



BUSINESS REVIEW

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ECONOMIC READJUSTMENTS RETARDED SOUTHWESTERN GROWTH IN 1957

Economic growth in the Southwest during 1957 was somewhat slower than in 1956, though the advance that did occur in 1957 was a major achievement in view of the problems and readjustments which developed in many industries. Economic conditions in both the Southwest and the Nation reflected high-level activity, but the expanded dollar volumes were largely a result of rising prices. Virtually all major economic indicators — manufacturing, construction, employment, and personal income — were stronger in the Southwest than in the Nation. In addition, the demand for bank credit in the Southwest was well sustained during most of 1957. Economic developments in 1957 reversed the pattern of change in 1956, since the strongest period of the past year was in the first 6 months.

Probably the most outstanding events of the year were the change in the water situation and the sharp deterioration of supply and demand relationships in the petroleum industry. Of equal importance, but perhaps less dramatically emphasized, were the increases in personal income, employment, and consumer purchasing. Industrial activity remained strong during the first three quarters of 1957 but weakened moderately in the final months of the year. Construction activity gained strength most of the year, particularly in school, public works, and highway building, while capital investment in the southwestern area failed to keep pace with the levels of investment in the previous 2 years. Credit demands were strong most of the year, although part of this strength appeared to arise from the need to finance inventory accumulations.

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

Change in the Water Situation

Of obvious importance to farmers and ranchers in the Southwest, but of nearly equal importance to city dwellers and industries, was the major change in moisture conditions during 1957. Early in the year, it appeared that conditions in 1957 might be a repetition of those in 1956, which had marked the seventh year of a damaging drought. However, in early spring, rains came to nearly all sectors of the Southwest, particularly to the eastern portions of Texas and Oklahoma and to Louisiana. During the spring months, precipitation was so heavy that agricultural plantings were delayed, a fact which was to have considerable significance in the ultimate output of crops in this area. Although the rains ceased in early June and the summer months were generally as dry as in the previous year, heavy precipitation returned in early fall, and widespread rains occurred in practically every week during October and November.

The impact of these changed moisture conditions upon agriculture was, initially, to provide moisture for growing crops and improve forage during the summer and fall and, secondly, to increase subsoil moisture, thus conditioning the ground for further crops — especially winter wheat for the 1957-58 season. The increased precipitation was not entirely beneficial to agriculture. The spring rains were so heavy and sustained that crop plantings had to be delayed. In the fall, fields became soggy and harvesting was delayed. With an early freeze, late cotton crops were damaged, and there was substantial deterioration of grain sorghum and rice crops.

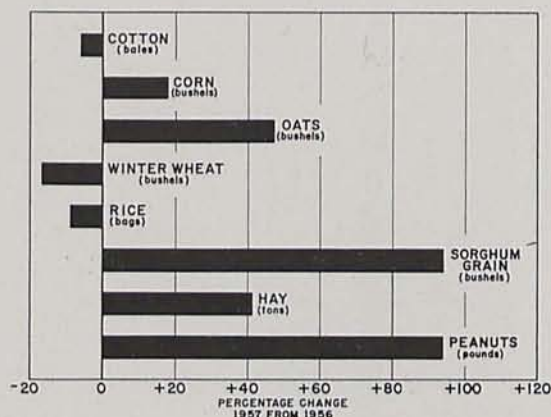
On balance, total agricultural production was moderately below that in 1956, but cash farm income in 1957, including Government payments, was about the same as the total a year earlier. Soil Bank participation sharply lowered wheat and rice production but raised Government payments. Yields increased to record levels as a result of reduced acreage and better moisture conditions, coupled with improved farming practices. Cotton output in the Southwest fell 6 percent, but production of grain sorghums, oats, hay, and peanuts was increased substantially.

Range conditions improved steadily throughout the year; the rains fostered rank growth of weeds and forage. Cattle marketings declined despite higher prices, as ranchers held their stock and did a minor amount of restocking. Cash receipts from livestock and livestock products were about the same as in 1956.

The change in the water situation was of paramount importance to industries and urban areas in the Southwest. In late 1956, some of the industries of the area were in danger of closing because of a lack of industrial water supplies, and a number of cities in the Southwest were on strict rationing. A few cities were actually

CROP PRODUCTION

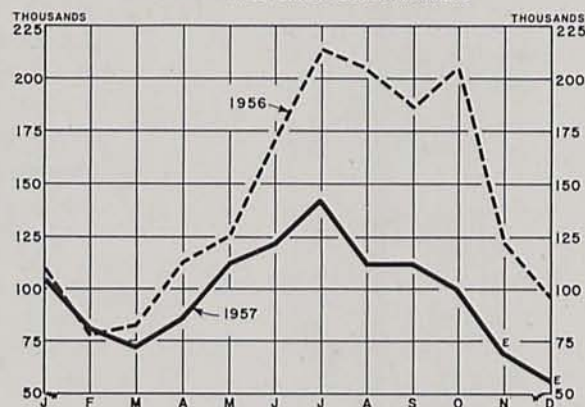
FIVE SOUTHWESTERN STATES



SOURCE: U.S. Department of Agriculture.

CATTLE AND CALF RECEIPTS

MAJOR SOUTHWESTERN LIVESTOCK MARKETS



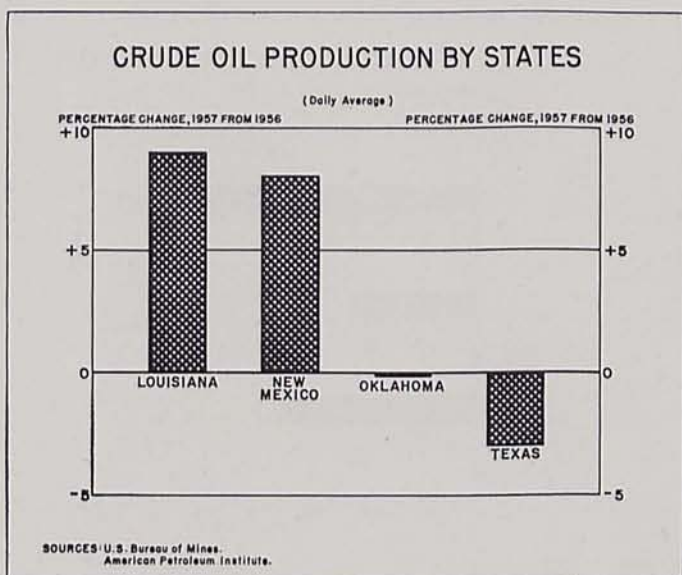
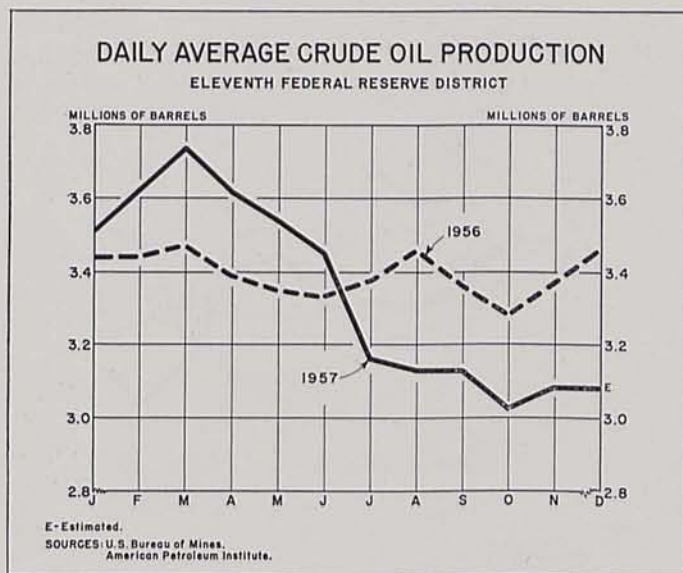
E - Estimated.

SOURCE: U.S. Department of Agriculture.

trucking water for human consumption. With the spring rains filling the expanded reservoir capacity, most of the cities developed reserve supplies of water far in excess of current needs. Floods were a major problem in many parts of Texas, with substantial damage occurring in both urban and rural areas, and industrial water

supplies became freely available. To protect against future droughts, the Texas Legislature adopted a major water plan which provides for a new program of reservoir construction.

Changes in the Petroleum Industry



Even in an industry accustomed to fairly sharp reversals, 1957 was still an exceptional year in the petroleum industry. During the first quarter, the need of supplying an expanded export program to meet European requirements dominated the petroleum picture. However, beyond the basic needs, production was sus-

tained at a very high level; thus, stocks of petroleum products and crude oil began to advance in the second quarter. Not until July did the industry really attempt to correct the oversupply problem, despite the fact that demand had shown a substantially more than seasonal decline.

Deeper cuts in production were necessary, and far into the fall months, such reductions had still failed to balance supply and demand within the industry. In late October, production was just coming into balance with demand in an atmosphere characterized by exceptionally heavy stocks of refined products. District crude oil production in 1957 averaged only slightly below that in 1956, but the year-to-year comparisons weakened from a gain of 5 percent in the first quarter to a loss of 9 percent in the final 3 months. In contrast, imports were 6 percent above the record 1956 level, although a voluntary restraint program had reduced imports in the early fall to 1 percent below a year ago.

With the more pessimistic outlook in the industry, resulting partly from the reduced level of crude oil production and partly from the lack of growth in demand, drilling activities were curtailed. Although the decline in drilling in the Southwest was less marked than in the Nation as a whole, drilling was reduced sharply in the late fall, particularly in offshore fields. As a result, both total well completions and wildcat discoveries declined from the 1956 levels.

Refinery operations fluctuated less than crude production but reflected declines from year-earlier activity throughout the last three quarters of the year and averaged 3 percent below for the full 12 months. Even in this phase of the oil industry, there was a tendency to maintain operations at a higher level than could be justified by either current or prospective demands. Toward the end of the year, refinery activity was curtailed to a rate of just above 80 percent of capacity, although capacity had shown further increases during 1957.

Basic Strength of the Southwest

While the changing water situation and the marked shift in the petroleum industry probably gained the most headlines during 1957, there were other basic sustaining forces. Construction activity, although retarded in the early part of the year by declines in residential construction, rose to new records as public works, school, office, and industrial construction advanced. By midsummer, when industrial building

turned downward, residential construction moved up, and with the strength in other types of construction, new records continued to be established. Clearly, a major portion of the 9-percent rise in the value of construction contract awards was due to higher building costs. The 12-percent increase in residential awards in 1957 was greater than the gain in floor space constructed.

It is of particular significance, though, that the capital investment boom in the Southwest has apparently tapered off, with fewer new plants under construction than at almost any time in the past 5 years. While public construction seems to be taking its place as a supporter of major construction activities, the change of emphasis will be of considerable importance, since new plants are generators of a long list of basic income and employment stimulants to the economy. In fact, there has already been a noteworthy shift of manpower resources within the construction industry, from residential and industrial building to public works construction. Since the workers and machines in these various sectors are not directly interchangeable, some dislocation of capital investment and employment has occurred.

Industrial activity continued to expand, especially during the first 9 months of the year. Showing particular strength in this period were the producers of transportation equipment, chemicals, and paper and printing products. Although there are no specific measures of industrial activity for the Southwest, man-hour data would indicate that the 1957 peak in industrial production was reached in the early fall, with a decline occurring steadily for the remainder of the year. Much of the late-fall decline could be attributed directly to the petroleum and aircraft industries, with the reduction in the latter industry largely a result of stretch-outs in defense expenditures. Total manufacturing employment reached its peak in August at 786,600 workers, but the year-to-year margin of gain was greatest in the first quarter. For the year as a whole, industrial activity probably rose less than 2 percent over the total in 1956.

Of great importance to the economy during 1957 was the strength in employment. Nonagricultural employment expanded until October, when a contraseasonal decline occurred. The margin of gain over a year ago narrowed throughout 1957 but averaged about 3 percent for the full year. Virtually every major category of nonagricultural employment expanded, led by advances in finance, government, and construction. These gains, coupled with substantial increases in basic wage rates, caused an estimated 6-percent rise in personal

income over 1956. The decline in average weekly hours of manufacturing workers was more than offset by increases in employment and wage rates.

With disposable income increasing, consumer purchasing was well maintained in 1957. On a physical-

DAILY AVERAGE CRUDE RUNS TO REFINERY STILL

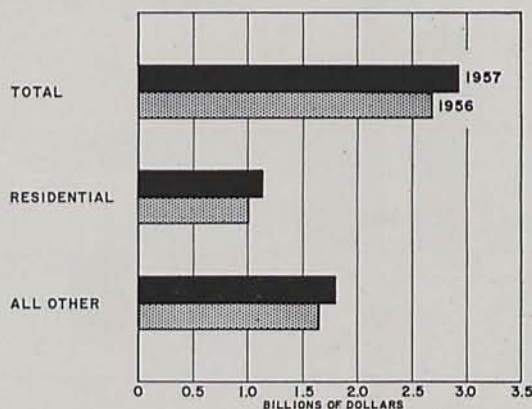
ELEVENTH FEDERAL RESERVE DISTRICT



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

VALUE OF CONSTRUCTION CONTRACT AWARDS

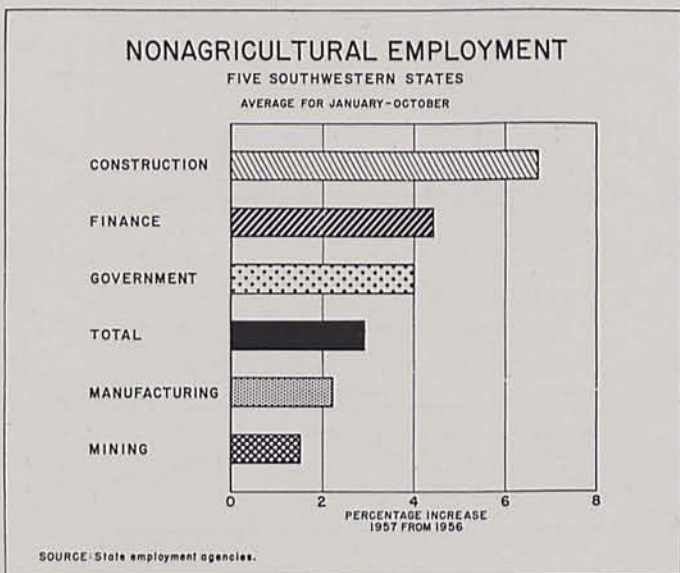
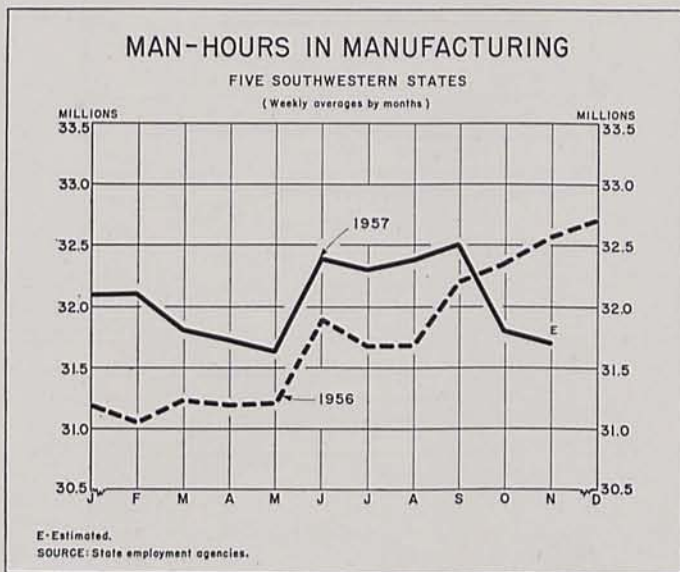
FIVE SOUTHWESTERN STATES
JANUARY-OCTOBER



SOURCE: F.W. Dodge Corporation.

volume basis, retail sales were probably about equal to those of the previous year, but with rising price levels, the dollar volume of retail sales is estimated to have expanded about 3 percent over 1956. Retail sales advances in the Southwest were concentrated in nondurable goods. Although scattered indications of automo-

bile sales reflect a larger gain in the Southwest than in the Nation in 1957, sales of the majority of consumer durables were weaker than in the preceding year. Apparel, food, and drugstore sales showed the best year-to-year gains, while hardware, building materials, and appliance dealers' sales experienced the largest declines.



Credit and Finance

These diverse influences in the economy were reflected in demands for credit, both at banks and in the capital markets. Loan demand in the Eleventh District was about the same as in 1956 but showed considerable

strength in the third quarter, particularly in commercial and industrial loans. Of particular note were the June-November gains at reserve city banks, in contrast to the national picture, where commercial and industrial loans declined.

For 1957 as a whole, the primary strength in District loan demand developed from loans to petroleum manufacturers and trade concerns, loans for purchasing or carrying securities (other than loans to brokers and dealers), and consumer credits. During the second half of the year, loan demands intensified in these major sectors, particularly in the petroleum industry and consumer credit. The petroleum industry did not exhibit substantial strength in 1957 but, as a matter of fact, was weaker in the final three quarters of 1957, especially in Texas, than in virtually any of the preceding 3 years. The rise in loan accommodation to petroleum manufacturers was probably a reflection of the need for credit to finance inventory accumulations.

The major areas of weakness in loan demand were from "all other manufacturers" and brokers and dealers in securities. In late November, credit demands weakened, and total loans slipped behind the pace set a year earlier.

District banks had to meet these rapidly changing demands for credit in an environment which reflected the diverse effects of economic fluctuations and a monetary policy of restraint. While the monetary authorities continued to follow a policy of restraint during 1957, the changing economic picture moderated the impact, especially in the closing quarter of the year.

Deposits of member banks in this District showed a modest gain over 1956, mainly in time accounts. In 1957, demand deposits, other than interbank deposits, were slightly above a year ago, but interbank deposits declined sharply. Investment holdings of the member banks averaged moderately higher in 1957 than a year earlier, with both Government and other securities sharing in the increase. Much of the gain occurred in the final months of the year, after loan demands moderated. Weekly reporting member banks reflected some investment liquidation in the July-November period but an accumulation thereafter. Treasury financing operations had a significant effect upon investment holdings in both 1956 and 1957, since a number of issues were floated for which the banks were allowed to pay by credit to Treasury Tax and Loan Accounts.

Member bank reserves in the District were under less pressure in 1957 than in the previous year, although

free reserves of the country banks declined markedly in the August-October period and in October were nearly one-fourth below those on the comparable date in 1956. Several explanations of this abrupt change are possible, but it would seem that one of the most logical is the fact that crop harvesting was late in 1957; therefore, loan repayments and deposit increases normally associated with this period of the year were deferred.

In the final quarter of 1957, the decline in economic activity, especially the developing inventory liquidation and the unfavorable changes in international affairs, introduced a new measure of cautiousness and a contra-seasonal reduction in the demand for bank credit. This reduction moderated the usual seasonal pressures in the money market, and these easing tendencies were permitted to be reflected in reduced pressure on bank reserves. In November the Federal Reserve banks confirmed these lessened pressures by reducing their discount rates one-half of 1 percent.

As the money market adjusted to the lower discount rates, yields rose sharply. In the Southwest and throughout the Nation, the rapidity of this change has occasioned a reassessment of supply and demand relationships in the credit markets. Increased availability of mortgage funds and renewals of deferred capital investment programs, particularly by municipalities, may result from this reappraisal.

Outlook

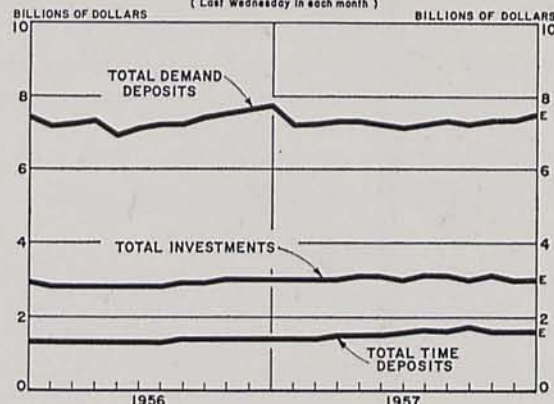
Economic conditions in 1957 in the Southwest offered ample evidence of the benefits of a diversified economy, as strength in some sectors clearly outweighed declines in others. At the close of the year, the southwestern economy appeared to be operating at an advanced level, although some margin of unused capacity had developed, particularly in durable goods.

While preliminary indications of economic developments for 1958 do not, at present, point toward a year of substantial growth, it is likely that the inherent strength of the economy of the Southwest will continue to place it in the forefront with those regions in which performance exceeds that in the Nation as a whole. The problems of 1958 appear to center on a lower level of activity in durable goods industries, reduced new industrial construction, and the oversupply situation in the petroleum industry — possibly offset by increased residential building and gains in consumer and government expenditures.

DEMAND AND TIME DEPOSITS AND INVESTMENTS

MEMBER BANKS—ELEVENTH FEDERAL RESERVE DISTRICT

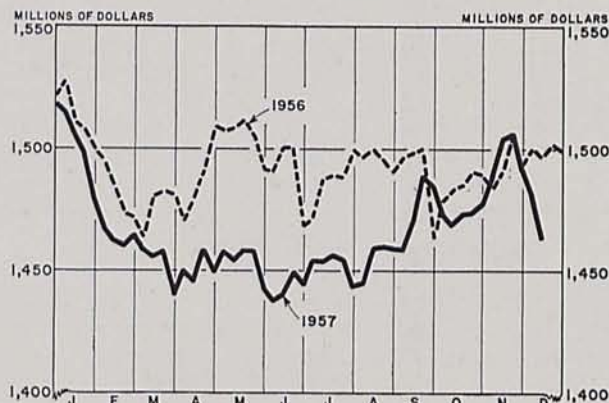
(Last Wednesday in each month)



E—Estimated.

COMMERCIAL AND INDUSTRIAL LOANS

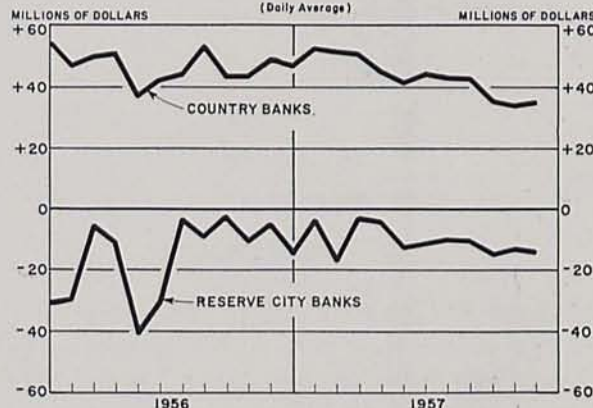
WEEKLY REPORTING MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT



MEMBER BANK FREE RESERVES

ELEVENTH FEDERAL RESERVE DISTRICT

(Daily Average)



BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Retail sales at department stores in the Eleventh District rose more than seasonally in November but were 1 percent under the record November

volume in 1956. In the week following Thanksgiving, sales accelerated sharply as the Christmas buying season got under way, but, as in November, total sales remained below the year-earlier level. For the 2-week period ended December 14, sales were 4 percent less than in the comparable 1956 weeks.

The demand for refined petroleum products, particularly heating oil, showed some improvement during early December, occasioning a decline in total products stocks. District crude oil production was almost unchanged from November but was 11 percent below a year ago. Crude runs to refinery stills in the District showed a 3-percent increase over November but a 7-percent decline from a year earlier.

Employment of nonagricultural workers in the District states during November showed another small

contraseasonal decline. Construction, slowed by bad weather, accounted for a large part of this decline, while employment in trade and most other industries reflected about normal seasonal strength.

The value of construction contract awards in the District states during October declined from the high September level but was 12 percent above a year ago. Residential building continued to show strength, while "all other" awards were slightly below the October 1956 level.

Cotton and grain sorghum harvest is in the final stages. Output of cotton in the District states is expected to be 6 percent less than in 1956, but grain sorghum production is indicated to be 94 percent higher. Freezes reduced vegetable prospects and damaged citrus trees.

Demand deposits at the District's weekly reporting member banks rose \$227.6 million in the 4 weeks ended December 18, but commercial and industrial loans declined. The turnover of demand deposits in November in reporting District cities decreased from the preceding month and from a year earlier.



November sales at department stores in the Eleventh Federal Reserve District rose 7 percent above October, despite two less trading days. The increase repre-

sented more than the usual pickup in daily sales activity for the period, but the month's total business lacked 1 percent of reaching the record of November 1956. The adjusted index of sales, which makes allowances for differences in the number of trading days and other seasonal influences, rose from 152 for October to 161 for November, compared with 163 for November 1956. Going into the Christmas buying season, sales accelerated sharply following Thanksgiving but, as in November, remained under the year-earlier totals. For the 2-week period ended December 14, sales were 4 percent under the comparable 1956 weeks.

An analysis of the type of goods purchased during November, and in the Christmas trade, indicated a mood of conservatism and a desire for better quality in the merchandise purchased. Sales of hard goods — such as furniture, major appliances, and television sets — were lower than a year ago. On the other hand, sales of fine jewelry and silverware showed moderate to substantial gains. Better shoes were preferred over thrift-priced shoes; and better dresses, over the inexpensive ones.

As a further indication of the conservatism of buyers, repayments on credit balances during November were reported by some department stores to be at the highest level, percentagewise, in several years; and numerous instances of prepayments of installment accounts were reported.

While Christmas trade at the District's department stores is not expected to exceed that of a year earlier,

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	November 1957 from		11 mos. 1957 comp. with 11 mos. 1956	November 1957 from	
	Oct. 1957	Nov. 1956		Oct. 1957	Nov. 1956
Total Eleventh District.....	7	-1	2	0	2
Corpus Christi.....	4	-8	0	1	6
Dallas.....	3	2	3	1	7
El Paso.....	4	4	4	-1	2
Fort Worth.....	9	-5	3	-1	1
Houston.....	5	-6	7	-1	0
San Antonio.....	5	-1	1	-4	-5
Shreveport, La.....	12	-8	-5	-3	-4
Waco.....	3	-3	-3	6	0
Other cities.....	20	4	2	3	3

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: November.....	186r	163	189r	172r
1957: September.....	157	163	184	173
October.....	158	152	193	176
November.....	183p	161p	193p	176p

r—Revised.
p—Preliminary.

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	November 1957 from		11 mos. 1957 comp. with 11 mos. 1956
	October 1957	November 1956	
FURNITURE STORES			
Total Eleventh District.....	-4	-5	2
Amarillo.....	-15	-15	-
Austin.....	4	2	7
Dallas.....	7	-10	-8
Houston.....	-7	-13	3
Lubbock.....	-30	-46	-
San Antonio.....	-7	5	2
Shreveport, La.....	-4	1	7
Wichita Falls.....	-6	-8	-7
Other cities.....	-7	-2	3
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District.....	-14	-14	-
Dallas.....	-18	-16	-

total sales for 1957 probably will be ahead of the record 1956 volume by about 2 percent.

Registrations of new automobiles sold in the four metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio in November dropped fractionally (less than one-half of 1 percent) below the number of new car sales registered in November 1956. Registrations showed gains of 4 percent in Dallas and 1 percent in Houston, while Fort Worth and San Antonio registered losses of 6 percent and 11 percent, respectively.

ANNOUNCEMENT

The Federal Reserve Bank of Dallas has revised the indexes of department store sales and stocks for the Eleventh Federal Reserve District for the period 1949 to date. Current revisions of the district and national indexes have been made simultaneously by each of the 12 Federal Reserve banks and the Board of Governors of the Federal Reserve System. The features of the revisions are: (1) The indexes have been adjusted upward to reflect changes indicated by the United States Government Censuses of Business between 1948 and 1954. (2) The sample of reporting department stores included in the Eleventh District's monthly index series has been expanded to include a larger number of stores, representing approximately 80 percent of estimated total sales and stocks for all department stores in the District in 1956. (3) Seasonal adjustment factors were reviewed for 1949 to date and were revised, when necessary, to reflect shifts in the consumer seasonal buying pattern.

Index numbers back to January 1919, together with revised indexes for 1949 to date, are available upon request. A comprehensive discussion of the methodology used in compiling the monthly indexes has been prepared by the Board of Governors and may be obtained, upon request, from the Federal Reserve Bank of Dallas or the Board of Governors of the Federal Reserve System in Washington.



Generally dry, open weather prevailed over a substantial part of the District during most of the past month. Conditions were favorable for harvesting crops, but a series of freezes extending into the Lower Valley of Texas resulted in damage to vegetables and citrus fruits. Combining of sorghums is nearing completion, and elevators continue to dry the accumulation of grain — much of which is piled on the ground — in order to reduce moisture content to safe storage levels. Grain sorghum production in the District states is placed, as of December 1, at 267,742,000 bushels, or 94 percent above output in 1956.

As farmers in northwestern areas complete harvesting of the sorghum crop, they are concentrating on gathering cotton, utilizing mostly strippers and mechanical pickers. Despite round-the-clock gin operation, cotton has piled up on gin yards, and a shortage of cotton trailers has hindered movement of the crop to gins. In the western irrigated sections of the Trans-Pecos area of Texas and in New Mexico and Arizona, cotton picking has made excellent progress. Harvesting is near-

ly completed in south-central and southwestern New Mexico and is in the final stages in the lower Pecos Valley.

The extent of damage to the cotton crop in the District states, as a result of the untimely freeze and subsequent wet weather, is indicated in the most recent report. Cotton production is placed, as of December 1, at 5,227,000 bales, which is 12 percent below the peak-season estimate on October 1. Current estimates indicate the 1957 crop to be 6 percent under output in 1956, with production in each of the District states also under a year ago. At 3,575,000 bales, the Texas crop declined 8 percent from the month-earlier estimate and is now indicated at 1 percent below 1956. In the Nation the crop is estimated at 11,010,000 bales, or 17 percent less than production in 1956.

Two severe freezes, extending as far south as the Lower Valley of Texas, severely damaged tender fall vegetable crops. Injury to hardy vegetables was relatively light, although broccoli production may be reduced substantially. Production of winter vegetables in Texas for the 1958 season is indicated, as of December 1, at 10 percent above last year but 5 percent below the 1949-56 average.

The low temperatures retarded harvest of this season's citrus crop and resulted in some damage to trees; however, fruit losses are expected to be light. Indicated production of the 1957-58 citrus crop in Arizona, Louisiana, and Texas is placed, as of December 1, at 10,190,000 boxes, or 28 percent more than output last season but 28 percent below the 10-year average. The output of oranges is estimated at 26 percent above a year earlier, and that for grapefruit is 29 percent greater.

Forage conditions in the range states of the District as of December 1 declined seasonally from a month earlier but were substantially improved from conditions on the same date in 1956. Abundant green feed from

winter weeds and small grains is available in most of the District, although cold weather checked growth of small grains and winter grasses. In northwestern areas, sorghum stubble fields are supplying considerable grazing.



In the 4 weeks ended December 18, weekly reporting member banks in the District acquired \$213.9 million of deposits. The deposit gain reversed the trend in the preceding 5 weeks and was substantially larger than a year earlier. The banks redeemed \$46.9 million of bills payable, increased earning assets by over \$40 million, and replenished cash accounts by \$141 million.

Loan volume rose \$19.5 million, but interbank borrowings, up \$28.9 million, more than accounted for the growth. Commercial and industrial loans declined \$26.8 million, a somewhat larger decrease than was reported for the comparable weeks of 1956. The other categories of loans increased, with "all other loans"—mainly consumer credits—showing the largest gain of \$9.3 million.

Investments were enlarged by \$21.1 million as holdings of short- and intermediate-term Government securities increased; Treasury bills accounted for \$12.4 million of the rise. The portfolio of Treasury bonds and non-Governments declined, in a period of rapidly advancing bond values.

Demand deposits expanded \$227.6 million during the 4 weeks, aided by a substantial \$130.1 million gain in correspondent balances. Individuals and businesses increased their deposit accounts by \$80 million, although the total balances were below the comparable period in 1956. (Moreover, the turnover of checking accounts in reporting centers throughout the District had declined in November from the preceding month and also was lower than in November 1956.) United States Government balances showed a small increase in deposits between November 20 and December 18, reflecting the usual seasonal fluctuations in the Treasury's cash position. Time accounts, influenced primarily by the \$11.8 million withdrawal by state and local governments, declined \$13.7 million. Bills payable were reduced from \$69.5 million to \$22.5 million during the 4-week period.

Daily average free reserves of Eleventh District member banks declined \$600,000 during November and, at \$20.9 million, were less than half the November 1956 level. The month-to-month reduction reflected,

CITRUS FRUIT PRODUCTION
(In thousands of boxes)

State and crop	Indicated 1957-58	1956-57	1955-56	Average of 10 seasons ended 1946-55
ARIZONA				
Oranges.....	1,400	1,290	1,150	1,016
Grapefruit.....	2,400	2,180	2,370	2,818
LOUISIANA				
Oranges.....	190	115	195	225
TEXAS				
Oranges.....	2,200	1,600	1,600	2,336
Grapefruit.....	4,000	2,800	2,200	7,820

SOURCE: United States Department of Agriculture.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 18, 1957	Nov. 20, 1957	Dec. 19, 1956
ASSETS			
Commercial and industrial loans.....	\$1,480,771	\$1,507,578	\$1,502,596
Agricultural loans.....	23,844	22,705	28,732
Loans to brokers and dealers in securities.....	18,591	17,667	37,725
Other loans for purchasing or carrying securities.....	167,618	163,950	147,221
Real-estate loans.....	196,248	193,884	204,917
Loans to banks.....	48,756	19,857	774
All other loans.....	636,498	627,173	595,045
Gross loans.....	2,572,326	2,552,814	2,517,010
Less reserves and unallocated charge-offs..	42,482	42,975	36,437
Net loans.....	2,529,844	2,509,839	2,480,573
U. S. Treasury bills.....	87,579	75,185	107,879
U. S. Treasury certificates of indebtedness.....	103,006	97,844	61,973
U. S. Treasury notes.....	194,282	185,942	210,064
U. S. Government bonds (inc. gtd. obligations)...	805,499	806,918	805,616
Other securities.....	280,052	283,457	239,318
Total investments.....	1,470,418	1,449,346	1,424,850
Cash items in process of collection.....	480,165	400,796	472,631
Balances with banks in the United States.....	495,312	416,776	535,597
Balances with banks in foreign countries.....	1,991	1,484	1,812
Currency and coin.....	53,957	47,842	51,104
Reserves with Federal Reserve Bank.....	560,979	584,482	599,526
Other assets.....	185,478	173,207	192,598
TOTAL ASSETS.....	5,778,144	5,583,772	5,758,691
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,806,174	2,726,190	2,898,462
United States Government.....	78,047	63,198	112,123
States and political subdivisions.....	183,503	183,806	165,545
Banks in the United States.....	1,023,245	893,103	1,025,296
Banks in foreign countries.....	17,013	18,182	17,574
Certified and officers' checks, etc.....	64,710	60,661	75,239
Total demand deposits.....	4,172,692	3,945,140	4,294,239
Time deposits			
Individuals, partnerships, and corporations....	793,782	795,647	721,889
United States Government.....	12,125	12,150	12,390
Postal savings.....	421	421	452
States and political subdivisions.....	192,190	204,003	131,305
Banks in the U. S. and foreign countries.....	6,743	6,735	6,955
Total time deposits.....	1,005,261	1,018,956	872,991
Total deposits.....	5,177,953	4,964,096	5,167,230
Bills payable, rediscounts, etc.....	22,515	69,450	38,500
All other liabilities.....	105,992	90,320	116,516
Total capital accounts.....	471,684	459,906	436,445
TOTAL LIABILITIES AND CAPITAL.....	5,778,144	5,583,772	5,758,691

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	November 1957	October 1957	November 1956
RESERVE CITY BANKS			
Reserve balances.....	\$ 553,394	\$ 561,320	\$ 573,442
Required reserves.....	546,737	555,900	562,239
Excess reserves.....	6,657	5,420	11,203
Borrowings.....	21,243	18,597	16,905
Free reserves.....	14,586	13,177	15,702
COUNTRY BANKS			
Reserve balances.....	455,570	450,487	459,280
Required reserves.....	408,538	405,515	408,377
Excess reserves.....	47,032	44,972	50,903
Borrowings.....	11,533	10,309	1,700
Free reserves.....	35,499	34,663	49,203
MEMBER BANKS			
Reserve balances.....	1,008,964	1,011,807	1,032,722
Required reserves.....	955,275	961,415	970,616
Excess reserves.....	53,689	50,392	62,106
Borrowings.....	32,776	28,906	18,605
Free reserves.....	20,913	21,486	43,501

in part, the deposit decrease reported in the District. While the banks increased their holdings of excess reserves by \$3.3 million, borrowings from the Federal Reserve Bank rose \$3.9 million.

The money position at reserve city banks tightened somewhat in November, although excess reserves expanded. To maintain adequate reserve accounts, the reserve city banks stepped up their borrowings by \$2.6 million, resulting in an increase in average net borrowed reserves. Average free reserves of country banks rose \$800,000, as a \$1.2 million gain in borrowings did not equal the increase in excess reserves. The country banks held average free reserves of \$35.5 million in November, or \$13.7 million below a year ago.

In the 4 weeks ended December 18, gold certificate reserves of the Federal Reserve Bank of Dallas declined \$34.1 million, although total holdings remained above a year earlier. With member banks repaying \$22.9 million of discounts, total earning assets decreased \$8.6 million, despite the customary increase in holdings of Government securities at this season of the year. Member bank reserve balances declined \$14.5 million in the period. Federal Reserve currency outstanding rose \$23.8 million between November 20 and December 18 but showed a somewhat smaller year-to-year gain.

Effective December 2, the discount rate of the Federal Reserve Bank of Dallas was lowered one-half of 1 percent to a level of 3 percent. With this change, the rate became uniform throughout the country.

NEW PAR BANK

The Farmers State Bank, Hart, Texas, a nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, December 14, 1957. The officers are: Willis A. Hawkins, Sr., President; Norlan Dudley, Executive Vice President and Cashier; and Otto Dinwiddie, Vice President.



The petroleum industry continued to make good progress in balancing over-all supply and demand relationships in early December. Crude oil production was relatively unchanged and imports showed a slight decline, but total demand rose moderately.

Substantially colder weather this season has resulted in an above-normal increase in heating oil demand, al-

though the total still remains well below year-earlier levels. Of perhaps equal importance, however, has been the steady decline in industrial activity throughout the Nation, which has slowed the usual seasonal gains in demand for residual fuel oil. In consequence, such demand in the 5 weeks ended December 13 was 18 percent lower than in the comparable 1956 period.

With the improvement in total demand, refinery activity in the first part of December also increased slightly by about 1 percent, although crude runs to refinery stills in the Nation remained 6 percent below a year ago. In the District, refinery runs, averaging 2,196,000 barrels per day, reflected a month-to-month increase of 3 percent but were nearly 7 percent under a year earlier.

Total products stocks showed a small decline between November 29 and December 13 but were 11 percent above the corresponding period of 1956. December 13 data for the major products indicate a decrease in kerosene and distillate stocks, no change in residual stocks, but a small seasonal increase in gasoline stocks.

Daily average crude oil production in the District during early December, at 3,085,000 barrels, was virtually unchanged from the November level, despite a small decrease in Texas allowables for December. On a year-to-year basis, District crude oil production declined 11 percent, but in early December 1956, the oil industry was expanding to meet demands stemming from the Suez Canal crisis.

Imports in the 5 weeks ended December 13 averaged 1,434,000 barrels per day, which is 2 percent under the November average but 3 percent above the level in December 1956. Crude oil imports east of California in this period were 7 percent below the November level and 4 percent below a year earlier. With supply thus restricted somewhat, crude stocks changed very little and on December 14 totaled 279,210,000 barrels, or approximately 2 percent more than a year ago.



Nonagricultural employment in the District states during November showed another small contra-seasonal decline. The 4,324,800 employment total reflected a decrease of 400 from October, in contrast to a gain of 17,900 in the same period of 1956. Compared with a year ago, employment was up only 1.4 percent, against a year-to-year gain of 1.8 percent in October. However,

most of the weakness in November employment could be accounted for by the change in one industry — construction; the greater than normal decline in construction employment could be attributed, in large measure, to the bad weather which slowed outdoor activities in the northern part of the region.

Total manufacturing employment was practically unchanged, as new cutbacks in aircraft and other defense-related industries were offset by seasonal employment gains in food processing and the return of workers following a strike in the steel industry. Seasonal hiring in the trades and by governments provided the largest employment increases, and these gains appeared to be about normal for the month.

Unemployment in November continued to reflect some weakness in the southwestern economy. Available estimates for Texas indicate that total unemployment rose 12,400 from October to reach 149,400 workers, or 4.7 percent of the labor force, compared with 4.0 percent in November 1956.

The value of construction contracts awarded in the District states during October, at \$244.4 million, declined 10 percent from the high September level but was 12 percent above the October 1956 level. Residential awards of \$113 million, while 2 percent smaller than in the previous month, maintained a 31-percent margin of gain over a year ago. On the other hand, nonresidential contracts were down 15 percent from September and showed a small year-to-year decrease. According to the *Texas Contractor* series, which reflects mainly the changes in large nonresidential contracts, Texas construction awards in November declined sharply to 7 percent below a year earlier.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Nov. 1957 from	
	November 1957 ^e	October 1957	November 1956 ^r	Oct. 1957	Nov. 1956
Total nonagricultural					
wage and salary workers..	4,324,800	4,325,200	4,266,100	0.0	1.4
Manufacturing.....	780,400	779,800	783,600	.1	-.4
Nonmanufacturing.....	3,544,400	3,545,400	3,482,500	.0	1.8
Mining.....	260,500	259,400	259,700	.4	.3
Construction.....	298,500	311,400	304,000	-4.2	-1.8
Transportation and public utilities.....	404,100	405,300	409,200	-.3	-1.3
Trade.....	1,140,500	1,129,400	1,108,500	1.0	2.9
Finance.....	182,800	182,900	177,500	-.1	3.0
Service.....	518,500	520,300	500,000	-.4	3.7
Government.....	739,500	736,700	723,600	.4	2.2

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

^e—Estimated.

^r—Revised.

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

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

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts ¹			Demand deposits ¹			Annual rate of turnover
	November 1957	Percentage change from		Nov. 30, 1957	Nov. 1957		
		Oct. 1957	Nov. 1956		Nov. 1957	Oct. 1957	
ARIZONA							
Tucson.....	\$ 166,740	—3	4	\$ 101,512	20.0	20.9	19.6
LOUISIANA							
Monroe.....	67,443	—11	0	54,856	15.4	17.2	15.6
Shreveport.....	257,664	—10	7	186,942	16.7	18.1	15.1
NEW MEXICO							
Roswell.....	28,614	—13	—7	28,387	12.2	14.5	12.5
TEXAS							
Abilene.....	78,300	—13	11	57,842	16.2	18.4	14.2
Amarillo.....	170,122	—6	0	105,990	19.3	20.5	19.0
Austin.....	143,088	—11	1	120,444	14.4	16.1	15.2
Beaumont.....	149,806	—5	4	112,662	16.0	17.4	15.8
Corpus Christi.....	179,666	—4	6	114,273	19.0	19.8	18.1
Corsicana.....	14,822	—18	4	21,826	8.3	10.1	7.9
Dallas.....	2,109,479	—7	—2	992,999	25.4	27.4	26.6
El Paso.....	287,045	—4	3	143,374	24.2	25.1	24.2
Fort Worth.....	630,812	—9	—4	360,999	21.0	23.3	20.9
Galveston.....	99,193	3	—12	69,449	17.4	17.2	18.5
Houston.....	2,198,082	—8	—3	1,243,405	21.8	23.4	22.4
Laredo.....	25,915	9	18	20,420	15.5	14.6	13.2
Lubbock.....	177,574	14	—2	99,530	21.7	19.1	21.2
Port Arthur.....	68,945	—4	19	46,851	17.9	18.8	15.5
San Angelo.....	44,554	—13	0	41,460	13.0	15.0	11.5
San Antonio.....	493,484	—6	2	346,637	17.2	18.2	16.2
Texarkana ²	18,949	—7	3	16,023	14.0	15.0	13.3
Tyler.....	75,566	—15	1	59,893	15.0	17.5	14.6
Waco.....	91,329	—5	7	63,921	17.0	18.0	15.2
Wichita Falls.....	94,503	—8	0	102,336	11.0	11.8	11.2
Total—24 cities.....	\$7,671,695	—7	—1	\$4,512,031	20.5	22.2	20.8

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 \$39,213,000 for the month of November 1957.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Dec. 18, 1957	Nov. 20, 1957	Dec. 19, 1956
Total gold certificate reserves.....	\$763,181	\$797,295	\$ 757,136
Discounts for member banks.....	26,436	49,319	24,500
Other discounts and advances.....	286	286	1,377
U. S. Government securities.....	924,846	910,550	976,436
Total earning assets.....	951,568	960,155	1,002,313
Member bank reserve deposits.....	975,910	990,395	1,023,557
Federal Reserve notes in actual circulation.....	745,483	721,734	726,556

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	Change from				
	November 1957 ¹	October 1957 ¹	November 1956 ²	October 1957	November 1956
ELEVENTH DISTRICT.....	3,081.6	3,020.7	3,375.5	60.9	—293.9
Texas.....	2,718.9	2,656.5	3,008.4	62.4	—289.5
Gulf Coast.....	536.2	526.9	596.8	9.3	—60.6
West Texas.....	1,164.2	1,127.1	1,269.5	37.1	—105.3
East Texas (proper).....	161.7	155.9	204.7	5.8	—43.0
Panhandle.....	103.5	102.8	98.0	—7	5.5
Rest of State.....	753.2	743.8	839.4	9.4	—86.2
Southeastern New Mexico.....	249.5	247.9	239.2	1.6	10.3
Northern Louisiana.....	113.1	116.3	127.9	—3.2	—14.8
OUTSIDE ELEVENTH DISTRICT.....	3,737.9	3,727.8	3,763.6	10.1	—25.7
UNITED STATES.....	6,819.5	6,748.5	7,139.1	71.0	—319.6

SOURCES: ¹ Estimated from American Petroleum Institute weekly reports.

² United States Bureau of Mines.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Nov. 27, 1957	Oct. 30, 1957	Nov. 28, 1956
ASSETS			
Loans and discounts.....	\$4,052	\$4,030	\$3,964
United States Government obligations.....	2,375	2,386	2,455
Other securities.....	692	715	612
Reserves with Federal Reserve Bank.....	995	970	1,011
Cash in vault.....	135	157	137
Balances with banks in the United States.....	1,005	970	1,077
Balances with banks in foreign countries.....	2	3	2
Cash items in process of collection.....	464	400	437
Other assets.....	251	245	246
TOTAL ASSETS.....	9,971	9,876	9,941
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,033	1,033	1,114
Other demand deposits.....	6,322	6,247	6,525
Time deposits.....	1,648	1,664	1,390
Total deposits.....	9,003	8,944	9,029
Borrowings.....	48	27	37
Other liabilities.....	117	106	119
Total capital accounts.....	803	799	756
TOTAL LIABILITIES AND CAPITAL.....	9,971	9,876	9,941

e — Estimated.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		Percentage change				
	Nov. 1957	11 mos. 1957	Nov. 1957	11 mos. 1957	Nov. 1957 from		11 mos. 1957 comp. with 11 mos. 1956
					Oct. 1957	Nov. 1956	
ARIZONA							
Tucson.....	359	4,514	\$ 585	\$ 18,459	—28	—76	—20
LOUISIANA							
Shreveport....	326	4,768	1,319	22,020	—42	37	—12
TEXAS							
Abilene.....	94	1,382	1,232	13,679	12	—25	—36
Amarillo.....	184	2,554	2,026	24,296	9	109	35
Austin.....	177	2,468	3,135	41,821	6	67	—3
Beaumont.....	267	3,819	1,203	16,774	—21	4	11
Corpus Christi..	213	3,520	823	14,874	—49	—26	—20
Dallas.....	1,297	21,099	12,634	132,717	—14	47	0
El Paso.....	434	4,607	3,253	32,558	8	46	24
Fort Worth.....	438	6,732	5,917	54,446	—30	—36	16
Galveston.....	133	1,513	341	4,002	88	169	—7
Houston.....	782	14,121	10,044	202,151	—37	—6	41
Lubbock.....	151	2,230	1,451	28,255	—73	11	27
Port Arthur.....	282	2,793	485	5,411	5	52	12
San Antonio.....	1,187	16,278	3,754	47,768	—23	21	—14
Waco.....	253	4,089	739	13,647	0	—15	—15
Wichita Falls..	141	1,559	1,079	12,167	47	39	37
Total—17 cities..	6,718	98,046	\$50,020	\$685,045	—25	6	10

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	January—October				
	October 1957	September 1957	October 1956	1957	1956
FIVE SOUTHWESTERN STATES ¹	\$ 244,369	\$ 270,202	\$ 218,842	\$ 2,927,444	\$ 2,681,672
Residential.....	112,950	115,631	86,016	1,129,316	1,012,061
All other.....	131,419	154,571	132,826	1,798,128	1,669,611
UNITED STATES.....	2,613,791	2,549,928	2,442,960	27,840,371	27,177,653
Residential.....	1,165,380	1,151,294	1,049,887	11,370,438	11,262,836
All other.....	1,448,411	1,398,634	1,393,073	16,469,933	15,914,817

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

² Revised.

SOURCE: F. W. Dodge Corporation.