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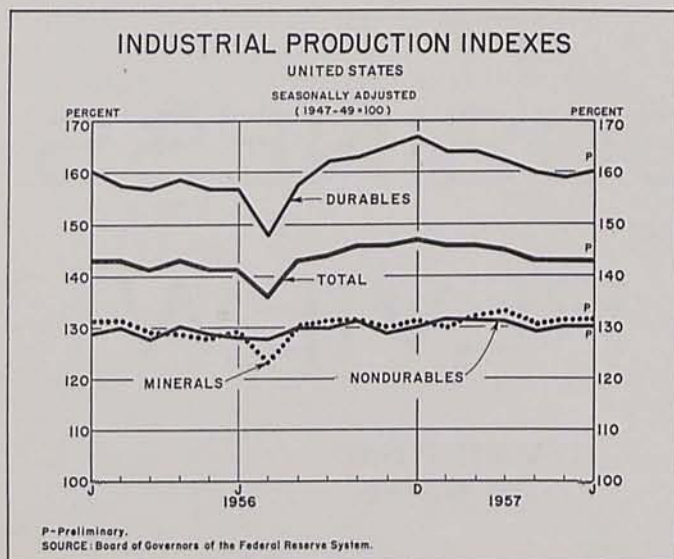
ECONOMIC DEVELOPMENTS IN EARLY 1957

The Nation's economy advanced at approximately the same rate of growth in the first half of 1957 as in the comparable period of 1956. Increased physical production and rising consumer prices contributed to the over-all gain in both years, but price changes have been relatively more important in 1957 than they were in the previous year. The basic economic environment of the first 6 months of 1957 reflected a virtual balancing of strong opposing forces, with the major changes occurring in a limited number of areas. To analyze this continuing upward trend of the economy, it is necessary to appraise the significance of several principal economic developments, including the concentrated adjustments in industrial production, the rapid change in inventory policies, the strength in public and private expenditures, and the intense demands in the capital market. Each of these developments was of basic importance to the banking and credit situation and to the monetary policies pursued by the Federal Reserve System.

Industrial Production

The total physical output of the Nation's factories and mines showed a decline of about 2 percent during the first quarter of 1957 but leveled in the second quarter. The adjusting industries—principally automobile, steel, and petroleum—kept alternating pressure upon the entire industrial production structure, but offsetting movements were stronger in the April-June period. During the first quarter of the year, when automobile production was being reduced, steel and petroleum production was virtually at capacity levels. During the second quarter, when petroleum and

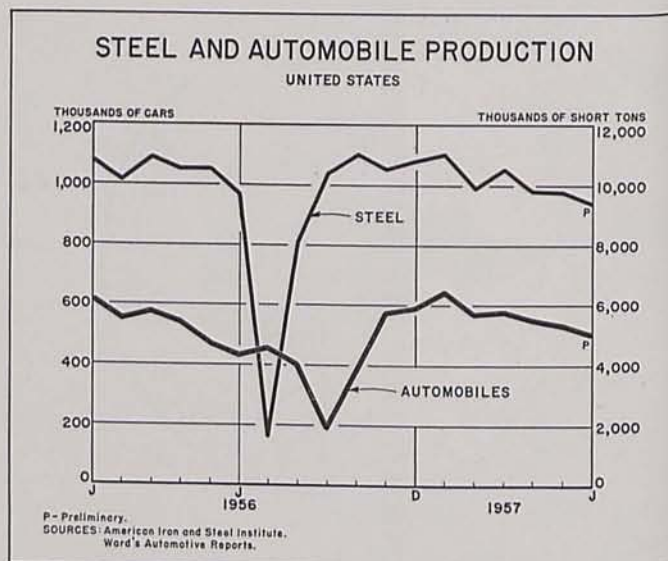
FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS



steel output was curtailed and automobile production showed little change, other areas of industrial production were rising. This type of counterbalancing, offsetting action was evident throughout the industrial segment of the economy, but because of the pronounced effect of the three industries mentioned above, a more careful study of their actions seems warranted.

The automobile industry, after a somewhat disappointing year in 1956, entered its new-model season in October and early November with every expectation of a sharp comeback, and sales estimates for the 1957 models ranged from 6.3 million to 6.7 million cars. However, by March 1957, it was apparent that consumers had mixed feelings about the 1957 models and that another year of fairly high-level output, but not exceptional performance, could be expected. Despite a steady growth in inventories, second-quarter production was reduced only moderately, remaining at about 500,000 units per month. For the first 6 months of the year, total output reached 3,370,000 units, or about 6 percent above a year earlier. In the same period, though, sales of new automobiles amounted to only 3,057,000 units, or 3 percent below the level in the comparable period of 1956. Inventories of new automobiles on July 1, totaling 744,000 units, were even larger than a year ago. Industry estimates of sales in 1957 have been reduced to about 5.8 million units, or virtually the same as in 1956.

The industry has operated at what was considered, up to 1955, a very high level of operation. Accordingly, the suppliers and raw material producers serving the automobile industry geared their production to the



exceptionally high level of automobile output, so that production declines in the automobile industry were felt in many other segments of industrial production. Among the industries adversely affected by the decline in automobile production were steel, copper, lead, zinc, rubber, fabricated metal products, and textiles.

Probably the clearest effect of the automobile industry slowdown was reflected in steel operations. In late 1956, steel companies were working overtime making up for tonnage lost during the steel strike and trying to meet rising levels of consumption. Although this demand (mainly for structurals, heavy plate, and tubular goods) carried over into early 1957, the sharp curtailment in orders from automobile companies reduced operating rates from 97 percent of capacity in January and February to 86 percent in June. In view of the fact that automobile producers normally absorb more than 20 percent of total steel output, the 14-percent decline in operating rates appears quite modest. Continuing strong demands for steel from shipbuilders and aircraft, fabricated metal products, and industrial machinery manufacturers partially offset the smaller demands from automobile and consumer durable goods manufacturers.

The third major area of change in industrial output occurred in petroleum production and refining. Late in 1956, the Middle East crisis, which interrupted the usual flow of oil to Europe, occasioned a sharply rising demand for United States petroleum, and the domestic industry expanded its production to a record peak in March 1957 to meet this exceptional demand. In early

April, though, the combined effects of a seasonal decline in domestic demand and the resumption of Middle East production, which reduced the foreign demand for United States oil, brought the beginnings of a steady cutback in production. Throughout the second quarter, these forces, as well as a rising level of imports, dominated the petroleum industry, causing further declines in production. Moreover, because of rising stocks and the lower demand for finished products, refinery activity also was reduced, although by a smaller amount than the decline in crude oil production.

The remaining areas of industrial production were virtually offsetting, but the strong and weak areas were continually shifting. In the first quarter, increases in aircraft, shipbuilding, railroad equipment, apparel, and coal output covered the declines in textiles, furniture, and lumber production. In the second quarter, machinery, lumber and wood products, and paper and printing industries increased production, while textiles, metals, stone and earth minerals, aircraft, shipbuilding, and railroad equipment output decreased.

Supplies of many raw materials and finished products were readily available by the second quarter of 1957. Some steel products, copper, lead, zinc, petroleum, and certain types of consumer durables—including television sets, washers, dryers, and automobiles—were in free supply. In consequence, the 1956 shortages apparent in numerous products gave way to a greater availability, and the pressure on wholesale prices and the inducements toward inventory accumulation also were moderated.

Inventories

Nonfarm inventory accumulation in 1956 amounted to \$5 billion, as higher levels of consumption and fixed investment and the greater range of new products necessitated larger inventories. Only in a few areas could stocks have been called excessive at the close of the past year. Nevertheless, inventory accumulation was becoming increasingly expensive, as interest rates on borrowed funds continued upward. In addition, many businesses needed funds for plant and equipment expenditures and to meet the higher costs of production, including wages and materials. Consequently, businessmen—from manufacturers to retailers—were quick to take advantage of the new availability of raw materials and finished products. Orders were reduced, forcing suppliers to carry the expense of inventories.

From a rate of accumulation of \$5.7 billion in the final quarter of 1956, inventories were liquidated at a

rate of \$300 million in the first quarter of 1957; in the second quarter, an accumulation reappeared. The sharp change in inventory policies during the first quarter was concentrated in the steel, automobile, and fabricated metal products industries. The contrast of shortage to availability for some important steel products, coupled with reduced production schedules, encouraged the shift from large-scale accumulation. In the second quarter, inventories were again accumulated on net, although at a fairly moderate rate of \$2 billion.

The net effect of the changes in inventories in the first half of 1957 was to spread the impact of declines in adjusting industries to their suppliers and raw material producers. However, inventory liquidation did not spread far enough to be a major force in reducing production levels—except in steel, copper, petroleum, and a few consumer durable goods industries—and the current balance still leaves comfortable stocks in the hands of most businesses.

Public and Private Expenditures

Expenditures for goods and services from all major segments—consumers, business, and government—continued to expand during the first 6 months of 1957, providing a considerable measure of support to the entire economy. Consumer expenditures, centering largely upon nondurable goods and services, rose above the very high levels of late 1956. Supported by continuous gains in personal income, a high level of employment, and a moderate increase in instalment credit, first-half consumer buying advanced nearly 5 percent over a year ago. Certain types of expenditures were retarded by the unusually wet weather. Most homefurnishings sales were slow during the early period but showed some improvement in late spring.

Business plant and equipment expenditures, although reflecting only a small expansion relative to the gain in 1956, have risen steadily and are at record levels. Principal increases in plant and equipment expenditures from the fourth quarter of 1956 through the second quarter of 1957 were in public utilities and durables and nondurables manufacturing. Commercial and other businesses showed the largest declines in that period.

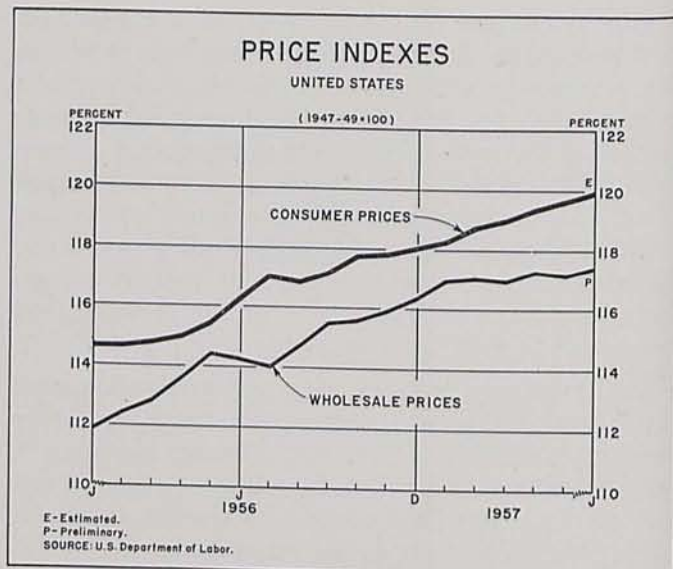
Of particular note was the rapid rise in Federal Government spending—especially for national security purchases, which rose nearly 6 percent in the first half of 1957. State and local government spending also was increased to pay for schools, highways, and other public works and to meet the higher wage scales for govern-

ment employees. Rising costs of construction, coupled with these higher labor costs, accounted for part of the increased spending. However, the impact of the Middle East crisis and the vastly more expensive defense weapons were the principal causes of expansion in national security expenditures.

Part of these rising expenditures was occasioned by the further increase in prices. Higher wages and other costs of production have been a contributing factor in rising prices and inflationary pressures. Many large labor contracts in the steel, automobile, and aircraft industries contain provisions for yearly automatic productivity wage increases. Where these wage increases have exceeded productivity gains, inflationary pressures have resulted. Moreover, at least 3 million workers are directly covered by contracts which include an escalator provision, tying wages to the cost-of-living index, while many other workers experience indirectly some of the effects of such contracts.

Any increase in costs must be met by increasing productivity, reducing profits, or increasing prices. Although productivity has increased and profits have been affected, many industries have been able to raise prices, since consumer demand has remained strong. Thus, to some extent, the automatic wage increases have induced further price rises, which, in turn, have contributed to wage increases — and so on. The recent steel, chemical, and cement wage increases may induce further price pressures.

Moreover, rising expenditures by business and government stimulated an intense demand for capital funds



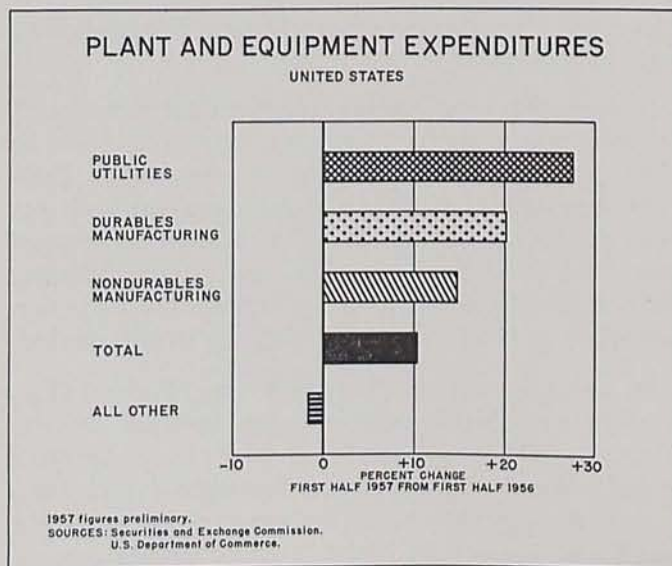
and occasioned a steady rise in corporate and municipal issues during the first half of 1957.

Capital Markets

The business and municipal demands for capital, expressed in terms of new security issues, reached \$10 billion in the January-June period of 1957, or about 25 percent higher than in the first half of 1956. In addition, with Federal Government expenses rising, substantial attrition on refundings, and large net redemptions and maturities of savings bonds, the Treasury was repeatedly in the market, refunding old issues or floating new ones. In fact, in the January-June period the Treasury refunded, exclusive of weekly bill offerings, more than \$15 billion of securities and secured nearly \$9 billion in new money (including the new issue of July 3). In the first half of 1956, refundings amounted to only \$9 billion, and there were no new money offerings.

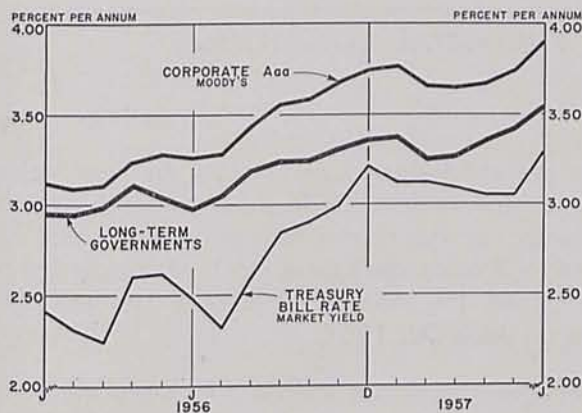
This exceptional demand for long-term funds met a restricted supply. The savings rate actually declined slightly in early 1957 and was well below the rate necessary to service these demands. Consequently, after a brief decline in January and early February, largely arising out of seasonal factors, interest rates rose steadily until late June. Prices of long-term Government securities declined to new lows in June, and short-term and intermediate-term securities also declined.

The importance of this capital investment boom can scarcely be overestimated, since it is proving to be one of the strongest segments of the economy. The support



SELECTED SECURITY YIELDS

UNITED STATES



SOURCE: Board of Governors of the Federal Reserve System.

provided through plant and equipment expenditures extends over a wide range of industries, including industrial construction, machinery, fabricated metals, and steel. With costs of production and construction continuing upward, rising labor costs providing a real inducement to mechanization, and business sentiment largely optimistic, capital demands have remained well above current rates of saving. This imbalance between capital demand and supply has been one of the major sources of inflationary pressure. This pressure in the capital markets spilled over into the area of bank credit, and interest rates for nearly all types of borrowing rose, in sympathy with the rate movement in the capital markets.

Bank Credit and Monetary Policy

The demand for bank credit, though rising at a slower rate than in 1956, was substantial when viewed in relation to the liquidity position of most large banks. Loan expansion in the January-June period of 1957 totaled about \$2.3 billion, of which \$1.7 billion arose from demands of commercial and industrial customers. In the comparable period of 1956, total loans increased \$4.2 billion, with businesses accounting for \$2.9 billion. The largest borrowers in 1957 have been metal manufacturers, public utilities, and petroleum and sales finance companies.

To meet this demand, since the money supply expanded by less than 1 percent in the year ended June 1957, banks liquidated \$3.3 billion of Government security holdings and maintained a relatively high level

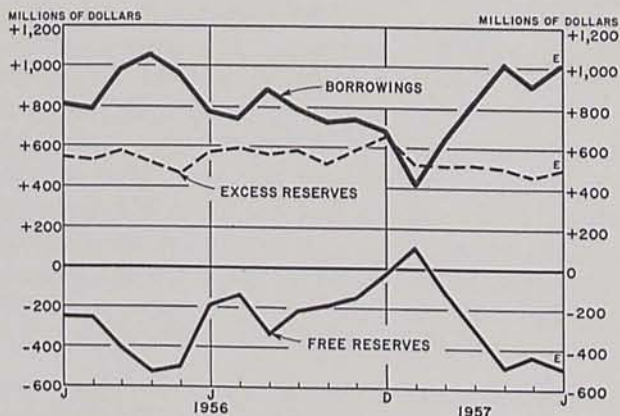
of borrowing from the Federal Reserve System. After a brief period of some easing in late December and January, bank reserve positions tightened markedly, and net borrowed reserves (borrowings less excess reserves) averaged somewhat higher in the second quarter than in the comparable period a year ago.

All of these pressures of a high-level economy and record demands in the capital market were basic to the monetary policy of the first half of 1957. Although inflationary pressures from shortages of raw materials had lessened somewhat by early 1957, there was an even larger gap between the demand and supply of long-term funds. To allow the market to ration these available funds effectively, the Federal Reserve System maintained a fairly even policy of restraint. Toward the end of the second quarter, the large amount of tax borrowings—coupled with a seasonal outflow of currency—intensified money market pressures, and monetary policy held firm, restraining the credit demands to levels which could be accommodated without undue strain.

During the remainder of 1957, the basic factors described above are likely to be even stronger as adjustments in industrial production are completed, capital demands continue strong relative to supply, and the usual seasonal forces of expansion develop. The sustaining forces in the economy—including personal income, employment, plant and equipment expenditures, and, in fact, the entire range of consumer, business, and government expenditures—make it likely that the economy will continue to grow, perhaps at an even faster rate than in the first half of the year.

MEMBER BANK RESERVES

UNITED STATES



E: Estimated.
SOURCE: Federal Reserve Bulletin

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Primarily because of the July 3 Treasury financing, weekly reporting member banks in the Eleventh District substantially increased their holdings of

Government securities and experienced a sharp rise in Treasury deposits in the 4 weeks ended July 17. District member banks registered modest improvement in their reserve positions during June. In refinancing \$24 billion of maturing securities, the Treasury virtually blanketed the short-term market by offering 4-month and 1-year certificates and a note redeemable in 2 or 4 years.

District crude oil production in the first half of July was cut back sharply, as demand for petroleum products continued to decline. Imports, however, were at a near-record level, and the total petroleum supply remained above demand. Consequently, crude and refined products stocks rose, and the high level of heating oil inventories weakened prices.

Department store sales in the District declined 9 percent from May to June, or less than seasonally, and were 4 percent higher than in June last year. Consumer demand for durable goods at the depart-

ment stores during June was 8 percent greater than a year earlier. Orders outstanding increased markedly, as merchants began ordering fall merchandise. Department store stocks decreased 4 percent during the month but were 9 percent above those on June 30, 1956.

Weather conditions during July were mainly hot and dry in most sections of the District, although widely scattered thundershowers provided relief in some areas. A general rain is needed, particularly in western regions. Larger acreages of sorghums, hay, oats, barley, rye, peanuts, and Irish potatoes are expected to be harvested in the District states this year than in 1956; but smaller acreages of cotton, corn, rice, and flaxseed are in prospect.

Employment of nonagricultural workers in the District states during June showed a nearly normal seasonal increase and was 2.4 percent above a year ago. The value of construction contracts awarded in the five southwestern states during May was 5 percent below a year earlier but reflected a 20-percent gain from the low April level, with both residential and nonresidential construction showing seasonal strength.



Consumer buying at Eleventh District department stores during early July rose contraseasonally to a level 13 percent over a year earlier, following the

June sales advantage of 4 percent over June 1956. Daily average sales in June this year, after seasonal adjustment, showed an increase over May, and the seasonally adjusted sales index moved up 10 points to 161 percent of the 1947-49 average. Cumulative sales in the first half of 1957 were 2 percent more than in the same period in 1956.

Because of seasonal influences and since there were two less shopping days in June than in May, the unadjusted dollar volume of sales was sharply lower in

June in most major departments. Compared with a year ago, light to moderate gains were registered in June sales of soft goods, but the largest relative gains occurred in sales of durables. In the homefurnishings group, furniture and bedding showed a year-to-year gain of 16 percent, while sales of housewares, which continue in strong demand, rose 21 percent. However, sales of major appliances were 3 percent below last year. In the wearing apparel lines, sales of men's and boys' wear reflected a significant 6-percent increase over a year earlier, and sales of women's and misses' accessories and apparel were up 3 percent and 4 percent, respectively.

According to reports from a sample group of department stores, cash and credit sales during June

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
Eleventh Federal Reserve District
(1947-49 = 100)

Date	SALES (Daily average)		STOCKS (End of month)	
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1956: June.....	136r	150r	147r	158r
1957: April.....	142r	145r	172r	164r
May.....	150r	151r	166r	165r
June.....	147	161	159p	171p

r—Revised
p—Preliminary.

SALES AT FURNITURE STORES AND
HOUSEHOLD APPLIANCE STORES
(Percentage change in retail value)

Line of trade by area	June 1957 from		6 mos. 1957 comp. with 6 mos. 1956
	May 1957	June 1956	
FURNITURE STORES			
Total Eleventh District.....	2	0	2
Amarillo.....	26	23	—
Austin.....	—16	6	5
Dallas.....	23	—3	—9
Houston.....	3	—2	6
Lubbock.....	13	18	—
San Antonio.....	19	20	2
Shreveport, La.....	—8	—5	6
Wichita Falls.....	3	—22	—13
Other cities.....	—10	—6	0
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District.....	5	—17	—
Dallas.....	9	—13	—

DEPARTMENT STORE SALES AND STOCKS
(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	June 1957 from			June 1957 from	
	May 1957	June 1956	6 mos. 1957 comp. with 6 mos. 1956	May 1957	June 1956
Total Eleventh District.....	-9	4	2	-4	9
Corpus Christi.....	0	2	0	-2	9
Dallas.....	-13	3	0	-3	3
El Paso.....	-4	5	3	-7	3
Fort Worth.....	-13	4	3	-6	5
Houston.....	-13	9	9	-6	25
San Antonio.....	-8	3	-1	-5	3
Shreveport, La.....	-7	-9	-8	-2	-3
Waco.....	-17	-1	-4	-7	-3
Other cities.....	0	3	-1	-3	7

decreased from the previous month but continued above a year ago. Compared with June last year, charge account sales were up 2 percent; cash sales, 4 percent; and instalment sales, 8 percent.

At District department stores, instalment accounts outstanding, which have decreased steadily since the first of the year, declined slightly during June and at the end of the month were 5 percent below a year ago. Charge accounts declined 6 percent from May to June, about the usual seasonal decrease for this time of year; compared with a year earlier, balances were up 4 percent.

Department store inventories, declining less than seasonally, were reduced 4 percent during June but at the end of the month were 9 percent above the comparable date in 1956. Heavy ordering of fall merchandise caused a 74-percent increase in orders outstanding, and on June 30, they were 1 percent above those on the corresponding date last year.

Registrations of new car sales during the first half of 1957 in the metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio were 9 percent ahead of the corresponding 1956 figure but were 11 percent under the record January-June period of 1955. New car sales in the four areas during June were unchanged from May and were 8 percent above June 1956.



Weather conditions during July were hot and dry in most sections of the District, with only scattered light to heavy thunder-showers late in the month providing limited relief from heat. Crops are wilting in many areas, and to insure continued favorable crop development throughout most of the District, rain is needed to replenish surface moisture supplies. Moisture conditions are particularly poor in the Trans-Pecos section of Texas and in southern counties of Arizona and New Mexico.

Harvesting of wheat is complete in the High Plains region of Texas and New Mexico. The favorable early spring crop prospects deteriorated progressively as a result of excessive moisture, which reduced test weights and damaged stands. Production of winter wheat in the District states in 1957 is indicated, as of July 1,

CROP PRODUCTION
Texas and Five Southwestern States
(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	Estimated July 1, 1957	1956	Average 1946-55	Estimated July 1, 1957	1956	Average 1946-55
Winter wheat....	33,885	26,388	47,339	81,398	96,908	123,756
Corn.....	39,169	27,465	43,882	60,767	51,995	76,193
Oats.....	37,148	19,170	25,473	58,343	36,527	42,442
Barley.....	5,090	2,320	1,906	23,639	17,146	11,311
Rice ²	10,440	11,000	12,491	20,160	22,700	24,566
Hay ³	1,977	1,291	1,728	5,363	4,284	5,089
Flaxseed.....	119	126	870	157	148	1,221
Irish potatoes ⁴ ...	1,773	1,378	1,515	4,313	3,311	13,439
Sweet potatoes ⁴ ..	765	627	1,471	5,326	5,841	16,592

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

² In thousands of bags containing 100 pounds each.

³ In thousands of tons.

⁴ In thousands of hundredweight.

⁵ Average, 1949-55.

SOURCE: United States Department of Agriculture.

CROP ACREAGE
Texas and Five Southwestern States
(In thousands of acres)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	For harvest 1957	Harvested		For harvest 1957	Harvested	
		1956	Average 1946-55		1956	Average 1946-55
Cotton.....	6,250	6,200	8,685	7,868	8,016	11,194
Winter wheat....	2,259	2,111	4,022	5,924	6,516	9,769
Corn.....	1,703	1,831	2,392	2,616	2,881	4,121
Oats.....	1,651	1,065	1,172	2,662	1,884	1,956
Barley.....	261	145	120	846	606	379
Rye.....	32	17	29	152	103	100
Rice.....	348	400	526	753	850	1,128
Sorghums.....	9,554	7,523	6,454	11,939	9,711	8,520
Hay.....	1,735	1,621	1,685	4,012	3,923	4,018
Peanuts (alone)...	399	373	575	541	514	787
Flaxseed.....	17	23	132	18	24	146
Irish potatoes....	17	15	222	39	34	246
Sweet potatoes..	17	19	233	98	106	2128

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

² Average, 1949-55.

SOURCE: United States Department of Agriculture.

at 81,398,000 bushels, or 17 percent below the month-earlier estimate and 16 percent below the output in 1956. On the other hand, estimates of the 1957 crops of oats and barley are larger than the respective outputs last year. Production of oats is indicated to be 60 percent greater than in 1956 from an acreage only 41 percent larger, and barley output is estimated to be 38 percent greater, resulting primarily from a 40-percent increase in acreage for harvest.

Combining of early sorghums is under way in south Texas, and generally good yields are being obtained; however, late sorghums and corn are in need of rain. Corn acreage for harvest in the District states is placed, as of July 1, at 9 percent smaller than the acreage harvested in 1956, but production is indicated to be 17 percent greater. The acreage of sorghums planted is estimated to be 23 percent larger than last year.

Larger acreages of hay, rye, peanuts, and Irish potatoes are expected to be harvested this year than in 1956. Weather conditions have been favorable for making hay, and output may be a fourth greater than last year. Increases are indicated in the production of flaxseed and Irish potatoes; however, the rice crop, which is now heading, is placed at 11 percent smaller than in 1956 because of a similar decrease in acreage for harvest.

Cotton made fairly good progress during the past month, but dry surface-soil conditions are resulting in some shedding of squares and premature opening of bolls in a few areas. Late cotton in most nonirrigated sections particularly needs rain. The hot, dry weather generally has been favorable for controlling injurious

LIVESTOCK RECEIPTS
Major Southwestern Livestock Markets
(Number)

Class	January-June		Percentage decrease
	1957	1956	
Cattle.....	432,764	525,769	-18
Calves.....	144,557	156,040	-7
Hogs.....	330,887	403,626	-18
Sheep ¹	732,702	823,872	-11

¹ Includes goats.

SOURCES: Fort Worth Stockyards, Fort Worth, Texas.
Union Stock Yards, San Antonio, Texas.

insects, although early damage in the Lower Valley of Texas appears to have been heavier than expected. Cotton acreage in cultivation in the District states on July 1 totaled 7,868,000 acres, or 13 percent below last year. The acreage in Texas, at 6,250,000 acres, was 12 percent below the year-earlier level. In the Nation, the cotton acreage in cultivation was 14,224,000 acres, or 15 percent less than a year ago and the smallest since 1878.

Livestock forage is adequate over a substantial portion of the District; however, growth has been slowed, and rain is needed to promote continued development of summer grasses. Ranges are dry, and rain is urgently needed in parts of the western Edwards Plateau and the Trans-Pecos area of Texas and in southern New Mexico and Arizona. As of July 1, forage conditions were improved from a year ago in all of the range states of the District but were below month-earlier levels in Arizona and New Mexico. Several counties in the Trans-Pecos area of Texas and southern New Mexico have been designated as drought-emergency areas, which will enable stockmen to obtain, at a discount, Government-owned surplus grains to feed basic livestock herds.

The generally improved range conditions during the first 6 months of this year as compared with the corresponding period in 1956 have resulted in fewer marketings of livestock. Receipts of cattle and calves at major southwestern livestock markets during January-June this year were 15 percent smaller than during the same period in 1956, and those of sheep and lambs were 11 percent fewer.



Eleventh District weekly reporting member banks gained \$137.9 million of new deposits between June 19 and July 17 and redeemed \$17.5 million of bills payable. Total investments rose \$86.9 million,

and loans and discounts increased \$11.4 million; the banks also added to their cash holdings.

The Treasury financing operation of July 3 provided the largest change, as the addition to investment accounts arose from the \$91.5 million increase in Treasury bill holdings. Certificate and note holdings of the banks declined \$14.5 million, but holdings of United States Government bonds and other securities rose \$10 million.

During the 4-week period, commercial and industrial concerns borrowed an additional \$7.4 million from the District's weekly reporting banks, and loans to brokers and dealers in securities advanced \$9.4 million. Except for the slight expansion of real-estate and consumer credit, the remaining loan accounts showed a decrease, with interbank credit and other security loans declining \$5.9 million.

The sizable deposit increase emerged principally from the Treasury financing, as the banks were permitted to make payment by credit to Tax and Loan Account. Of the \$106 million increase in demand deposits, Treasury deposits accounted for 83 percent. The only other large gain in demand deposits arose from correspondent accounts, while individual and business accounts and certified and officers' checks outstanding contracted. State and local governments placed more than \$33 million in time deposits, while personal and commercial accounts declined \$1.5 million. With the other accounts virtually stable, total time deposits rose \$31.7 million. Bills payable of \$17 million about equaled the volume outstanding on the corresponding date a year earlier.

In the 4 weeks ended July 17, Treasury operations supplied \$110.8 million to District member bank reserves. Interdistrict commercial and financial trans-

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	July 17, 1957	June 19, 1957	July 18, 1956
ASSETS			
Commercial and industrial loans.....	\$1,456,950	\$1,449,568	\$1,489,915
Agricultural loans.....	22,751	23,335	29,753
Loans to brokers and dealers in securities.....	33,425	24,012	26,997
Other loans for purchasing or carrying securities.....	147,869	150,333	136,727
Real-estate loans.....	193,566	192,643	209,211
Loans to banks.....	9,081	12,530	16,640
All other loans.....	606,224	606,016	569,829
Gross loans.....	2,469,866	2,458,437	2,479,072
Less reserves and unallocated charge-offs..	42,792	42,253	32,450
Net loans.....	2,427,074	2,416,184	2,446,622
U. S. Treasury bills.....	198,026	106,505	37,649
U. S. Treasury certificates of indebtedness.....	114,653	124,613	35,342
U. S. Treasury notes.....	166,705	171,275	228,855
U. S. Government bonds (inc. gtd. obligations)...	823,570	816,106	807,411
Other securities.....	280,168	277,700	235,462
Total investments.....	1,583,122	1,496,199	1,344,719
Cash items in process of collection.....	445,510	439,440	406,123
Balances with banks in the United States.....	463,180	466,254	478,451
Balances with banks in foreign countries.....	2,176	1,680	1,781
Currency and coin.....	47,427	47,309	47,412
Reserves with Federal Reserve Bank.....	609,136	591,317	543,778
Other assets.....	147,103	150,358	139,974
TOTAL ASSETS.....	5,724,728	5,608,741	5,408,860
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,836,177	2,846,557	2,800,421
United States Government.....	184,112	95,597	78,872
States and political subdivisions.....	180,650	178,250	177,480
Banks in the United States.....	916,866	882,094	905,716
Banks in foreign countries.....	17,824	17,852	15,564
Certified and officers' checks, etc.....	56,411	65,550	66,258
Total demand deposits.....	4,192,040	4,085,900	4,044,311
Time deposits			
Individuals, partnerships, and corporations....	788,530	790,073	721,791
United States Government.....	12,420	12,420	12,229
Postal savings.....	421	421	452
States and political subdivisions.....	203,099	169,815	136,495
Banks in the U. S. and foreign countries.....	7,225	7,225	2,455
Total time deposits.....	1,011,695	979,954	873,422
Total deposits.....	5,203,735	5,065,854	4,917,733
Bills payable, rediscounts, etc.....	17,000	34,500	16,700
All other liabilities.....	55,776	62,194	55,583
Total capital accounts.....	448,217	446,193	418,844
TOTAL LIABILITIES AND CAPITAL.....	5,724,728	5,608,741	5,408,860

r—Revised.

actions claimed \$70 million from reserves, while the traditional holiday increase in public demand for currency absorbed \$16.5 million of member bank reserves. Reserve accounts increased \$19.2 million during this period and, through July 17, had risen \$54.9 million since the end of 1956.

Between June 19 and July 17, total earning assets of the Federal Reserve Bank of Dallas rose \$3.7 million, as a \$17.1 million increase in holdings of Government securities more than offset the reduced volume of member bank discounts. Gold certificate reserves were up \$33.5 million, about matching the build-up of member bank reserves and Federal Reserve notes outstanding.

MEMBER BANK RESERVE BALANCES AND CHANGES IN RELATED FACTORS

Eleventh Federal Reserve District

(In thousands of dollars)

Factor	CHANGE ¹	
	4 weeks ended July 17, 1957	Dec. 26, 1956— July 17, 1957
Federal Reserve credit—local.....	—\$ 5,840	—\$ 6,199
Interdistrict commercial and financial transactions.....	— 69,980	— 573,490
Treasury operations.....	+ 110,798	+ 565,164
Currency transactions.....	— 16,535	+ 55,896
Other deposits at Federal Reserve Bank.....	— 346	+ 1,327
Other Federal Reserve accounts.....	+ 1,106	+ 12,244
Net change.....	+\$ 19,203	+\$ 54,942
	July 17, 1957	June 19, 1957
RESERVE BALANCES.....	\$1,007,848	\$988,645

¹ Sign of change indicates effect on reserve balances.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 17, 1957	June 19, 1957	July 18, 1956
Total gold certificate reserves.....	\$ 803,830	\$ 770,288	\$726,359
Discounts for member banks.....	15,350	28,700	12,063
Other discounts and advances.....	0	0	0
U. S. Government securities.....	913,364	896,275	933,361
Total earning assets.....	928,714	924,975	945,424
Member bank reserve deposits.....	1,007,848	988,645	937,586
Federal Reserve notes in actual circulation.....	694,782	683,650	702,124

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	June 1957	May 1957	June 1956
RESERVE CITY BANKS			
Reserve balances.....	\$ 558,730	\$ 546,483	\$ 543,941
Required reserves.....	550,481	539,092	534,835
Excess reserves.....	8,249	7,391	9,106
Borrowings.....	20,330	21,156	39,705
Free reserves.....	-12,081	-13,765	-30,599
COUNTRY BANKS			
Reserve balances.....	450,701	449,235	442,213
Required reserves.....	400,325	403,586	393,427
Excess reserves.....	50,376	45,649	48,786
Borrowings.....	5,953	4,002	5,894
Free reserves.....	44,423	41,647	42,892
MEMBER BANKS			
Reserve balances.....	1,009,431	995,718	986,154
Required reserves.....	950,806	942,678	928,262
Excess reserves.....	58,625	53,040	57,892
Borrowings.....	26,283	25,158	45,599
Free reserves.....	32,342	27,882	12,293

Daily average free reserves of the District's member banks rose nearly \$4.5 million during June and were more than \$20 million above the year-earlier level. The monthly change resulted from a larger increase in reserve balances than in requirements, which created a \$5.6 million expansion of excess reserves. However, daily average borrowings from the Federal Reserve Bank rose modestly during the month but, at \$26.3 million, were \$19.3 million below the relatively high level in June 1956.

On July 18 the Treasury announced a multiple refunding of notes and certificates maturing in August and October. The \$24 billion offering consisted of a 4-month, 3½-percent certificate of indebtedness; a 1-year, 4-percent certificate; and a 4-year, 4-percent Treasury note which gives the holder an option to redeem on August 1, 1959.



demand for petroleum products continued to lag. Although demand for gasoline in the first half of July

Reflecting primarily the record reduction in Texas allowables, District and national crude oil production experienced major cutbacks in early July, while

had largely recovered from the disappointing June performance, sales of heating oils continued to decline sharply, and summer filling in anticipation of the heating season was below expectations. Heating oil stocks rose sharply, and their high level resulted in an unsettled market situation; this, in turn, depressed sales and softened prices.

District crude oil production, at 3,212,000 barrels daily in the first part of July, was 8 percent below the June average, and national production showed a 5-percent decline. Despite the substantial cut in domestic production, imports in early July remained near the record level reached at the end of June. During the 5 weeks ended July 12, total imports averaged 1,629,000 barrels daily, or 16 percent above a year earlier. However, the demand for crude oil was still substantially below the reduced supply; consequently, crude stocks rose 11,334,000 barrels from the June 1 level to 280,458,000 barrels on July 13.

As a result of the demand situation and some remaining strikes at refineries, District and national refinery operations in early July were slightly below the year-earlier levels. District crude runs to refinery stills, at 2,267,000 barrels daily in the first half of July, were slightly below the June level also, while national crude runs remained almost unchanged.

The output from refinery operations was still above the demand for petroleum products, however, and total products stocks rose 2 percent from the level at the end of June to 383,810,000 barrels on July 12, or 9 percent above a year ago. Distillate and residual fuel oil stocks showed sharp gains in early July and on July 12 were 20 percent and 15 percent, respectively, greater than a year earlier. Primarily as a result of the high level of these stocks, wholesale prices of heating oils were reduced in many areas of the Nation.



Nonagricultural employment in the five southwestern states during June showed a seasonal gain of nearly 35,000 to reach a total of 4,293,800 workers, or 2.4 percent above a year ago. Month-to-month employment increases occurred in all the major categories except government, with construction — stimulated by the return of fair weather — accounting for the greatest gain. On the other hand, additions to the labor force following the closing of schools raised unemployment from the May level.

NONAGRICULTURAL EMPLOYMENT
Five Southwestern States¹

Type of employment	Number of persons			Percent change June 1957 from	
	June 1957 ^e	May 1957	June 1956 ^r	May 1957	June 1956
Total nonagricultural					
wage and salary workers..	4,293,800	4,259,300	4,195,100	0.8	2.4
Manufacturing.....	785,300	779,900	773,500	.7	1.5
Nonmanufacturing.....	3,508,500	3,479,400	3,421,600	.8	2.5
Mining.....	270,900	261,000	268,700	3.8	.8
Construction.....	309,900	297,900	291,900	4.0	6.2
Transportation and public utilities.....	405,500	400,100	410,400	1.3	-1.2
Trade.....	1,104,600	1,098,700	1,078,000	.5	2.6
Finance.....	184,300	181,600	177,200	1.5	4.0
Service.....	512,300	510,100	496,500	.4	3.2
Government.....	721,000	730,000	698,900	-1.2	3.2

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

^e—Estimated.

^r—Revised.

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

Mining operations in the District were slowed during June because of weakened demand. Plans to close down two lead and zinc mines in southwestern New Mexico were reported; all development operations were halted at another mine in New Mexico; and a 30-percent curtailment of special high-grade zinc production was begun at a Corpus Christi smelter.

At \$320,106,000, construction contract awards in the District states during May, while 5 percent below a year earlier, reflected a gain of 20 percent over the low April level. Residential awards were 1 percent less than in May 1956 but increased 9 percent over April. "All other" awards were 7 percent below May

last year but were up 26 percent from the preceding month. Cumulative contract awards during the first 5 months of 1957 showed a 2-percent gain over the corresponding period of 1956, with residential awards up 1 percent and "all other" awards 2 percent higher.

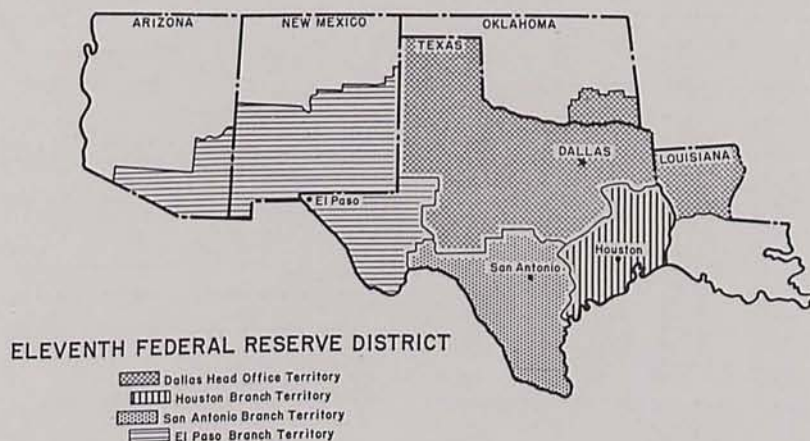
Southern pine production during May continued below a year earlier in both Texas and the Nation. However, new orders to mills in May reflected year-to-year increases of 12 percent in the State and 3 percent for the Nation; from early June to mid-July, total new orders ranged from 12 to 20 percent above a year ago.

Cement production in the District was reduced during July by a labor-management dispute involving 800 workers at plants in Dallas, Fort Worth, and Houston. The affected plants account for about one-third of total cement capacity in Texas. The resulting cement shortage has stopped some major highway and airfield projects and has slowed many others.

VALUE OF CONSTRUCTION CONTRACTS AWARDED
(In thousands of dollars)

Area and type	May 1957	April 1957	May 1956	January—May	
				1957	1956
FIVE SOUTHWESTERN STATES ¹	\$ 320,106	\$ 267,514	\$ 335,509	\$ 1,480,308	\$ 1,453,956
Residential.....	109,252	99,872	110,100	547,739	540,752
All other.....	210,854	167,642	225,409	932,569	913,204
UNITED STATES.....	3,399,528	2,776,431	2,980,200	13,714,519	13,245,745
Residential.....	1,297,258	1,231,667	1,310,554	5,328,265	5,595,674
All other.....	2,102,270	1,544,764	1,669,646	8,386,254	7,650,071

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
SOURCE: F. W. Dodge Corporation.



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			
	June 1957	Percentage change from		June 30, 1957	Annual rate of turnover		
		May 1957	June 1956		June 1957	May 1957	June 1956
ARIZONA							
Tucson.....	\$ 152,697	-9	2	\$ 103,104	17.9	20.0	17.0
LOUISIANA							
Monroe.....	60,727	-15	0	54,613	13.8	16.4	15.0
Shreveport.....	267,913	-5	-1	190,362	17.2	17.9	17.4
NEW MEXICO							
Roswell.....	28,591	-7	7	26,412	13.0	13.8	12.0
TEXAS							
Abilene.....	82,881	2	13	66,875	16.0	16.4	16.0
Amarillo.....	161,351	-5	0	103,853	19.0	20.2	17.6
Austin.....	146,481	-8	9	122,649	14.3	15.2	13.9
Beaumont.....	147,436	-10	10	105,927	16.6	18.2	15.6
Corpus Christi.....	184,808	-3	6	106,168	20.4	20.5	19.8
Corsicana.....	14,611	-2	0	21,630	8.0	8.2	8.2
Dallas.....	2,074,677	-7	2	997,239	25.3	27.4	25.2
El Paso.....	255,483	-12	4	133,881	22.2	24.2	22.7
Fort Worth.....	683,960	-3	2	369,985	22.3	23.0	22.0
Galveston.....	101,431	9	14	70,159	17.2	15.7	15.1
Houston.....	2,235,032	-9	2	1,232,373	22.1	24.4	21.4
Laredo.....	23,628	-11	-1	20,366	13.9	15.6	15.0
Lubbock.....	130,812	-7	11	97,859	16.2	17.3	16.2
Port Arthur.....	60,993	-4	15	41,169	17.3	17.4	14.9
San Angelo.....	47,015	1	9	43,104	13.0	12.5	11.8
San Antonio.....	480,148	-10	-1	335,221	17.4	19.1	17.2
Texarkana ²	18,325	-4	-7	16,043	13.9	14.6	13.8
Tyler.....	79,869	-5	9	62,716	15.5	16.1	15.0
Waco.....	86,177	-6	0	63,270	16.3	17.2	16.3
Wichita Falls.....	96,099	-4	-3	102,471	11.2	11.5	11.4
Total—24 cities.....	\$7,621,145	-7	2	\$4,487,449	20.5	22.1	20.2

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.

² These figures include only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including one bank located in the Eighth District, amounted to \$39.4 million for the month of June 1957.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		Percentage change		June 1957 from		
	June 1957	6 mos. 1957	June 1957	6 mos. 1957	May 1957	June 1956	6 mos. 1957 comp. with 6 mos. 1956
ARIZONA							
Tucson.....	484	2,532	\$ 2,366	\$ 11,225	121	-7	6
LOUISIANA							
Shreveport.....	434	2,571	1,898	11,804	-49	-49	-25
TEXAS							
Abilene.....	98	721	755	7,462	-53	-53	-44
Amarillo.....	250	1,365	1,737	14,669	-18	9	41
Austin.....	176	1,293	2,904	21,020	-7	0	-16
Beaumont.....	339	2,004	2,582	10,023	73	49	33
Corpus Christi.....	325	2,008	1,698	8,293	31	-28	-29
Dallas.....	2,188	11,599	9,578	62,933	-17	-23	-26
El Paso.....	428	2,476	3,523	16,837	81	95	15
Fort Worth.....	661	3,545	4,162	27,717	-35	21	25
Galveston.....	152	828	787	2,253	77	151	-22
Houston.....	1,351	8,275	21,695	118,547	38	66	46
Lubbock.....	223	1,288	2,146	15,021	20	35	23
Port Arthur.....	205	1,228	490	3,058	-28	67	31
San Antonio.....	1,534	8,885	4,422	27,206	-29	-21	-24
Waco.....	544	2,431	1,299	7,073	-10	-21	-21
Wichita Falls.....	165	846	870	7,286	11	-19	47
Total—17 cities.....	9,557	53,895	\$62,912	\$372,427	2	9	2

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	June 26, 1957	May 29, 1957	June 27, 1956
ASSETS			
Loans and discounts.....	\$3,934	\$3,909	\$3,883
United States Government obligations.....	2,387	2,513	2,241
Other securities.....	661	646	576
Reserves with Federal Reserve Bank.....	979	978	909
Cash in vault.....	109	104	123
Balances with banks in the United States.....	986	881	1,051
Balances with banks in foreign countries.....	2	2	2
Cash items in process of collection.....	465	402	386
Other assets.....	215	222	190
TOTAL ASSETS.....	9,738	9,657	9,361
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,027	928	1,024
Other demand deposits.....	6,223	6,266	6,162
Time deposits.....	1,605	1,574	1,370
Total deposits.....	8,855	8,768	8,556
Borrowings.....	31	36	23
Other liabilities.....	75	83	63
Total capital accounts.....	777	770	719
TOTAL LIABILITIES AND CAPITAL.....	9,738	9,657	9,361

e—Estimated.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	June 1957 ¹	May 1957 ¹	June 1956 ²	Change from	
				May 1957	June 1956
ELEVENTH DISTRICT.....	3,476.8	3,560.2	3,355.1	-83.4	121.7
Texas.....	3,087.6	3,162.6	2,995.1	-75.0	92.5
Gulf Coast.....	609.6	623.3	618.5	-13.7	-8.9
West Texas.....	1,329.2	1,359.8	1,214.8	-30.6	114.4
East Texas (proper).....	198.7	205.3	206.7	-6.6	-8.0
Panhandle.....	102.5	110.4	103.0	-7.9	-5.5
Rest of State.....	847.5	863.7	852.1	-16.2	-4.6
Southeastern New Mexico.....	254.5	264.0	230.5	-9.5	24.0
Northern Louisiana.....	134.7	133.7	129.5	1.0	5.2
OUTSIDE ELEVENTH DISTRICT.....	3,767.3	3,902.2	3,744.8	-134.9	22.5
UNITED STATES.....	7,244.1	7,462.4	7,099.9	-218.3	144.2

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

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

Area	CONSUMPTION		August—May	
	May 1957 ¹	April 1957 ²	May 1956	This season Last season
TOTAL				
Texas mills.....	11,379	14,337	10,909	118,523 132,876
United States mills.....	672,756	807,979	713,289	7,449,125 7,783,718
DAILY AVERAGE				
Texas mills.....	569	573	545	539 618
United States mills.....	33,638	32,319	35,664	33,860 36,203
STOCKS (End of period)				
UNITED STATES				
Consuming establishments.....	1,405,340	1,515,629	1,421,514	— —
Public storage and compresses.....	10,842,327	11,894,888	13,908,773	— —

¹ Four weeks ended June 1.

² Five weeks ended May 4.

SOURCE: United States Bureau of the Census.