \$100,000
Number of banks	20	11
Commissions and fees from:		
Estates	17.8	21.0
Trusts	58.4	43.6
Pension and profit-sharing trusts	2.9	7.1
Agencies	20.9	28.3
Total income	100.0	100.0
Total expenses	112.7	94.6
Trust department net earnings (+) or losses (-) before income taxes	-12.7	+5.4
Allowed credits for deposits	20.7	13.0
Trust department net earnings (+) or losses (-), adjusted for deposit credits	+8.0	+18.4
Memorandum figures		
Average rate allowed as deposit credit (percent) <sup>1</sup>	2.1	2.0
Number of banks allowing deposit credits	9	7
Amount of total commissions and fees	\$773,386	\$4,474,905

<sup>1</sup> Based on reported rates only; excludes banks which do not allow a credit for deposits.  
NOTE: The ratios are derived from aggregate dollar totals, not averages of individual bank ratios.

While the item "net earnings or losses before income taxes" provides a measure of the profitability of trust operations, it does not reflect accurately the contribution of trust departments to the earning power of the reporting banks. In recognition of this fact, a number of the banks allowed the trust department a credit for funds deposited with the commercial banking department. Of the 31 banks reporting in the study, 16 allowed deposit credits to the trust department. Rates ranged from three-fourths of 1 percent to 3 percent, averaging 2.1 percent. In addition to attracting deposits, a number of trust departments also perform for the parent banks stock transfer and related functions and services pertaining to administration of the banks' pension and/or profit-sharing plans, for which no income is received.

The table below reflects the distribution of trust department expenses at the reporting commercial banks, grouped by size of trust department income from commissions and fees. In both of the size groups, expenses for salaries and wages of officers and employees accounted for slightly more than three-fifths of total expenses.

### DISTRIBUTION OF EXPENSES AND RELATED ITEMS FOR COMMERCIAL BANK TRUST DEPARTMENTS, 1956

Eleventh Federal Reserve District

(Percentage of total expenses)

Item	31 banks with total commissions and fees of:	
	Under \$100,000	Over \$100,000
Number of banks	20	11
Expenses		
Salaries and wages		
Officers	32.4	27.0
Employees	27.8	34.4
Pensions and retirements	2.8	5.0
Personnel insurance	.6	.9
Other expenses related to salaries	1.3	1.5
Occupancy of quarters	4.4	6.2
Furniture and equipment	1.5	2.8
Stationery, supplies, and postage	2.8	4.1
Telephone and telegraph	1.2	.8
Advertising	2.9	1.8
Directors' and trust committee fees	1.5	.4
Legal and professional fees	1.2	.5
Periodicals and investment services	1.0	.8
Examinations	.7	.4
Other direct expenses	3.5	3.3
Total direct expenses	85.6	89.9
Overhead	14.4	10.1
Total expenses	100.0	100.0
Related items		
Amount of total expenses	\$871,538	\$4,232,320
Average number of officers	1.5	9.4
Average number of employees	3.3	38.7

NOTE: The ratios are derived from aggregate dollar totals, not averages of individual bank ratios.

# BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS

Demand for petroleum and its products in May and early June continued to decline from the high levels reached earlier in the year. Domestic crude oil



production and refinery operations during the first part of June were curtailed to bring supplies in closer alignment with demand, and a further cut of 390,000 barrels per day in Texas production allowables has been ordered for July.

On a seasonally adjusted basis, department store sales in the Eleventh District increased more than is usual from April to May, but the May level was slightly under that of a year ago.

Nonagricultural employment in the District states increased less than the usual seasonal amount from April to May, reflecting chiefly an employment lag in construction, manufacturing, and mining.

The value of construction contracts awarded in the District states in April was down 31 percent from the high March total and 12 percent from April 1956, with nonresidential awards accounting for most of the month-to-month decline.

Crop development is later than usual, and farm work is behind schedule as a result of adverse weather. Cotton harvest has begun in early counties. Estimated wheat production in the District states is about the same as output in 1956. The condition of range and pasture feed generally is favorable, except in far western areas.

The earning assets of weekly reporting member banks in the District increased substantially during the 5 weeks ended June 19. Deposits rose by a much larger amount, enabling the banks to make a sizable addition to their cash assets.

Consumer buying at Eleventh District department stores during May, on an unadjusted basis, was 2 percent less than in the same month a year ago; the unusually



poor shopping weather that persisted throughout a considerable part of the month was a major factor in the decline. The adjusted sales index, which makes allowances for both seasonal variations and trading day differences, increased from 135 in April to 141 in May. In the first 5 months of 1957, sales were 2 percent under those in the same period last year.

ture and bedding, 4 percent. Housewares sales were up 14 percent. Compared with the previous month, there were increases in most of the departments, as expected. However, because of the heavy Easter sales during April, May sales of women's and misses' accessories and apparel showed the usual declines.

Instalment accounts outstanding at the District's department stores declined slightly in May and continued under the level of a year earlier. Collections

Department store sales during May varied considerably among the individual departments, although total sales showed little change from May a year ago. The most favorable showing was registered by sales of women's and misses' coats and suits, with a margin of 20 percent over a year earlier. Sales of women's and misses' dresses increased 1 percent, but sales of men's and boys' wear were down 3 percent from May 1956. Among the homefurnishings departments, sales of radios and television sets gained 15 percent, and furni-

## DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	May 1957 from		5 mos. 1957 comp. with 5 mos. 1956	May 1957 from	
	April 1957	May 1956		April 1957	May 1956
Total Eleventh District.....	10	-2	-2	-4	2
Corpus Christi.....	3	-4	-1	-4	5
Dallas.....	11	0	-1	-5	1
El Paso.....	1	3	3	-6	4
Fort Worth.....	6	0	2	-4	5
Houston.....	15	-7	-5	-1	2
San Antonio.....	14	1	-2	-4	2
Shreveport, La.....	3	-8	-8	-7	-6
Waco.....	26	1	-5	1	0
Other cities.....	6	-2	-2	-4	4

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	SALES (Daily average)							
	Unadjusted				Seasonally adjusted			
	May 1957	April 1957	Mar. 1957	May 1956	May 1957	April 1957	Mar. 1957	May 1956
Eleventh District.....	140	132	124	143	141	135	143	144
Dallas.....	127	119	114	126r	128	125	128	127r
Houston.....	152	138	135	164	155	141	156	168
	STOCKS (End of month)							
Eleventh District.....	159p	165	162	155	158p	157	156	154

r—Revised.  
p—Preliminary.

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	May 1957 from		5 mos. 1957 comp. with 5 mos. 1956
	April 1957	May 1956	
<b>FURNITURE STORES</b>			
Total Eleventh District.....	16	0	4
Amarillo.....	-19	-2	-
Austin.....	40	12	4
Dallas.....	15	-8	-10
Houston.....	7	-9	8
Lubbock.....	19	-18	21
San Antonio.....	39	11	9
Shreveport, La.....	22	10	-12
Wichita Falls.....	-22	-18	-
Other cities.....	13	5	1
<b>HOUSEHOLD APPLIANCE STORES</b>			
Total Eleventh District.....	4	-9	-
Dallas.....	15	-5	-

on instalment accounts were estimated at 16 percent of balances outstanding on the first of the month, or the same as in April but 2 points higher than a year ago. Charge accounts rose seasonally during May and at the end of the month were 3 percent above the April level; balances were up 1 percent from May 1956. The May charge account collection ratio, estimated at 46 percent, was practically the same as in both the previous month and May last year.

Department store inventories declined seasonally during May; at the end of the month, they were down 4 percent from a month earlier but were 2 percent above those at the end of May 1956. For the fourth consecutive month, merchandise on order was more than on the comparable date in 1956, the total at the end of May being 7 percent higher than a year ago.

New car registrations in four large Texas cities — Dallas, Fort Worth, Houston, and San Antonio — amounted to about 57,000 during the first 5 months of 1957, compared with 52,000 in the same period of 1956. Sales of new cars in the four cities during May were down 4 percent from April but were up 6 percent from a year earlier.



Thunderstorms and hail during the past month continued to delay agricultural activities in many sections of the District, particularly in the High Plains and northern areas of Texas. Between rains and as soils dried, farmers rushed planting, cultivating, combining, and haymaking.

The ginning of the first bale of 1957-crop cotton in the Lower Valley of Texas on June 12 opened the cotton harvesting season. In this section and the Coastal Bend, cotton prospects are favorable, although insect control measures are being intensified to protect the heavily fruiting plants. The crop is late throughout most of the northern Blacklands, east Texas, and the Low Rolling Plains; and hot, dry weather is needed to promote development. Cotton planting is well advanced in the High Plains, despite setbacks caused by hail and heavy rains in some areas. In irrigated sections of Arizona and New Mexico, warmer temperatures have resulted in favorable progress of the crop.

Wheat combining is virtually complete from the Low Rolling Plains of Texas eastward, although many oat fields had to be salvaged as hay or by grazing. Wheat harvest is well advanced in the Southern High Plains and is under way in northern counties. Production of 1957-crop winter wheat in the District states is indicated, as of June 1, at 98,258,000 bushels, or slightly below the month-earlier forecast but 1 percent larger than the output in 1956. In the Nation, winter wheat prospects improved during May, and production is indicated, as of June 1, at 735,720,000 bushels — or 5 percent higher than a month ago and about the same as the 1956 output.

Grain sorghums are being harvested in the Lower Valley of Texas and in portions of the Coastal Bend. Early planted sorghums in central Texas are making good development, and much of the crop has been seeded in northwestern sections of the District. Peanut planting is almost complete in the Cross Timbers and north Texas, and the rice crop has been seeded in coastal areas, with early plantings up to a good stand.

Summer range and pasture feed is furnishing good grazing in most eastern sections of the District. In some areas, heavy weed growth is competing with more desirable forage species, and the weeds are becoming tough and unpalatable for livestock. Green feed remains inadequate in the Trans-Pecos area of Texas and southern parts of Arizona and New Mexico. Feed conditions



**CASH RECEIPTS FROM FARM MARKETINGS**  
Five Southwestern States and United States  
(Dollar amounts in thousands)

Area	January-March		Percentage change
	1957	1956	
Arizona.....	\$ 92,932	\$ 88,826	5
Louisiana.....	60,707	65,533	-7
New Mexico.....	31,816	32,893	-3
Oklahoma.....	91,322	88,045	4
Texas.....	326,865	342,254	-4
Total.....	\$ 603,642	\$ 617,551	-2
United States.....	\$ 6,428,669	\$ 6,251,573	3

SOURCE: United States Department of Agriculture.

in all range states of the District as of June 1 were substantially better than a year earlier and were equal to or better than the 1946-55 average for June 1.

The index of prices received by Texas farmers and ranchers as of May 15 was 268 percent of the 1910-14 average — the highest level since February 1955. Farm product prices at mid-May were almost 2 percent higher than a month earlier and were 6 percent above a year ago.



Eleventh District weekly reporting member banks gained \$73.5 million in deposits and \$12.9 million from borrowings during the 5 weeks ended June 19. In

addition, \$11.6 million was received from loan liquidation. The banks built up both investment accounts and cash balances by about \$50 million.

The repayment of loans resulted mainly from the \$16.4 million reduction in interbank borrowing. Commercial and industrial borrowers repaid \$2.5 million of their bank debt, although there was a sizable increase in the week ended June 19. All other loans — largely consumer loans — advanced \$5 million during the 5 weeks, with smaller gains reported in real-estate, securities, and agricultural credits.

Treasury bill holdings rose \$34.5 million, because of large District awards of the Tax Anticipation bill issued in May, and the portfolios of other securities rose \$20.7 million during the period. The banks disposed of \$7.6 million of Treasury notes and \$2.5 million of United States Government bonds but added \$4.3 million to holdings of certificates.

Demand deposits held by the District's weekly reporting banks rose \$62.2 million, reflecting chiefly a build-up in the balances of individuals, partnerships, and corporations. State and local governments withdrew \$24.3 million and certified and officers' checks out-

**CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES**  
Eleventh Federal Reserve District  
(In thousands of dollars)

Item	June 19, 1957	May 15, 1957	June 20, 1956
<b>ASSETS</b>			
Commercial and industrial loans.....	\$1,456,368	\$1,458,927	\$1,501,479
Agricultural loans.....	23,335	22,726	28,682
Loans to brokers and dealers in securities.....	24,012	24,054	23,112
Other loans for purchasing or carrying securities.....	150,333	149,658	131,404
Real-estate loans.....	192,643	191,535	202,757
Loans to banks.....	5,730	22,111	12,165
All other loans.....	606,016	601,044	580,272
Gross loans.....	2,458,437	2,470,055	2,479,871
Less reserves and unallocated charge-offs..	42,253	42,333	32,242
Net loans.....	2,416,184	2,427,722	2,447,629
U. S. Treasury bills.....	106,505	71,942	24,817
U. S. Treasury certificates of indebtedness.....	124,613	120,338	40,825
U. S. Treasury notes.....	171,275	178,845	226,971
U. S. Government bonds (inc. gtd. obligations)...	816,106	818,658	809,517
Other securities.....	277,700	256,963	237,185
Total investments.....	1,496,199	1,446,746	1,339,315
Cash items in process of collection.....	439,440	442,566	402,698
Balances with banks in the United States.....	466,254	472,398	489,840
Balances with banks in foreign countries.....	1,680	1,861	1,601
Currency and coin.....	47,309	45,520	46,369
Reserves with Federal Reserve Bank.....	591,317	533,144	541,684
Other assets.....	150,358	157,082	131,269
<b>TOTAL ASSETS.....</b>	<b>5,608,741</b>	<b>5,527,039</b>	<b>5,400,405</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Demand deposits</b>			
Individuals, partnerships, and corporations....	2,846,557	2,783,993	2,824,982
United States Government.....	95,597	84,440	97,571
States and political subdivisions.....	178,250	202,614	162,753
Banks in the United States.....	882,094	858,721	843,979
Banks in foreign countries.....	17,852	18,332	15,192
Certified and officers' checks, etc.....	65,550	75,551	59,121
Total demand deposits.....	4,085,900	4,023,651	4,003,598
<b>Time deposits</b>			
Individuals, partnerships, and corporations....	790,073	782,149	723,455
United States Government.....	12,420	12,420	12,146
Postal savings.....	421	421	452
States and political subdivisions.....	169,815	166,486	136,396
Banks in the U. S. and foreign countries.....	7,225	7,198	2,405
Total time deposits.....	979,954	968,674	874,854
Total deposits.....	5,065,854	4,992,325	4,878,452
Bills payable, rediscounts, etc.....	34,500	21,600	53,700
All other liabilities.....	62,194	69,681	49,411
Total capital accounts.....	446,193	443,433	418,842
<b>TOTAL LIABILITIES AND CAPITAL.....</b>	<b>5,608,741</b>	<b>5,527,039</b>	<b>5,400,405</b>

standing declined \$10 million, but these drains were offset by additions to United States Government accounts and interbank balances. Time accounts increased \$11.3 million, with individuals and businesses contributing nearly \$8 million of the expansion. The banks experienced a deposit drain in the corresponding weeks of 1956 and reduced loans and investments.

Daily average free reserves of Eleventh District member banks during May declined \$12.7 million to a level of \$27.9 million. The decline in free reserves (excess reserves less borrowings from the Reserve Bank) occurred as member banks stepped up their borrowings to \$25.2 million while excess reserves decreased slightly. From April to May, daily average

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	June 19, 1957	May 15, 1957	June 20, 1956
Total gold certificate reserves.....	\$770,288	\$704,270	\$711,449
Discounts for member banks.....	28,700	10,450	41,270
Other discounts and advances.....	0	1,300	0
U. S. Government securities.....	896,275	901,673	933,651
Total earning assets.....	924,975	913,423	974,921
Member bank reserve deposits.....	988,645	924,564	943,794
Federal Reserve notes in actual circulation.....	683,650	680,541	691,331

MEMBER BANK RESERVE BALANCES AND CHANGES IN RELATED FACTORS

Eleventh Federal Reserve District

(In thousands of dollars)

Factor	CHANGE <sup>1</sup>	
	5 weeks ended June 19, 1957	Dec. 26, 1956—June 19, 1957
Federal Reserve credit—local.....	+\$22,168	—\$ 359
Interdistrict commercial and financial transactions.....	+ 43,475	— 503,510
Treasury operations.....	+ 4,178	+ 454,366
Currency transactions.....	— 7,044	+ 72,431
Other deposits at Federal Reserve Bank.....	+ 906	+ 1,673
Other Federal Reserve accounts.....	+ 398	+ 11,138
Net change.....	+\$64,081	+\$ 35,739
	June 19, 1957	May 15, 1957
RESERVE BALANCES.....	\$988,645	\$924,564

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

reserve balances were reduced \$21 million, a decline occasioned by the decrease in required reserves.

The increase in reserve pressure was felt primarily at reserve city banks, with their net borrowed reserves advancing to \$13.8 million, or more than \$9 million above the April level. Country banks held daily average free reserves of \$41.6 million during May, reflecting a moderate decrease from the previous month as a result of increased borrowings and lower excess reserves. In May 1956, both classes of banks showed tighter reserve positions — particularly the reserve city banks, which borrowed \$41 million more than their excess reserves.

In the 5 weeks ended June 19, the Federal Reserve Bank of Dallas gained \$66 million of gold certificate reserves and \$64 million in member bank reserve deposits. Total earning assets advanced \$11.5 million, as an increase of \$18,250,000 in discounts for member banks more than offset declines of \$5.4 million in holdings of Government securities and \$1.3 million in other discounts and advances. Federal Reserve notes in actual circulation increased \$3.1 million during the 5 weeks but, on June 19, were almost \$8 million lower than a year earlier.

The \$64 million added to member bank reserve accounts in the 5-week period represented an excess of receipts over payments in connection with private inter-

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
1955: May.....	\$7,241	\$3,542	\$3,699	\$1,226	\$705	\$521
1956: May.....	7,133	3,455	3,678	1,363	766	597
1957: Jan.....	7,673	3,715	3,958	1,421	763	658
Feb.....	7,271	3,461	3,810	1,450	770	680
Mar.....	7,345	3,578	3,767	1,492	787	705
Apr.....	7,412	3,623	3,789	1,533	808	725
May.....	7,199	3,502	3,697	1,565	831	734

district cash flows and local Federal Reserve credit. The only reserve drain during the period arose from currency transactions, reflecting the summer and vacation demand for currency.

On June 26 the United States Treasury auctioned \$3 billion of Tax Anticipation bills to be dated July 3 and maturing March 24, 1958, but acceptable at par in payment of income taxes due March 15. Qualified depositories are permitted to make payment by credit to Tax and Loan Account.



During May and the first half of June, the petroleum industry was in the process of adjusting supply to the sharply declining demand situation. The cutbacks in supply, however, were much less pronounced than the reduction in demand. In contrast to the lower domestic production, imports rose to a record level in mid-June, averaging 1.5 million barrels daily in the 5 weeks ended June 14.


Demand was affected by the usual seasonal decline in heating oil consumption; the much smaller than usual seasonal gain in demand for gasoline as a result of the continuing wet weather, which prevented farm work and reduced automobile driving; and the sharp contraction in shipments to Europe as the movement of petroleum from the Middle East reached more normal proportions. Shipments of oil to Europe from the Gulf Coast declined to only 97,000 barrels per day in the last half of May, compared with a daily average of 416,000 barrels in April.

The District states responded to the declining demand with reduced allowables. Consequently, District crude oil production, at 3,491,000 barrels per day in the first half of June, was 2 percent below the May level; national production was similarly reduced. A large decrease in production is expected in July, as the Texas Railroad Commission has lowered allowables 390,449

barrels per day — one of the largest cutbacks of record — by adopting an operating schedule of only 13 days. The volume of imports may remain at a high level, since schedules filed with the Texas Railroad Commission indicate that imports will continue to rise during the third quarter of the year.

As a result of scattered strikes and the cutbacks caused by disappointing demand, refinery operations had been sharply reduced at mid-June. District crude runs to refinery stills in the second week of June averaged 2,273,000 barrels per day, compared with 2,364,000 barrels per day in the last week of May; in the Nation, there was a comparable decline. Because of reduced refinery operations, the demand for crude oil was below the supply, despite the decrease in production. Consequently, crude stocks rose 10,116,000 barrels during the 4 weeks ended June 15 to a total of 274,227,000 barrels, or slightly above the year-earlier level.

The cutbacks in refinery operations were also at a slower pace than the falling off in demand, resulting in a further accumulation of refined products inventories. Total stocks of the major products, already high because of the mild heating season, rose 3 percent in the first half of June to a level of 367,429,000 barrels on June 14, or 12 percent above a year earlier. The high level of stocks and the slower than anticipated demand resulted in a general softening of product prices, although at mid-June, there were some scattered increases in wholesale gasoline prices because of rising wage rates at refineries.



Nonagricultural employment in the District states during May, at 4,266,300 workers, showed a small seasonal increase of 7,400, compared with a seasonal gain of 25,400 for the same month in 1956. The year-to-year growth in employment was 2.8 percent, against 3.2 percent in April. Most industries showed some seasonal employment increase, but only in services and in transportation and public utilities were the gains stronger than in the April-May period last year. The smaller month-to-month gain in trade employment is explained largely by the later Easter date, which had expanded April activity this year much more than that in 1956. Some of the seasonal weakness is attributable to heavy May rains, which slowed construction, and to the lag in manufacturing and mining activity.

## NONAGRICULTURAL EMPLOYMENT Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change May 1957 from	
	May 1957 <sup>e</sup>	April 1957	May 1956 <sup>r</sup>	April 1957	May 1956
Total nonagricultural					
wage and salary workers..	4,266,300	4,258,900	4,151,400	0.2	2.8
Manufacturing.....	779,100	777,300	763,000	.2	2.1
Nonmanufacturing.....	3,487,200	3,481,600	3,388,400	.2	2.9
Mining.....	261,600	262,300	259,900	-.3	.7
Construction.....	301,600	301,000	286,300	.2	5.3
Transportation and public utilities.....	401,200	400,000	402,700	.3	-.4
Trade.....	1,101,400	1,100,600	1,071,000	.1	2.8
Finance.....	181,700	181,300	174,300	.2	4.2
Service.....	509,100	506,700	493,000	.5	3.3
Government.....	730,600	729,700	701,200	.1	4.2

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

<sup>e</sup>—Estimated.

<sup>r</sup>—Revised.

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

Earnings of manufacturing workers in Texas during April reflected gains from March, despite a small reduction in average weekly hours. Hourly earnings averaged \$2.03, or only 2 cents below the corresponding figure for the Nation. Average weekly earnings, at \$83.23, were \$1.43 above the national level because of a longer workweek in the State.

Construction contract awards in the District states totaled \$267,514,000 in April, which is down 31 percent from the high March level and 12 percent from April 1956. While nonresidential construction accounted for most of the decline from March, both residential and "all other" construction showed approximately the same rates of decline from a year ago. During the first 4 months of 1957, total awards exceeded those of a year earlier by 4 percent, with residential construction up 2 percent and "all other" awards nearly 5 percent higher. Reflecting declines in the physical volume of home building, southern pine production in Texas during April was 8 percent below April 1956, while brick production in the State was down 32 percent from a year earlier.

The number of new business establishments in the District continues to expand. The 121 new Texas firms reported in April employed 5,208 workers — the highest number since the beginning of the reports in 1947. District manufacturing expansions during May included the opening of a chemical plant at Freeport, completion of a butadiene chemical plant at Orange, and a construction contract award for a \$1 million paper plant at Houston to replace one destroyed by fire. In addition, a construction program totaling \$60 million during the next 3 years was announced for the White Sands Proving Grounds in New Mexico.

