



BUSINESS REVIEW

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A DECADE OF SOUTHWESTERN BANKING — EARNINGS AND EXPENSES

Eleventh District member banks enjoyed an uninterrupted increase in net operating earnings during the 10 years ended 1956. While the banks' resources grew by \$5 billion — or 87 percent — during the period, net operating earnings advanced more than 150 percent, as the banks employed their enlarged pool of lendable funds more effectively. In large measure, the increased earnings represent the fruits of the re-emergence of the lending function, the traditional outlet for the bulk of commercial bank credit and the one which most fully utilizes the credit information, facilities, and skills found in commercial banking.

It is understandable that the sustained economic expansion of the postwar period would create a broad demand for bank credit. Moreover, with the economy operating at full employment levels during recent years, the demand for loanable funds has exceeded the available supply, bringing about a rising interest rate structure. This development, coupled with the sharp increase in loan volume, brought marked gains in gross earnings but also led to higher costs of handling the larger volume of transactions and of paying the higher rates on time deposits. Although southwestern banks became larger and net operating earnings advanced, the rate of return after taxes on stockholders' capital averaged somewhat lower during the second half of the period than during the first 5 years.

Net profits of District member banks followed an irregularly upward course during the 10-year period, as nonrecurring income and charges significantly influenced the yearly profit

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

EARNINGS AND EXPENSES OF MEMBER BANKS, 1947-56
Eleventh Federal Reserve District

(In thousands of dollars)

Item	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Earnings										
Interest and dividends on securities.....	38,487	39,496	41,164	43,327	45,307	51,798	57,510	62,142	65,622	69,443
Interest and discounts on loans.....	61,164	77,437	87,267	103,012	118,925	136,064	147,643	155,528	179,351	202,798
Service charges on deposit accounts.....	6,248	7,008	7,537	8,171	8,743	9,264	10,285	11,961	12,874	14,093
Trust department earnings.....	1,895	1,999	2,234	2,877	3,215	3,630	3,847	4,527	5,769	6,162
All other earnings.....	12,135	13,611	14,358	16,037	16,820	19,055	20,224	22,580	24,729	24,611
Total earnings from current operations.....	119,929	139,551	152,560	173,424	193,010	219,811	239,509	256,738	288,345	317,107
Expenses										
Salaries and wages.....	36,045	41,241	46,066	51,417	57,977	65,206	72,741	77,075	82,531	90,626
Interest on time deposits.....	4,033	4,716	5,276	5,529	5,637	8,031	10,613	14,427	17,332	21,440
Taxes other than net income.....	7,419	7,726	8,796	9,763	10,441	12,174	12,739	14,097	15,210	16,463
All other expenses.....	25,518	29,729	31,765	35,266	38,778	45,235	50,288	52,690	58,689	64,736
Total current operating expenses.....	73,015	83,412	91,903	101,975	112,833	130,646	146,381	158,289	173,762	193,265
Net current operating earnings.....	46,914	56,139	60,657	71,449	80,177	89,165	93,128	98,449	114,583	123,840
Recoveries and profits on securities.....	2,747	2,399	2,115	2,250	1,667	1,436	3,260	17,292	3,002	2,970
Recoveries on loans.....	2,526	2,270	2,001	2,561	2,052	2,274	3,045	3,192	3,349	2,971
All other recoveries and profits.....	1,733	2,112	1,716	2,588	2,453	2,245	1,811	5,948	2,599	2,161
Total recoveries, transfers from valuation reserves, and profits.....	7,006	6,781	5,832	7,399	6,172	5,955	8,116	26,432	8,950	8,102
Losses and charge-offs on securities.....	3,288	3,725	2,812	2,725	4,404	5,451	7,999	4,282	6,662	9,664
Losses and charge-offs on loans.....	4,869	15,788	13,214	11,154	11,757	11,397	11,359	16,008	19,449	24,544
All other losses and charge-offs.....	1,843	2,421	2,516	3,053	4,030	4,033	3,255	6,289	3,245	4,527
Total losses and charge-offs and transfers to valuation reserves.....	10,000	21,934	18,542	16,932	20,191	20,881	22,613	26,579	29,356	38,735
Profits before income taxes.....	43,920	40,986	47,947	61,916	66,158	74,238	78,631	98,302	94,177	93,207
Taxes on net income—Federal.....	12,890	12,402	14,235	19,894	26,738	33,135	36,729	40,007	39,244	36,647
Taxes on net income—state.....	35	28	31	28	26	46	25	31	59	12
Net profits.....	30,995	28,556	33,681	41,995	39,393	41,058	41,878	58,264	54,874	56,548
Cash dividends declared.....	11,939	13,051	13,725	15,081	17,531	20,006	21,157	22,973	26,771	29,473

position. In addition, the banks were building up their reserves against possible loan losses, which also acted as a drain against annually reported income. Net profits after taxes rose 82 percent between 1947 and 1956; the peak level was reached in 1954, a year featured by sizable profits from securities transactions during the period of high bond prices. In 1955 and 1956, however, when net operating income reached a record, the banks met the demand for new loans by selling investments, generally at declining prices. Losses on securities and increased loan charge-offs and transfers to valuation reserves more than offset the increase in net operating income during these 2 years, resulting in a downward movement in net profits.

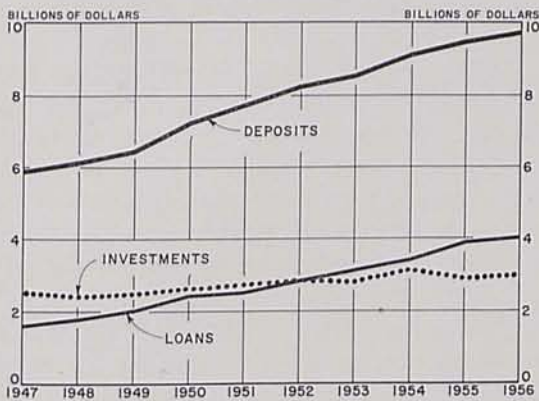
During the 10-year period, the banks channeled more than 61 percent of their \$4.4 billion deposit gain into loan accounts, while investment accounts absorbed only 14 percent of the new deposits. The banks' policy of placing increasing amounts of funds into loans during the postwar period was reflected in the sizable increase in income from loans. Illustrating the effect of this policy, the loan-deposit ratio of Eleventh District member banks increased from about 24.5 percent at the end of 1946 to 41 percent at the end of 1956. The ratio of loans to total earning assets rose from 35 percent to 57 percent during the 10-year period.

Each source of operating income (interest on loans, trust department, etc.) showed year-to-year growth throughout the 1947-56 decade, with only a single exception. Reflecting the increase in loan volume, the largest annual dollar increase in earnings came from interest on loans, which rose at least \$7.9 million per year and in 1955 was \$24 million over the preceding year. Earnings from interest on loans advanced \$142 million during the decade. By way of contrast, earnings from securities holdings rose \$31 million and registered the smallest percentage gain—80 percent—of any of the major categories. While securities holdings showed only a moderate upward trend during the 10-year period, the rising yield structure on securities and the rearrangement of investment portfolios contributed significantly to the gradual upturn in interest and dividends on securities. Trust department earnings, the smallest in dollar volume, were second to loans in percentage growth during the decade, illustrating the increase in trust functions of District banks.

In appraising the importance of growth as a factor in the expansion of earnings, it should be pointed out that in the decade ended December 31, 1956, deposits of Eleventh District member banks followed the steepest growth curve in any of the Federal Reserve districts. The accompanying chart reveals that total deposits of member banks in the District increased 82

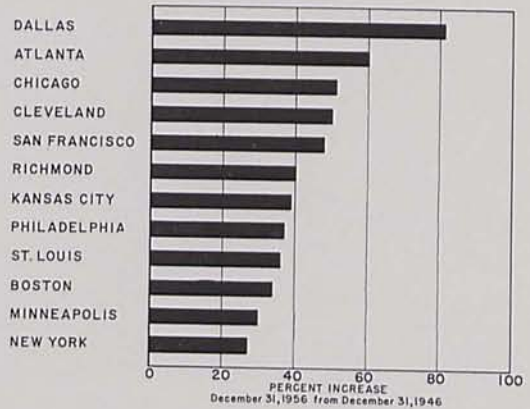
TOTAL DEPOSITS, LOANS, AND INVESTMENTS

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



PERCENT GROWTH IN MEMBER BANK DEPOSITS

FEDERAL RESERVE DISTRICTS



SOURCE: Board of Governors of the Federal Reserve System.

percent, which compares with the second highest rate of 60 percent in the Atlanta District and an average of 42 percent at all member banks in the Nation. Moreover, the rate of increase in net profits in this District also led the Nation. At the end of 1946, the Eleventh District member banks ranked tenth among Federal Reserve districts in terms of total deposits, whereas by the end of 1956, they had risen to fifth place. These indexes of expansion reflect the broad and continuous development of the District's economy and banking structure in absolute terms and also relative to the rest of the country.

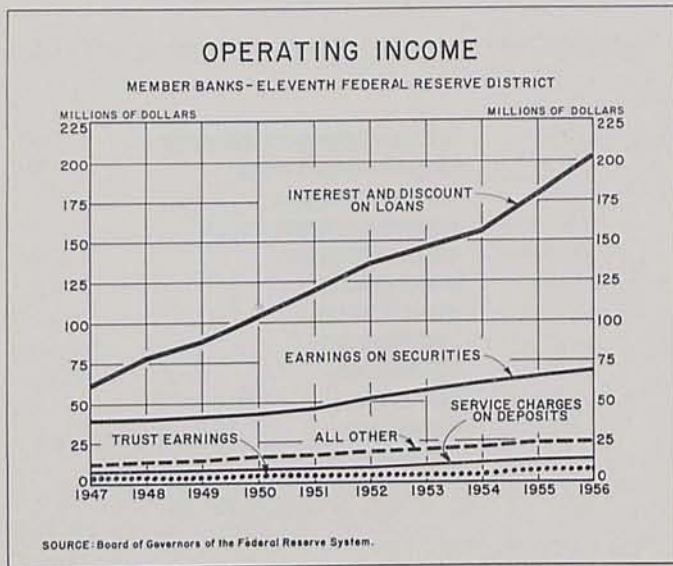
While gross operating income of District member banks advanced continuously during the decade, operating expenses climbed at approximately the same rate. This increase in expenses resulted partly from expanding facilities and operations but also from rising levels of costs and prices. Salaries and wages, traditionally the leading expense item for a bank, advanced throughout the period and by 1956 had risen 151 percent since 1947. The ratio of salaries and wages to total operating expenses rose during the first 5 years but declined thereafter, particularly in 1955 and 1956, as other expenses increased even faster. Interest on time deposits showed the most significant relative increase, absorbing 11 percent of operating expense in 1956 contrasted to a percentage of less than half that amount 5 years earlier. Over the full 10-year period, the banks increased their interest payments on time deposits from \$4 million to \$21.4 million, as the volume of time deposits nearly trebled and the banks paid higher rates to help attract depositors.

In 1956, net current operating earnings of Eleventh District member banks rose over \$9 million, or 8 percent above the preceding year. The dollar increase was bettered only in 1950 and 1955. However, there was some irregularity in the rate of growth from year to year in both earnings and expenses.

Operating Income

In every year during the past decade, gross operating income of Eleventh District banks increased, and income from the rapidly expanding loan operations contributed importantly to this growth. Thus, loan volume during the 10 years rose \$2.7 billion to a level of above \$4 billion at the end of 1956. The commercial and industrial and consumer sectors originated the most striking increases, but every loan category reflected the heavier loan volume. At the same time, income from loans increased 232 percent to a level of above \$200 million, as both country and reserve city banks recorded substantial gains from this source.

Member banks showed gross operating income at a record level during 1956, primarily as a result of more generous returns on loans and investments rather than a substantial increase in the total volume of earning assets. Total loans rose \$70 million between the end of 1955 and 1956—the smallest yearly increase during the decade. Despite the relatively small loan expansion, income from interest on loans advanced \$23.4 million in 1956, or virtually the same as the record annual increase achieved in 1955.



Eleventh District member banks derived increased earnings from "other securities"—largely those of state and local governments—as the postwar decade progressed. Tax exemption, higher yields, and the expanding volume of municipal issues combined to make this source of earnings increasingly important in bank portfolios.

Trust department business of member banks provided steadily larger earnings throughout the 1947-56 period. These gains reflected the attraction of new personal trusts and estates, corporate agency accounts, and pension trusts—a trend influenced and conditioned by the economic growth of the area and the greater specialization of District banks in trust management.

Reserve city banks consistently showed above-average improvement in gross operating earnings during the past 5 years. In 1955, gross income from operations jumped over \$17 million—the best annual gain during the period under review. The substantial gain in 1955 operating income reflected mainly the broad and intense demand for credit, which elicited an increase of almost \$300 million in loans outstanding. The reserve city banks liquidated \$222 million from their holdings of lower-yielding Government securities to accommodate this loan demand.

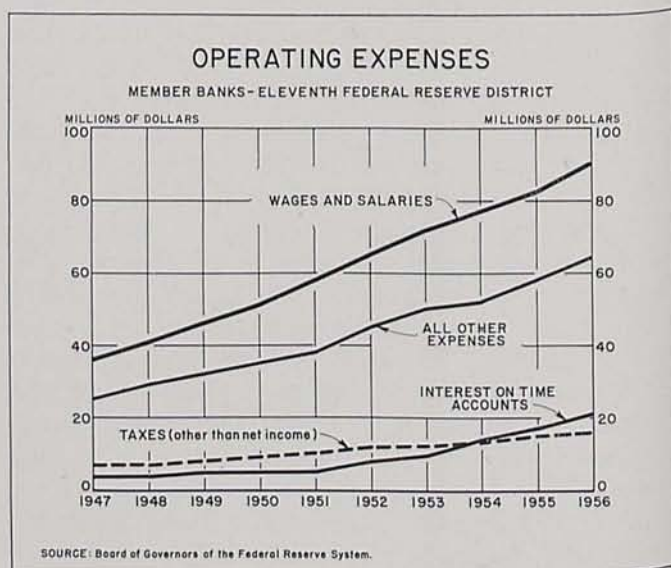
Of the various sources of reserve city bank earnings in the 10-year period, income from loans, trust departments, and other securities showed the steepest gains. Total holdings of United States Government securities rose 3 percent and provided the smallest increment to

earnings of any major source during the period, despite the higher interest rate structure.

Loans and trust departments also provided the leading percentage increases in earnings for country banks. At the smaller banks, where average deposits are significantly lower than at reserve city banks, service charges on deposit accounts provided more income on a dollar and percentage basis than at the larger banks, and earnings on Governments were also larger at the country banks. However, income from non-Governments advanced more slowly for the country banks, principally reflecting their relatively larger holdings when the period began. Notwithstanding the somewhat different earnings pattern for the two bank classes, each class of bank increased its gross operating earnings more than one and one-half times in the 10 years ended 1956.

Operating Expenses

As bank facilities and operations were constantly expanded, the expense of handling the larger volume of transactions naturally advanced. In the first half of the period, the ratio of wages and salaries to total operating expenses—a significant expense ratio—rose gradually, although salaries and wages were increasing about \$5 million to \$6.5 million per annum. During the second half of the period, direct labor outlays were expanding more rapidly, but the ratio of wages and salaries to total expenses generally declined, reflecting the more than proportional increase in interest on time



deposits. Nevertheless, average wages and salaries continued their steady postwar advance during this most recent 5-year period.

For the reserve city banks, wages and salaries represented 44.5 percent of their operating expenses during the entire decade, compared with 53 percent—a somewhat higher figure—for the country banks. With larger average transactions and a higher degree of mechanization, labor costs at big city banks constitute a smaller proportion of total expenses than at the smaller institutions. The difference between the wage-expense ratio of large banks and small banks in this District is concentrated in the higher ratio of officers' salaries to total expenses at country banks, which, in turn, reflects the larger proportion of officers to total personnel at the country banks.

The cost of interest on time deposits advanced steadily between 1947 and 1956, as the aggregate level of time accounts and the rate paid thereon increased at Eleventh District banks. While 11 percent of the banks' operating expenses was absorbed by interest on time deposits in 1956, these outlays equaled 7.7 percent of operating expenses for the entire period. Nationally, banks hold a larger proportion of time deposits than banks in the Eleventh District, and as a consequence, interest on time balances for all member banks in the country claimed 15 percent of operating expenses during the 10 years.

While interest on borrowed funds is a minor expense item, it showed substantial increases in 1955 and 1956. Earlier, in 1952 and 1953, this account also had in-

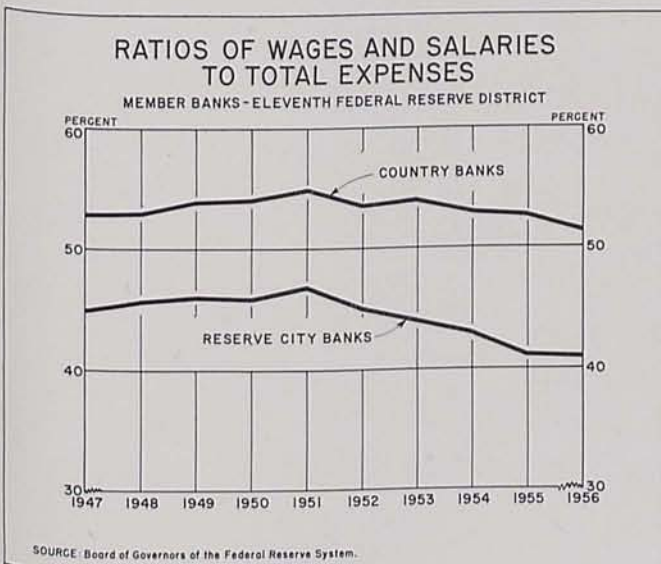
creased, although more slowly, under the influence of the restrictive credit policy and the borrowing encouraged by the excess profits tax. Average annual borrowing costs for the 10 years at all District banks amounted to \$401,000, although total outlays in 1956 were \$1,577,000, which reflects not only the higher level of borrowings but also the higher level of discount rates and cost of purchasing Federal funds. Throughout the 10-year period, reserve city banks accounted for 84 percent of total borrowing costs as borrowings of country banks generally were kept at relatively low levels.

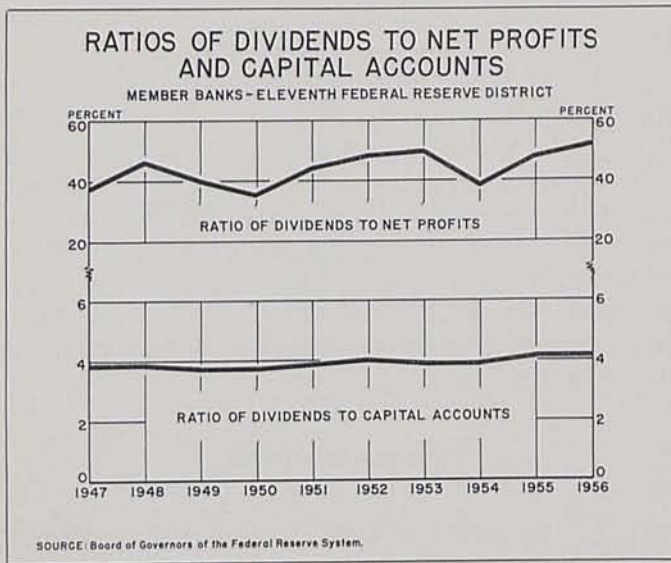
Nonrecurring Items

Given the nature of bank lending and investment operations, it is inevitable that factors other than operating income and expenses will influence bank profits. Loans require reserves against the risk of nonpayment, and their establishment constitutes a charge against current earnings. Loans previously written off also may become collectible. Investment accounts show trading gains or losses, which also influence annual profit figures.

The Bureau of Internal Revenue issued a ruling in 1947 permitting commercial banks to establish reserves for losses on loans. As a result, in 1948 and afterward, loan charge-offs and transfers to reserves were substantially higher than in 1947. Besides the effect of the tax ruling, however, total loans were increasing rapidly, thus creating a larger base from which to compute loan reserves. In 1948, the first year after the ruling, loan charge-offs vaulted \$11 million to a level of \$16 million but then gradually receded for the next 5 years. Beginning in 1954, however, following a revision in the tax ruling issued by the Bureau of Internal Revenue on April 8, 1954, these charges rose rapidly and reached \$24.5 million in 1956, with country banks being responsible for more than half of the charges.

These nonrecurring transactions are of sufficient importance that bank profit positions cannot be assessed solely in terms of current operating transactions. Charge-offs and losses were consistently higher than total recoveries and profits except in 1954, when they were about equal. Profits and recoveries reached a 10-year peak of \$26 million in 1954, whereas the next highest level of profits and recoveries—\$9 million—was recorded in 1955. The 1954 increase reflected not





only the rising market valuation of debt instruments but also the tax regulation which permits banks to treat net profits from securities transactions as capital gains and net losses as ordinary expense; this ruling, and the favorable bond market in 1954, induced many banks to take trading profits in that year. This practice of "bunching" trading gains or losses causes notable fluctuations in the net profit position of member banks and occasioned a contracyclical rise in profits of District member banks in 1954. In addition, the plentiful supply of bank reserves developing from Federal Reserve policy actions supported a sizable increase in deposits and earning assets that year.

Profits before income taxes of Eleventh District member banks rose in 7 of the past 10 years, the total ranging from a low of \$41 million in 1948 to \$98.3 million in 1954. Naturally, this growth in profits resulted in a corresponding rise in state and Federal income tax payments. In addition, there were several changes in tax laws and regulations, including several years of excess profits tax. The banks also increased their holdings of securities exempt from Federal income taxes. The changing pattern of tax liabilities meant that net profits after taxes generally rose but that year-to-year changes occasionally were at variance with the general level of business and profits in the entire economy.

Cash dividends paid by Eleventh District member banks also increased, reflecting the rise in net profits. Dividends amounted to 39 percent of net profits in 1947 and 52 percent in 1956, indicating the somewhat more liberal dividend policies embarked upon as the long period of prosperity continued. Throughout the 10 years, total dividends increased every year, but net profits changed more erratically, contributing to a fluctuating proportion of net profits paid to stockholders in the form of dividends. During the decade, the banks built up their total capital accounts every year. Nevertheless, the ratio of cash dividends to total capital accounts during the 10-year period showed a gradual rise, from a low of 3.8 percent in 1949 and 1950 to a 10-year peak of 4.1 percent in 1955 and 1956.

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BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Retail sales at Eleventh District department stores during July were 3 percent above June and 13 percent above July 1956, with the strongest gains occur-

ing in the homefurnishings group. Cumulative sales through the first 7 months were 3 percent above the corresponding period last year. Inventories also continued to rise during July and at the end of the month were up substantially from the same date a year earlier.

Harvesting of cotton and sorghums generally dominated agricultural activities in the District states during early August. Cotton production in the District states, as of August 1, is placed at 1 percent below last year, while the output of grain sorghums is estimated at 46 percent higher. Larger crops of corn, barley, oats, and hay also are indicated. General rains would be helpful in many sections of the District, particularly western regions.

Nonfarm employment in the District states increased contraseasonally to reach 4,302,400 in July.

The total dollar volume of retail sales at department stores in the Eleventh Federal Reserve District during July rose 3 percent above June and 13 percent

above July 1956. The gains were partly accounted for by the fact that there was one more business day in July this year than in the earlier months. Nevertheless, the month-to-month gain was significant, as it continued the trend — evident in the past few years — of a relatively higher level of consumer buying during the summer months, thus evening measurably the traditional summer slump of department store sales. Sales remained above those of a year earlier through the first half of August, recording a gain of 3 percent for the 3 weeks ended August 17. Cumulative sales for the first 7 months of this year showed a similar advance over the corresponding period a year ago.

Manufacturing employment held steady, while construction led a widely distributed advance that offset a seasonal decline in government jobs. The value of construction contracts awarded in the region rose further during June, with nonresidential construction accounting for all of the gain. Residential awards, though down slightly from May, were 21 percent above a year earlier.

Following the major cutback in July, District crude oil production remained virtually steady in early August. Imports, however, rose to a level substantially above a year ago. Supply in July and the first half of August was much greater than demand; consequently, petroleum stocks continued to rise. Texas allowables for September production have been increased 68,287 barrels daily, while Louisiana and New Mexico have reduced allowables slightly.

On August 13 the discount rate of the Federal Reserve Bank of Dallas was increased from 3 percent to 3½ percent. Weekly reporting member banks in the Eleventh District added \$59.7 million to earning assets in the 5 weeks ended August 21.

July business of department stores reflected strength in most of the major departments. Among the wearing apparel departments with larger year-to-year gains than the store average were women's and misses' dresses and men's clothing, each showing an increase of 13 percent. On the other hand, sales of women's and misses' coats and suits declined 8 percent. Homefurnishings as a group gained 16 percent over July 1956, with sales of housewares up 28 percent, radios and phonographs up 37 percent, and air-conditioning units up 93 percent. Sales of toys, games, and sporting goods rose 15 percent, reflecting the increasing participation of the American public in outdoor forms of recreation.

Based on reports of a selected panel of District department stores, July cash sales as a percentage of total sales remained at the year-earlier level of 33 percent. The proportion of regular charge account sales de-

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	July 1957 from		7 mos. 1957 comp. with 7 mos. 1956	July 1957 from	
	June 1957	July 1956		June 1957	July 1956
Total Eleventh District.....	3	13	3	3	7
Corpus Christi.....	-5	7	1	1	10
Dallas.....	7	8	1	7	4
El Paso.....	-14	6	4	-1	-1
Fort Worth.....	1	15	5	0	2
Houston.....	12	22	11	3	23
San Antonio.....	2	12	1	-1	0
Shreveport, La.....	-2	2	-7	8	-3
Waco.....	-3	11	-2	3	-2
Other cities.....	-2	14	1	2	4

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: July.....	135r	158r	152r	160r
1957: May.....	150	151	166	165
June.....	146r	161	157	169
July.....	145	171	161p	170p

r—Revised.
p—Preliminary.

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	July 1957 from		
	June 1957	July 1956	7 mos. 1957 comp. with 7 mos. 1956
FURNITURE STORES			
Total Eleventh District.....	7	13	3
Amarillo.....	16	-7	-
Austin.....	28	39	10
Dallas.....	0	20	-4
Houston.....	12	14	7
Lubbock.....	5	18	-
Lubbock.....	-19	-1	2
San Antonio.....	14	10	7
Shreveport, La.....	18	3	-11
Wichita Falls.....	7	12	2
Other cities.....	-	-	-
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District.....	26	18	-
Dallas.....	9	13	-

clined from 48 percent to 47 percent, while instalment sales rose from 19 percent to 20 percent of total sales. In some instances, the decline in regular charge accounts represents a shift to revolving credit, which is growing in importance as a form of consumer credit. Compared with a year ago, the average collection time on instalment accounts decreased from 13 months to 12 months in July, reflecting mainly the larger volume and shorter average pay-out period of revolving credit. Collections on regular charge accounts have been steady and showed no significant change during July.

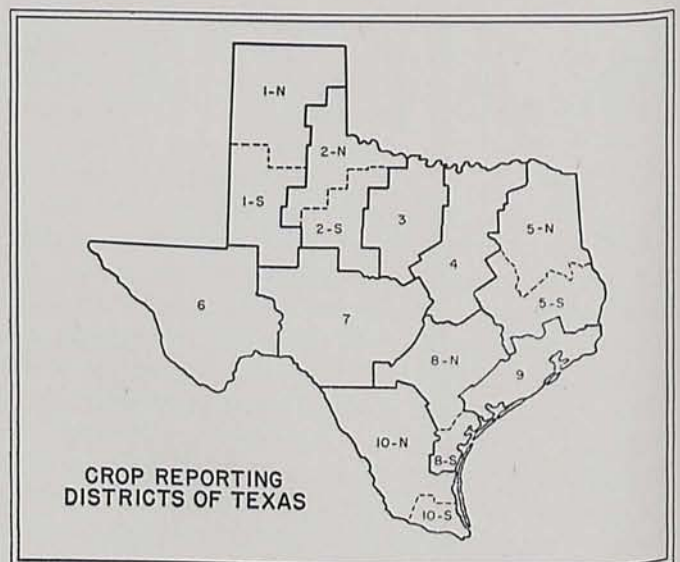
Registrations of new car sales during July in Dallas, Fort Worth, Houston, and San Antonio were up 16 percent from a year earlier and 7 percent from June. New car sales in the 4 cities for the January-July period were 10 percent more than in the same period of 1956.



Generally warm, dry August weather prevailed throughout most of the District during the past month. Two weak cool fronts and Hurricane Bertha resulted in some light to heavy rains in local areas. Most of the rainfall activity occurred along the eastern edge of Texas, in Louisiana, and in northwestern sections of the District.

Harvesting of cotton and feed crops dominates agricultural activity. Cotton picking is virtually complete in the Coastal Bend area of Texas and is well advanced in central, southeastern, and upper coastal counties. Yields in most of these sections were disappointing as a result of dry weather and insect damage. Prospects in later sections of the District remain favorable, although an early freeze could reduce outturn substantially because of the lateness of the crop. Irrigated cotton in the High Plains and the Trans-Pecos area of Texas and in Arizona and New Mexico is making particularly good growth.

Cotton production in the District states is placed, as of August 1, at 5,515,000 bales, or 1 percent below both the 1956 output and the 10-year (1946-55) average. The Texas crop is estimated at 3,775,000 bales,



COTTON PRODUCTION

Texas Crop Reporting Districts

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

Crop reporting district	1957 Indicated August 1	1956	1955	1957 as percent of 1956
1-N.....	440	499	379	88
1-S.....	1,220	1,186	1,024	103
2-N.....	210	166	273	127
2-S.....	220	109	264	202
3.....	15	9	23	167
4.....	450	358	642	126
5-N.....	60	84	145	71
5-S.....	80	75	94	107
6.....	290	289	269	100
7.....	27	11	33	245
8-N.....	150	84	163	179
8-S.....	115	134	69	86
9.....	180	163	238	110
10-N.....	43	52	40	83
10-S.....	275	396	383	69
State.....	3,775	3,615	4,039	104

SOURCE: United States Department of Agriculture.

or 4 percent above production last year; the largest declines from a year ago are indicated for the southern, northeastern, and extreme northwestern sections of the State. In the other District states, cotton outturn in Oklahoma and New Mexico is indicated to be 6 percent and 9 percent, respectively, below 1956 output, and that for Louisiana is about a third smaller. Estimated production in Arizona is about the same as last year.

Feed conditions in the range states of the District, as of August 1, were substantially improved from those on the same date a year ago. Reflecting the generally improved ranges, the condition of cattle and sheep also was somewhat better than at this time last year. Recent showers boosted fall grass prospects in many

CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	Estimated August 1, 1957	1956	Average 1946-55	Estimated August 1, 1957	1956	Average 1946-55
Cotton ²	3,775	3,615	3,742	5,515	5,587	5,595
Corn.....	39,169	27,465	43,882	61,311	51,995	76,193
Winter wheat....	35,014	26,388	47,339	81,141	96,908	123,756
Oats.....	37,148	19,170	25,473	58,343	36,527	42,442
Barley.....	5,090	2,320	1,906	23,558	17,146	11,311
Rye.....	304	136	237	1,294	802	794
Rice ³	10,614	11,000	12,491	21,144	22,700	24,566
Sorghum grain....	180,572	124,202	91,020	201,416	138,289	108,062
Flaxseed.....	119	126	870	157	148	1,221
Hay ⁴	119	1,291	1,728	5,497	4,284	5,089
Peanuts ⁵	204,750	87,500	244,274	288,400	145,450	362,045
Irish potatoes ⁶ ..	1,734	1,378	11,515	4,274	3,311	73,439
Sweet potatoes ⁶ ..	1,020	627	11,471	5,613	5,841	76,592
Pecans ⁷	30,000	27,500	31,140	67,000	52,100	68,549

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

² In thousands of bales.

³ In thousands of bags containing 100 pounds each.

⁴ In thousands of tons.

⁵ In thousands of pounds.

⁶ In thousands of hundredweight.

⁷ Average, 1949-55.

SOURCE: United States Department of Agriculture.

parts of western Texas and in New Mexico, but additional moisture is needed in most western areas to promote continued development of ranges and pastures.

SHORN WOOL PRODUCTION

Five Southwestern States

(In thousands of pounds)

Area	1957p	1956	Average 1946-55	1957 as percent of 1956
Arizona.....	3,061	3,024	2,869	101
Louisiana.....	378	422	397	90
New Mexico.....	10,509	10,849	11,724	97
Oklahoma.....	1,685	1,786	1,095	94
Texas.....	37,486	42,653	51,974	88
Total.....	53,119	58,734	68,059	90

p—Preliminary.

SOURCE: United States Department of Agriculture.



In the 5 weeks ended August 21, weekly reporting member banks in the Eleventh District showed a \$79 million decrease in deposits, while gross loans rose \$27.7 million and total investments rose \$32.1 million. The banks stepped up their borrowings by \$24 million in meeting a \$106.3 million drain in cash assets. "Other assets" and "all other liabilities" advanced during the 5 weeks, reflecting in part the increased use of bankers' acceptances in financing Government sales of cotton.

The loan increase resulted principally from the \$20.9 million expansion in loans to banks, as inter-bank repurchase agreements and related transactions were reclassified as loans, effective August 16. "All other loans" advanced \$8.7 million, while commercial and industrial credits increased \$4 million. Dealers in securities redeemed \$5.4 million of their loans during the 5-week period.

The banks added \$26.9 million to their holdings of Treasury bills, reflecting the issuance on August 21 of the special bill maturing in April. Holdings of United States Government bonds rose \$21 million. However, portfolios of certificates and notes were reduced.

Demand deposits declined \$93.6 million, with individuals, partnerships, and corporations claiming \$59.2 million. Banks in the United States claimed \$37.7 million. The United States Government added \$8 million to its deposits, receiving payment for the special Treasury bill dated August 21 by credit to Tax and Loan Account. Time deposits rose \$14.6 million,

CONDITION STATISTICS OF WEEKLY REPORTING
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	August 21, 1957	July 17, 1957	August 22, 1956
ASSETS			
Commercial and industrial loans.....	\$1,460,968	\$1,456,950	\$1,496,834
Agricultural loans.....	22,538	22,751	28,616
Loans to brokers and dealers in securities.....	28,065	33,425	25,516
Other loans for purchasing or carrying securities.....	147,913	147,869	145,362
Real-estate loans.....	193,080	193,566	212,953
Loans to banks.....	30,015	9,081	15,140
All other loans.....	614,938	606,224	580,419
Gross loans.....	2,497,517	2,469,866	2,504,840
Less reserves and unallocated charge-offs..	42,774	42,792	32,625
Net loans.....	2,454,743	2,427,074	2,472,215
U. S. Treasury bills.....	224,965	198,026	36,928
U. S. Treasury certificates of indebtedness.....	107,011	114,653	91,283
U. S. Treasury notes.....	158,182	166,705	228,945
U. S. Government bonds (inc. gtd. obligations)...	844,525	823,570	808,118
Other securities.....	280,512	280,168	239,601
Total investments.....	1,615,195	1,583,122	1,404,875
Cash items in process of collection.....	400,389	445,510	400,476
Balances with bank in the United States.....	438,524	463,180	457,262
Balances with banks in foreign countries.....	1,798	2,176	1,541
Currency and coin.....	47,055	47,427	47,108
Reserves with Federal Reserve Bank.....	573,319	609,136	554,382
Other assets.....	170,470	147,103	157,287
TOTAL ASSETS.....	5,701,493	5,724,728	5,495,146
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,776,936	2,836,177	2,820,014
United States Government.....	192,065	184,112	141,160
States and political subdivisions.....	174,887	180,650	170,529
Banks in the United States.....	879,207	916,866	880,478
Banks in foreign countries.....	20,811	17,824	24,463
Certified and officers' checks, etc.....	54,581	56,411	50,980
Total demand deposits.....	4,098,487	4,192,040	4,087,624
Time deposits			
Individuals, partnerships, and corporations....	804,963	788,530	715,017
United States Government.....	12,420	12,420	12,229
Postal savings.....	421	421	752
States and political subdivisions.....	201,925	203,099	134,484
Banks in the U. S. and foreign countries.....	6,550	7,225	2,185
Total time deposits.....	1,026,279	1,011,695	864,667
Total deposits.....	5,124,766	5,203,735	4,952,291
Bills payable, rediscounts, etc.....	41,050	17,000	38,925
All other liabilities.....	84,157	55,776	77,490
Total capital accounts.....	451,520	448,217	426,440
TOTAL LIABILITIES AND CAPITAL.....	5,701,493	5,724,728	5,495,146

with the growth in individual and business accounts more than offsetting small decreases in other accounts.

During the 5 weeks ended August 21, gold certificate reserves of the Federal Reserve Bank of Dallas declined \$10 million. Member bank reserve accounts decreased, while an additional \$10.7 million of Federal Reserve notes was placed in circulation. Total earning assets rose over \$3 million, as a \$13.5 million increase in member bank discounts more than offset the decline in holdings of United States Government securities.

During August the Federal Reserve Bank of Dallas and the other Federal Reserve banks raised their discount rates one-half point to 3½ percent.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	July 1957	June 1957	July 1956
RESERVE CITY BANKS			
Reserve balances.....	\$ 578,383	\$ 558,730	\$552,360
Required reserves.....	569,056	550,481	543,182
Excess reserves.....	9,327	8,249	9,178
Borrowings.....	19,228	20,330	12,861
Free reserves.....	-9,901	-12,081	-3,683
COUNTRY BANKS			
Reserve balances.....	450,175	450,701	441,702
Required reserves.....	401,053	400,325	392,325
Excess reserves.....	49,122	50,376	49,377
Borrowings.....	5,374	5,953	5,499
Free reserves.....	43,748	44,423	43,878
MEMBER BANKS			
Reserve balances.....	1,028,558	1,009,431	994,062
Required reserves.....	970,109	950,806	935,507
Excess reserves.....	58,449	58,625	58,555
Borrowings.....	24,602	26,283	18,360
Free reserves.....	33,847	32,342	40,195

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	August 21, 1957	July 17, 1957	August 22, 1956
Total gold certificate reserves.....	\$793,838	\$ 803,830	\$740,514
Discounts for member banks.....	28,827	15,350	21,230
Other discounts and advances.....	260	0	0
U. S. Government securities.....	902,673	913,364	935,742
Total earning assets.....	931,760	928,714	956,972
Member bank reserve deposits.....	970,239	1,007,848	959,058
Federal Reserve notes in actual circulation.....	705,494	694,782	706,340

MEMBER BANK RESERVE BALANCES AND CHANGES IN RELATED FACTORS

Eleventh Federal Reserve District

(In thousands of dollars)

Factor	CHANGE ¹	
	5 weeks ended Aug. 21, 1957	Dec. 26, 1956— Aug. 21, 1957
Federal Reserve credit—local.....	+\$ 1,141	—\$ 5,058
Interdistrict commercial and financial transactions.....	— 107,594	+ 681,084
Treasury operations.....	+ 70,056	+ 635,220
Currency transactions.....	— 6,019	+ 49,877
Other deposits at Federal Reserve Bank.....	— 340	+ 987
Other Federal Reserve accounts.....	+ 5,147	+ 17,391
Net change.....	—\$ 37,609	+\$ 17,333
RESERVE BALANCES.....	Aug. 21, 1957 \$970,239	July 17, 1957 \$1,007,848

¹ Sign of change indicates effect on reserve balances.



Activity in the oil industry during July and August continued to be dominated by an excess of supply over demand. Some improvement in this relationship was apparent in the slight gain in demand and the sharp cutback in crude oil production during July, but this latter correction was countered, to a large extent, by the steadily rising total of imports. Further weakness in prices for distillate and residual fuel oils and evidence of continuing gasoline price wars reflected the imbalance in the industry.

District crude oil production, at 3,180,000 barrels per day in early August, was virtually unchanged from the July level but was 8 percent less than in August 1956. Crude oil production in the Nation also showed little change between July and August but in the latter month was 5 percent below a year ago. In contrast, total imports in the 5 weeks ended August 16 reached 1,622,000 barrels per day, or 26 percent above the total a year earlier.

Acting on a Cabinet committee report, the President in late July called for a voluntary reduction of crude oil imports. Under the new plan, major companies would reduce crude imports 10 percent below their respective 1954-56 averages, and total crude oil imports would average 1,031,000 barrels per day, or 215,000 barrels daily below the level planned for the last half of the year.

Despite a reduction in the total supply of crude oil, demand remained much below supply; consequently, crude stocks in July and early August rose 7,089,000 barrels to total 284,372,000 barrels on August 10, or 4 percent above the year-earlier level. In view of the crude stock and demand situation, the Texas Railroad Commission has retained the 13-day producing schedule — a record low — for September production, although total allowables have been increased 68,287 barrels per day.

District crude runs to refinery stills rose 2 percent in the first half of August but, at 2,291,000 barrels per day, were still 3 percent below a year earlier, while national refinery operations rose to a level almost equal to a year ago. Refinery activity increased more than demand; thus, total products stocks rose 2 percent in early August to total 402,783,000 barrels on August 16, or 6 percent above a year earlier. Distillate and residual fuel oil inventories continued to rise. However, because gasoline demand improved, gasoline stocks declined 2 percent in the first half of August to a level of 172,136,000 barrels on August 16, which is also 2 percent less than a year ago.

After a larger than expected gain in June, nonfarm employment in the District states reflected a contraseasonal 5,700-worker increase to reach a July level of

4,302,400. The year-to-year margin of gain in employment had declined steadily from 4.4 percent in

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change July 1957 from	
	July 1957 ^e	June 1957	July 1956 ^r	June 1957	July 1956
Total nonagricultural					
wage and salary workers..	4,302,400	4,296,700	4,188,400	0.1	2.7
Manufacturing.....	785,100	785,600	764,700	-.1	2.7
Nonmanufacturing.....	3,515,700	3,511,100	3,423,700	.1	2.7
Mining.....	272,400	271,300	268,700	.4	1.4
Construction.....	321,500	311,700	301,900	3.1	6.5
Transportation and public utilities.....	406,200	404,100	410,700	.5	-1.1
Trade.....	1,110,500	1,106,000	1,081,800	.4	2.7
Finance.....	185,200	184,600	178,000	.3	4.0
Service.....	516,100	512,500	498,800	.7	3.5
Government.....	705,400	720,900	683,800	-2.2	3.2

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

^e—Estimated.

^r—Revised.

SOURCES: State employment agencies.

Federal Reserve Bank of Dallas.

February to 2.4 percent in June but increased to 2.7 percent in July. Total manufacturing employment in July was about the same as the June level, with a normal decline in food-processing employment the only major change. Construction employment displayed seasonal strength to account for the largest increase, despite slowdowns resulting from work stoppages at three major Texas cement plants. The largest decline during July was in government employment. Texas unemployment showed a customary seasonal downturn in July to reach 139,400, which is 4.5 percent of the labor force and compares with 5.0 percent in June and 4.3 percent in July 1956.

The value of construction contracts awarded in the District states during June advanced further from the low April level, with increases of 28 percent from May and 79 percent from a year earlier. Nonresidential construction continued to show the greater strength, but residential awards — while down slightly from May — were 21 percent above June 1956. Cumulative awards during the first 6 months of 1957 were 12 percent above the corresponding period last year, with residential awards up 4 percent and "all other" up 17 percent. Among the five states, total awards for the first half of 1957 were higher than a year earlier in Arizona, New Mexico, and Texas but were slightly lower in Oklahoma and Louisiana.

New business establishments reported in Texas during July totaled 117 firms with 1,909 workers, or more new firms and workers than in either the previous month or July 1956. In the total were 21 new manufacturing establishments employing 346 workers, with a Bonham, Texas, cable-wire plant being the largest new factory reported for the month.

**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			
	July 1957	Percentage change from		July 31, 1957	Annual rate of turnover		
		June 1957	July 1956		July 1957	June 1957	July 1956
ARIZONA							
Tucson.....	\$ 170,201	11	6	\$ 98,292	20.3	17.9	18.8
LOUISIANA							
Monroe.....	78,809	30	28	51,488	17.9	13.8	14.8
Shreveport.....	279,627	4	11	191,636	17.5	17.2	16.4
NEW MEXICO							
Roswell.....	30,031	5	10	28,030	13.2	13.0	12.4
TEXAS							
Abilene.....	91,422	10	23	62,318	17.0	16.0	15.7
Amarillo.....	202,599	26	23	106,382	23.2	19.0	18.2
Austin.....	167,683	14	3	126,492	16.2	14.3	16.8
Beaumont.....	165,175	12	18	108,545	18.5	16.6	16.0
Corpus Christi.....	198,153	7	10	114,024	21.6	20.4	20.0
Corsicana.....	16,095	10	5	21,732	8.9	8.0	8.6
Dallas.....	2,285,620	10	7	1,007,101	27.4	25.3	26.2
El Paso.....	279,608	9	21	136,593	24.8	22.2	21.5
Fort Worth.....	743,842	9	5	370,990	24.1	22.3	22.7
Galveston.....	106,726	5	20	69,360	18.4	17.2	14.9
Houston.....	2,361,253	6	4	1,211,316	23.2	22.1	22.1
Laredo.....	23,389	—1	14	20,233	13.8	13.9	13.1
Lubbock.....	133,115	2	17	95,332	16.6	16.2	15.6
Port Arthur.....	63,329	4	14	43,790	17.9	17.3	15.2
San Angelo.....	48,827	4	10	42,671	13.7	13.0	11.9
San Antonio.....	537,228	12	9	343,494	19.0	17.4	17.2
Texarkana ²	22,725	24	13	16,381	16.8	13.9	14.2
Tyler.....	86,574	8	14	62,352	16.6	15.5	15.4
Waco.....	95,358	11	11	62,813	18.1	16.3	16.3
Wichita Falls.....	106,397	11	5	104,892	12.4	11.2	11.6
Total—24 cities.....	\$8,293,786	9	8	\$4,496,257	22.2	20.5	20.6

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 \$45,303,000 for the month of July 1957.

NATURAL GAS: MARKETED PRODUCTION

(In millions of cubic feet)

Area	First quarter 1957	Fourth quarter 1956	First quarter 1956
Louisiana.....	518,600	521,400	479,500
New Mexico.....	196,300	168,200	149,000
Oklahoma.....	185,300	178,800	195,700
Texas.....	1,430,500	1,306,700	1,324,700
Total.....	2,330,700	2,175,100	2,148,900

SOURCE: United States Bureau of Mines.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	July 1957 ¹	June 1957 ¹	July 1956 ²	Change from	
				June 1957	July 1956
ELEVENTH DISTRICT					
Texas.....	3,185.5	3,476.8	3,379.5	—291.3	—194.0
Gulf Coast.....	2,806.2	3,087.6	3,024.4	—281.4	—218.2
West Texas.....	561.3	609.6	615.4	—48.3	—54.1
East Texas (proper).....	1,177.6	1,329.2	1,240.0	—151.6	—62.4
Panhandle.....	174.2	198.7	210.1	—24.5	—35.9
Rest of State.....	105.4	102.5	103.7	2.9	1.7
Southeastern New Mexico.....	787.7	847.5	855.2	—67.5	—20.3
Northern Louisiana.....	249.7	254.5	229.4	—4.8	3.9
OUTSIDE ELEVENTH DISTRICT					
United States.....	3,725.3	3,767.3	3,711.0	—42.0	14.3
UNITED STATES					
Total.....	6,910.8	7,244.1	7,090.5	—333.3	—179.7

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

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	July 31, 1957	June 26, 1957	July 25, 1956
ASSETS			
Loans and discounts.....	\$3,943	\$3,934	\$3,939
United States Government obligations.....	2,463	2,387	2,242
Other securities.....	652	661	579
Reserves with Federal Reserve Bank.....	1,016	979	898
Cash in vault.....	166	109	127
Balances with banks in the United States.....	964	986	991
Balances with banks in foreign countries.....	2	2	1
Cash items in process of collection.....	425	465	425
Other assets.....	215	215	204
TOTAL ASSETS	<u>9,846</u>	<u>9,738</u>	<u>9,406</u>
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,011	1,027	1,013
Other demand deposits.....	6,335	6,223	6,180
Time deposits.....	1,631	1,605	1,380
Total deposits	<u>8,977</u>	<u>8,855</u>	<u>8,573</u>
Borrowings.....	20	31	36
Other liabilities.....	70	75	75
Total capital accounts.....	779	777	722
TOTAL LIABILITIES AND CAPITAL	<u>9,846</u>	<u>9,738</u>	<u>9,406</u>

e—Estimated.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	June 1957	May 1957	June 1956	January—June	
				1957	1956
FIVE SOUTHWESTERN STATES¹					
Residential.....	\$ 408,120	\$ 320,106	\$ 228,064	\$ 1,888,428	\$ 1,682,020
All other.....	107,397	109,252	89,021	655,136	629,773
UNITED STATES	<u>300,723</u>	<u>210,854</u>	<u>139,043</u>	<u>1,233,292</u>	<u>1,052,247</u>
ARIZONA					
Residential.....	3,243,486	3,399,528	2,947,483	16,958,005	16,193,228
All other.....	1,155,049	1,297,258	1,202,421	6,483,314	6,798,095
LOUISIANA	<u>2,088,437</u>	<u>2,102,270</u>	<u>1,745,062</u>	<u>10,474,691</u>	<u>9,395,133</u>

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

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percentage change		
	July 1957	7 mos. 1957	July 1957	7 mos. 1957	July 1957 from		
					June 1957	July 1956	7 mos. 1957 comp. with 7 mos. 1956
ARIZONA							
Tucson.....	480	3,012	\$ 1,417	\$ 12,642	—40	—55	—8
LOUISIANA							
Shreveport.....	465	3,036	3,379	15,183	78	85	—13
TEXAS							
Abilene.....	123	844	1,260	8,722	67	—45	—44
Amarillo.....	244	1,609	2,038	16,707	17	—10	32
Austin.....	298	1,591	4,659	25,679	60	66	—8
Beaumont.....	376	2,380	1,316	11,339	—49	162	41
Corpus Christi.....	349	2,357	1,257	9,550	—26	—24	—29
Dallas.....	2,138	13,737	18,893	81,826	97	35	—17
El Paso.....	549	3,025	3,625	20,462	3	45	19
Fort Worth.....	683	4,228	5,561	33,278	34	127	—35
Galveston.....	160	988	218	2,471	—72	—6	—21
Houston.....	1,543	9,818	19,119	137,666	—12	39	45
Lubbock.....	170	1,458	2,149	17,170	0	30	23
Port Arthur.....	392	1,620	614	3,672	25	3	25
San Antonio.....	1,768	10,662	4,209	31,415	—5	8	—21
Waco.....	450	2,881	2,056	9,129	58	129	—8
Wichita Falls.....	148	994	884	8,170	2	—24	34
Total—17 cities.....	10,336	64,240	\$72,654	\$445,081	15	30	6