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BANKING ACTIVITY IN 1957

The District banking situation in 1957 reflected the over-all strength in the regional economy but was significantly influenced by the broad national economic and financial trends. While member banks in the Eleventh Federal Reserve District enjoyed another good year, their loans and investments rose less than in 1956 and total deposits registered a small decline. The smaller country banks recorded increases in both deposits and loans during 1957, while the larger banks, more susceptible to the pressures of monetary restraint and affected by sizable shifts in their deposit accounts, reported a decline in demand deposits. However, these banks also reported a rise in time deposits and loans. The dollar volume of checks written continued to move upward, notwithstanding the decline in demand deposits.

The District economy in 1957 gave a somewhat better performance than the national economy, although late in the year economic activity also declined in the District. The dramatic change in moisture conditions evident early in the year improved the prospects in drought-affected areas, but floods in the spring and prolonged rains in the fall reduced crop returns. The petroleum industry started the year in a strong position, bolstered by a sharp increase in foreign demands for American petroleum. Later, as the international situation improved, the domestic industry developed a serious oversupply problem, necessitating sharp cutbacks in production. Other types of industrial output generally expanded during 1957, though metal and other mining (except natural gas) was steadily curtailed. In terms of employment, construction activity, and personal income, the Southwest

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

gained more rapidly than the Nation. Residential construction in the last 6 months of 1957 began to show substantial year-to-year gains. Retail trade increased, and service expenditures continued upward. Thus, while some downward tendencies developed in the final quarter of the year, the regional economy showed some net growth, which was translated into a general expansion in banking activity.

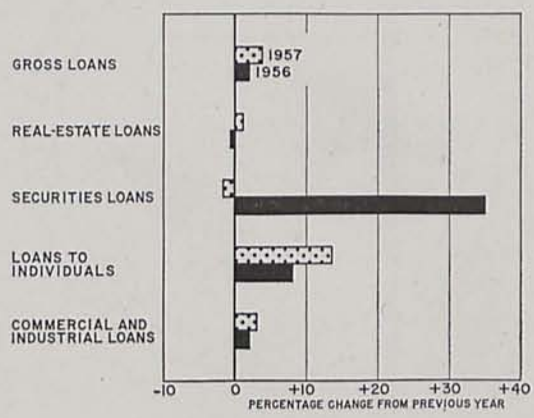
National economic conditions also contributed to the improvement in banking, despite a fairly sharp decline in the September-December period. Employment, personal incomes, retail trade, and—in fact—the total volume of goods and services produced ranged above 1956, though a large part of the increase in dollar totals stemmed from the rising price structure. The 3-year-old boom in the economy closed in the early fall as business investment slowed, defense orders were drastically reduced, and inventory liquidation appeared. Federal Reserve monetary policy was guided toward restraint during the prolonged period of full employment and expansive pressures but was moderated in late October, when the gathering evidence indicated that the problems associated with inflationary pressures in the economy had abated, at least temporarily. The effects of all of these forces, some offsetting and others reinforcing the general trend, are evident in the District banking picture for 1957.

Total resources of District banks on December 31, 1957, were $34 million below the year-earlier figure, thereby interrupting a long series of annual increases. A number of accounts showed sizable changes, but the reduction in cash items in process of collection — a technical account related to checks in transit — more than accounted for the decline.

Demand deposits contracted $386 million; about half the decline stemmed from a reduction in deposits of individuals and businesses, while most of the remainder came from a decrease in interbank balances. These declines were partially offset by a $285 million expansion in time deposits, which is a very substantial 20-percent gain. This growth in time deposits can be traced largely to the higher interest rate established for such deposits early in the year, following a permissive ruling by the Board of Governors of the Federal Reserve System. In both the Nation and the District, some of the gain in time deposits represented a transfer of inactive demand deposits into time deposits. Despite the decline in demand deposits, total dollar expenditures continued to increase. Debits to demand deposits at the District's reporting centers rose about $5.5 billion from 1956 to 1957, and deposit turnover averaged 21.6 times in 1957, compared with 20.5 times in 1956.

PERCENTAGE CHANGE IN LOANS, 1956 AND 1957

ALL MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



Eleventh District member banks increased outstanding loans by $152.1 million, or nearly 75 percent more in 1957 than in 1956. In comparing the changes for the 2 years, one clear difference occurred in connection with agricultural credit, which declined over $100 million in 1956, largely related to redemptions of CCC paper; in 1957, agricultural loans gained strength from the improved moisture conditions and rose $5 million, despite a continued though smaller decline in CCC paper. Real-estate loans rose moderately in 1957, with nonfarm nonresidential lines expanding $7 million, or less than a year ago. FHA-insured and conventional mortgages posted modest increases, but VA-guaranteed mortgages were trimmed $12 million, or one-fourth below the 1956 rate, as repayments exceeded extensions partly because of the low rate of interest on such loans relative to rates on comparable debt instruments.

Consumer credit showed a somewhat larger increase in 1957 than during the previous year, as automobile loans—the pivotal classification in this category—rose substantially, contributing most of the yearly gain. Registrations of new automobiles in the four largest District cities were 10 percent above a year earlier, compared with a minor gain in the Nation. In the remaining types of consumer borrowing, the increases in 1957 resembled those in 1956, with only moderate year-to-year differences.

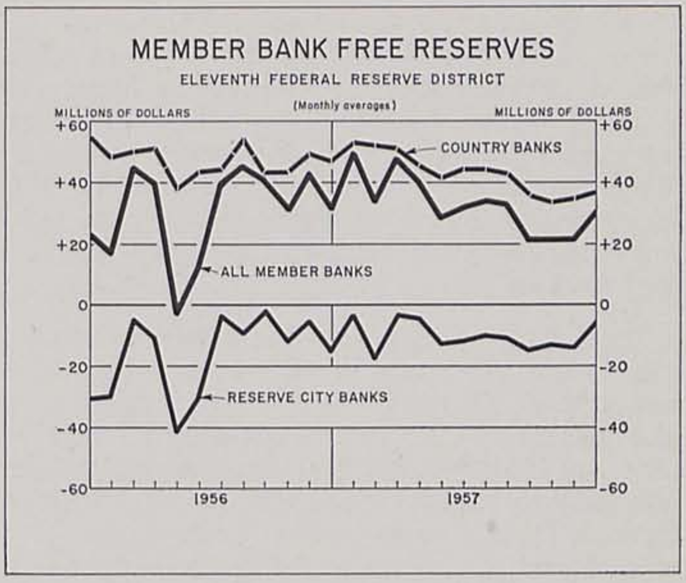
Business loans at all member banks in the Eleventh District rose $65.1 million, or almost $20 million more than in 1956. For a closer examination of commercial and industrial loan data, it is possible to utilize the information furnished by the weekly reporting member banks—the larger institutions in leading District cities.

Loans to petroleum companies by the weekly reporting banks accounted for more than half of the gain in business loans and were especially strong in the final 6 months of 1957. The aggregate volume of such credit is influenced not only by current production trends, inventories, and other operations in the industry but also by sales, transfers, and refinancing of properties. Lower production allowables, reducing internally generated cash flows, and the refinancing of properties expanded the demand for bank credit from the petroleum industry.

Trade borrowing also reflected heavier demands in 1957 than in the preceding year, with most of the gains registered before autumn. Sales and inventories were at advanced levels, particularly through the summer months, thus stimulating larger credit usage. However, after the summer advance, credit extensions to trade establishments were no larger than seasonal.

Another source of relative increase compared with 1956 was the construction loan category. The volatility of these credits is closely tied to the volume of new residential construction and the volume of speculative building. Project construction continued to decline, causing a downward pressure on construction loan volumes. However, since residential construction in the Southwest started to improve during the latter part of the year, the net decline in construction credit was less than in 1956, when there was a pronounced liquidation of construction loans. Early in 1958, the demand for construction credit has been comparatively strong.

While "all other" commercial and industrial borrowers added $21 million to their bank debt, this amount was less than half the expansion recorded in 1956. One factor involved was the diminished use of mortgage warehousing agreements in 1957, which in 1956 were actively utilized as a temporary cushion to the mortgage market. The metals companies showed $3 million in net repayments, compared with an $11 million gain a year earlier. The change occurred mainly in the last quarter of the year, reflecting the production adjustments in most metal manufacturing and processing to the lower levels of demand and customers' efforts toward inventory liquidation.



The member banks in the Eleventh District reduced their holdings of Governments by $57 million in 1957, in contrast with an increase in such holdings in 1956. A special issue of Treasury bills late in 1956 contributed heavily to the gain. The decrease in 1957 holdings of Governments was centered in Treasury bills, although holdings of all types of Government securities were reduced except certificates, where the banks' portfolios rose sharply. The District member banks added to their holdings of state and municipal obligations, as well as Government agency issues.

In 1957, Eleventh District member banks operated with a smaller volume of excess reserves and lower borrowings from the Federal Reserve Bank but a higher level of free reserves than in the previous year. Country banks employed some of their idle balances, especially in the last 6 months; an unusual agricultural situation contributed to this action. As a result, free reserves of country banks, averaging $43 million, were about $4 million below 1956. At reserve city banks, the situation was reversed; net borrowed reserves declined $6 million to an average of $10.5 million for the year.

Bank earnings continued to trend upward in 1957, as District member banks reported a 20-percent, or $11 million, increase in net profits. Also rising $11 million, the return on investments reflected advancing yields throughout most of the year. Loan income, benefiting from the larger volume and the higher level of interest rates, advanced $16 million. Expenses edged upward, absorbing about 50 percent of the increase in operating income. Another factor in the year-to-year improvement in earnings was the smaller amount of charge-offs and transfers to valuation reserves. In 1956 the amount involved in such items was unusually high, mainly as a result of conditions in agricultural and bond markets.

The slight increase in loans and the decrease in deposits led to an increase in the loan ratio from 41.0 percent to 42.9 percent. The cash ratio dropped from 33.8 percent to 32.0 percent between the close of 1956 and 1957, with the banks economizing on their cash positions at the year end. The capital position of Eleventh District banks showed further gains. The ratio of capital accounts to risk assets — the equity cushion afforded depositors by stockholders — rose six-tenths of a percentage point to 15.6 percent.

SELECTED BALANCE SHEET ACCOUNTS OF MEMBER BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 31, 1957	Dec. 31, 1956	Change
Loans (net)	$4,164,572	$4,020,769	$143,803
Investments	3,098,952	3,071,467	27,485
Cash and bank balances	3,107,901	3,316,896	—208,995
Demand deposits	8,029,254	8,415,149	—385,895
Time deposits	1,673,036	1,388,255	284,781
Capital accounts	799,080	736,433	62,647

In summary, the banks could view 1957 as a profitable year with progress in strengthening capital positions but one which required continued efforts to maintain deposit totals. Bank reserves in the District, particularly at reserve city banks, were under pressure most of the year; in the first 10 months at least, banks had to meet rather vigorous demands for credit. Competition among banks intensified, and with rising costs, they were compelled to examine their operations with care to promote efficient utilization of bank funds.

POLICY FOR COMMERCIAL AGRICULTURE

The Subcommittee on Agricultural Policy of the Joint Economic Committee of the Congress recently released a report on its study of policies for commercial agriculture. "Commercial agriculture" is defined as those farms which produce the great bulk of marketed farm products. In developing the report, the subcommittee requested qualified individuals from universities, government, national farm organizations, and elsewhere to submit papers on various topics. Those who prepared the papers were invited to the subcommittee hearings. The following are some high lights of the subcommittee's reports, including initially an eight-point discussion defining the farm problem and then the recommendations for farm policy by the majority of the subcommittee members.

The Nature of the Farm Problem

The report begins the analysis of the farm problem by stating, "The rising productivity and shifting demands that characterize economic growth and development in the United States subject agriculture to persistent strains."

Only a small portion of the increase in personal incomes has been spent on higher-quality and more costly foods. Gains in labor efficiency have severely cut the number of jobs open in agriculture and have allowed a sharp increase in the size of efficient family-operated farms. Thus, the report continues, "Agriculture has been under economic pressure since World War I to reduce the number of families living and working on farms, a form of adjustment very difficult for any major sector of the economy to make." Moreover, total earnings in agriculture have not kept pace with those in other sectors of the economy.

The second important facet of the farm problem is stated as "Farm income is highly vulnerable to the impact of rapid technological advance."

"The competitive structure of agriculture . . . makes farm income particularly vulnerable when new production-increasing techniques become available. . . . The nature of demand for most farm products is such that the decline in price typically is substantially greater than the increase in production." Thus, "Farm income falls."

The subcommittee indicates that a third significant fact is "There is not one farm income problem, but several; and indicated solutions differ."

There are three broad groups of farms classified by income and ownership: low-income farms, residential and part-time farms, and commercial farms. The report states that "Underemployment of family labor is serious on low-income farms." The low-income farmers are not likely to benefit by a price policy since, in the subcommittee's words, "Practicable increases in prices as a result of government programs, while often welcomed, cannot bring about a sufficient change in the economic status of families on such farms because they sell so little."

Similarly, residential and part-time farmers do not receive much assistance from price programs. When low income is a problem on these farms, the solution almost always lies outside of agriculture. However, the report states, "Price policy has great significance for farmers in the commercial group; most of them sell enough so that a 10 percent change in prices received for a given volume of output has a substantial effect on net income." Income problems on commercial farms usually stem from unfavorable price relationships or variations in production resulting from poor growing conditions.

A fourth major segment of the farm problem is that "Average rates of return on family labor and investment in commercial agriculture are low."

The average family income on commercial farms in 1956 was 22 percent below the average for nonfarm families. The difference between the income of noncommercial farm families and that of commercial farm families was even greater. Yet, as stated in the report, "Investment per worker in commercial farming (real estate, equipment, livestock) is more than twice as high as investment per worker in manufacturing." Thus, if comparable rates of return were obtained on labor and investment for both commercial farms and manufacturing, families in commercial agriculture would have higher average incomes than families of manufacturing workers.

The fifth significant point is that "An imbalance currently exists between farm production and market outlets."

This imbalance is reflected in the subcommittee's statement that "Total farm output in recent years has exceeded market outlets at prices that would provide labor earnings on well-run family farms comparable with labor earnings in industry." Furthermore, it is noted, "The imbalance is not evenly distributed over individual farm products. If production controls were removed and prices kept at about current levels, imbalance in the composition of farm output would be very marked, with wheat, cotton, and tobacco among the commodities in greatest oversupply."

AVERAGE FAMILY INCOMES IN COMMERCIAL AND NONCOMMERCIAL AGRICULTURE COMPARED WITH AVERAGE NONFARM FAMILY INCOME IN 1956

	Noncommercial farm families	Commercial farm families	Nonfarm families
Number of families (USDA estimate)....	2,751,000	2,213,000	—
Net income from farming[1]...........	$789	$4,033	—
Net income from nonfarm sources......	2,136	1,382	—
Total family income............	2,925	5,415	$6,900

[1] Net income from farming includes estimated values of house rent and farm-produced products consumed by the farm family.

SOURCE: Subcommittee on Agricultural Policy of the Joint Economic Committee of the Congress.

A sixth point observed in the report is, "Prospects are that unless new uses appear, farm production will press upon market outlets for a decade or more."

Domestic and foreign demand for farm products in 1975 may require a 35- to 45-percent increase in production over the record levels of 1956 and 1957, but new methods of production and better management point the way toward substantial increases in output. The report indicates that "When foreseen requirements are compared with production potential in the next 10 or 20 years, output seems more likely to run ahead of market outlets at satisfactory prices than behind them." Thus, the subcommittee reasons that agriculture will face a surplus problem well into the 1960's.

A seventh facet of the farm problem is that "Some changes in farm size and organization severely tax farmers' ability to adjust."

As noted in the report, "Participants in the subcommittee's study from all parts of the country indicated a need to increase the size of small and medium-size farms in the interest of efficient family operation." The report further contends that "Where a shift of the principal farm enterprise is needed—as in some wheat and cotton areas—alternatives are often poor and may require more land and a different type of capital investment." The rising investment required in agriculture also increases the difficulty of transfer of farm ownership within succeeding generations of one family.

Finally, an eighth part of the over-all problem is that "Instability of farm income arising from weather and wide price fluctuations is a serious problem in several types of farming."

Subcommittee Recommendations

The subcommittee states that "A realistic farm policy must be prepared to assist farm people in dealing with these difficulties, in a manner consistent with the best long-run interests of agriculture and the economy as a whole. At the same time, farm policy should seek to eliminate the deficiencies in demand for farm products that limit income and employment opportunities in agriculture."

After assuming that the current programs of research, extension, credit, rural electrification, and similar Government activities will remain in effect, perhaps with modifications, the subcommittee then proceeds to outline four major recommendations for an attack on the farm problem. First, the report recommends "Expanding outlets for farm resources." Possibilities of expanding commercial markets are numerous both at home and abroad. The subcommittee states, "We recommend that research on new uses and new crops be increased; that producers and the agricultural industries exercise all the ingenuity and enterprise at their command to expand markets; and that appropriate government assistance be given to this effort."

The second main area of recommendations is stated in the report as "Assisting the normal flow of farm-reared people into other occupations." Noting that farms have been the main source of people moving to urban areas, the subcommittee states that "Whatever the net change in population is to be, we should try to increase the ways in which farm-reared people freely enter upon the occupations promising to be most rewarding to them and to reduce the number of situations in which farm people are forced by adversity to turn to other work for which they are poorly prepared." Thus, the subcommittee recommends programs to develop nonfarm resources and to provide better education and training for farm people.

A third major attack on the farm problem is the subcommittee's recommendation to provide "Assistance to farm families in making on-farm adjustments." The report indicates that assistance is needed by numerous families who have reasonable prospects of success in farming in order to make technological and market adjustments in farm operations.

Recommending that the efforts of public agencies be coordinated to help in these adjustments, the subcomittee states, "This effort should be assisted by making available new credit, suited to farmers' special needs, for the most urgent and the highest capital-requiring adjustments."

The fourth area of attack concerns "Income programs for commercial agriculture." The subcommittee notes that "Programs to improve farm income apparently will be needed for a decade and perhaps longer if family incomes in commercial agriculture are not to be materially below the average for nonfarm families." Expecting no immediate cure for the farm problem, the subcommittee believes that "In view of the economic setting likely to exist for farm policy in the years ahead, production control will continue to be a main reliance for improvement of farm income."

The report continues, "If programs are to be workable and in the best long-run interests of agriculture, they must be based on broader considerations than attainment of certain percentage-of-parity prices." The subcommittee believes that there are possibilities of improving the effectiveness of controls and resource use by restricting sales, rather than acreage, and by negotiating quotas.

The report states, "Programs to subsidize food consumption of low-income families and to support farm income through direct payments will deserve special consideration whenever consumers' purchasing power is low." The subcommittee further recommends that "The Commodity Credit Corporation should maintain storages for national emergencies and stabilization purposes. Excess stocks should be worked off as the opportunity arises, but they should not take priority in domestic sales or in dollar sales abroad over supplies from current output. Except for disposal of current excess stocks, CCC should buy and sell principally for stabilization purposes."

According to the subcommittee, no formula could be used to cover all these diverse and uncoordinated programs. As the report states, "Managerial decisions of the highest quality must be made if individual programs are to form a coherent farm policy in the best long-run interests of agriculture and consistent with national policy in other areas." The subcommittee also believes that consideration should be given to setting up a new commission to perform some of the managerial decisions with respect to carrying out farm programs. Finally, the subcommittee states that further research on the income position of agriculture is needed and that "We recommend the support of such statistical and analytical research."

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS

Local reductions in crude oil prices spread further in the Southwest during the first half of February. District crude oil production remained unchanged at a level 15 percent below a year ago, while imports rose to a record high. District output in March is expected to decline, since the Texas Railroad Commission has adopted a 9-day producing schedule for the month, resulting in a reduction of 513,814 barrels in daily allowables. District refinery operations were cut back 10 percent in the first part of February.

Employment of nonfarm workers in the District states declined more than seasonally to reach 4,268,100 in January. Unemployment in Texas rose sharply to a January total of 181,200, or 5.7 percent of the labor force.

Construction contracts awarded in the District states during December showed strong gains of 27 percent over November and 18 percent over a year ago.

Cold, wet weather during the past month held agricultural activities at a low level. Low temperatures resulted in some damage in vegetable areas of Texas, but winter wheat prospects remain excellent. Warm, open weather is needed virtually throughout the District. Numbers of most livestock on farms and ranches declined during 1957, but sheep numbers increased. Supplemental feeding of cattle was increased to offset the shrinkage resulting from inclement weather.

Retail sales at department stores in the Eleventh District in January declined seasonally from December and were virtually unchanged from January 1957. Strength was still evident in the soft goods lines, while weakness predominated in the sales of homefurnishings.

The seasonal decline in commercial and industrial loans at the District's weekly reporting member banks during the 4 weeks ended February 12 was less than in the comparable period in 1957. Free reserves of District member banks rose \$18.4 million during January. Effective February 14, the Federal Reserve Bank of Dallas lowered its discount rate from 3 percent to 2¾ percent, and on February 19 the Board of Governors of the Federal Reserve System announced a reduction of one-half of 1 percent in reserve requirements.

January sales at department stores in the Eleventh Federal Reserve District experienced the usual seasonal decline from December and were almost unchanged from January 1957. The seasonally adjusted index of sales for January was 156 percent of the 1947-49 average, compared with 156 percent for December and 157 percent for January a year ago.

Sales continued below the 1957 level during the first half of February, showing a 13-percent loss for the 2-week period ended February 15. For the first month and a half of 1958, District department store sales were down 5 percent from a year earlier, compared with a 2-percent decline for the Nation.

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES: January 1958 from December 1957	NET SALES: January 1958 from January 1957	STOCKS (End of month): January 1958 from December 1957	STOCKS (End of month): January 1958 from January 1957
Total Eleventh District	—53	0	—5	—2
Corpus Christi	—60	—6	—5	2
Dallas	—51	4	—3	6
El Paso	—50	6	3	4
Fort Worth	—55	4	—6	—5
Houston	—55	—9	—7	—7
San Antonio	—47	1	—6	—3
Shreveport, La.	—50	—3	1	—5
Waco	—54	1	—7	—7
Other cities	—54	3	—8	—7

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1947-49 = 100)

Date	SALES (Daily average) Unadjusted	SALES (Daily average) Seasonally adjusted	STOCKS (End of month) Unadjusted	STOCKS (End of month) Seasonally adjusted
1957: January.......	124	157	152r	173r
November.....	183	161	197	179
December.....	270	156	157	169
1958: January.......	123	156	149p	169p

r—Revised.
p—Preliminary.

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	January 1958 from December 1957	January 1958 from January 1957
FURNITURE STORES		
Total Eleventh District.......................	—30	2
Amarillo..................................	8	—19
Austin....................................	—25	—5
Dallas....................................	—33	1
Houston...................................	—27	9
Lubbock...................................	64	5
San Antonio...............................	—47	—7
Shreveport, La............................	—32	2
Wichita Falls.............................	14	—20
Other cities..............................	—32	8
HOUSEHOLD APPLIANCE STORES		
Total Eleventh District.......................	—23	—17
Dallas....................................	—24	—19

Department stores sell a wide variety of consumer goods, and the January decline in sales did not apply to all departments. There were some moderate to substantial gains, particularly in the soft goods lines. Sales of piece goods and household textiles were 8 percent above a year earlier, and sales of silverware and jewelry rose 13 percent. Sales of wearing apparel were higher than last year, with women's and misses' ready-to-wear and men's clothing showing gains of 5 percent and 2 percent, respectively. On the other hand, sales of homefurnishings—including furniture and major household appliances — were off 10 percent from January 1957 and were the lowest January volume since 1954.

New car registrations in January in the four metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio declined 12 percent from December and 5 percent from January 1957. January registrations in Dallas were 11 percent below December and 5 percent below the same month in 1957.

AGRICULTURE

Snow, sleet, rain, and drizzle were the high lights of weather conditions over a major portion of the District during the past month. Heavy rains in the Lower Valley, Coastal Bend, and southern counties of Texas during the last part of February resulted in excessive runoff and severe flooding of some lowland areas. The cold and inclement weather reduced field work to a virtual standstill. In the central and southern counties of Texas, preparation of land for spring planting has been delayed further, and warm, open weather is urgently needed. In the High Plains of New Mexico, Oklahoma, and Texas, wheat prospects are improved as a result of snow. Little drifting occurred, and the melting snow provided topsoil moisture, which will encourage rapid growth of wheat when temperatures moderate. Dry, warm weather is needed in eastern sections of the District to promote the development of small grains.

Most winter and early spring vegetable areas as far south as the Lower Valley of Texas experienced freezing temperatures on February 12. Fortunately, showers preceding this cold front and a dense cloud cover prevented excessive losses, particularly in the eastern sections of the Lower Valley; heaviest losses occurred in western regions. In some fields, cantaloupes, sweet corn, tomatoes, and watermelons were thinned by the low temperatures, and many of these fields will not be replanted. Damage was heavy in some low areas with poor air drainage, and replanting will be necessary.

Farmers and ranchers increased supplemental feeding of livestock as a result of low temperatures. Despite the additional care, unprotected animals showed considerable shrinkage. The long period of inclement weather this winter has placed a heavy drain on the winter feed supply on some farms in eastern and southeastern Texas.

The number of all cattle and calves on farms and ranches in the Nation as of January 1, 1958, at 93,967,000, was 1 percent below a year earlier. A slight gain in inventories of beef cattle was more than offset by a further reduction in milk cattle. Similarly, the

HARVESTED ACREAGE OF PRINCIPAL CROPS

Five Southwestern States

(In thousands of acres)

Area	1957	1956	1955	Average 1946–55
Arizona............	1,130	1,138	1,194	1,069
Louisiana...........	2,551	2,685	2,876	3,122
New Mexico.........	1,237	1,116	1,356	1,450
Oklahoma..........	8,698	9,400	9,263	11,443
Texas..............	23,819	21,376	23,903	25,919
Total............	37,435	35,715	38,592	43,003

SOURCE: United States Department of Agriculture.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

Texas, Five Southwestern States, and United States

(In thousands)

	Texas		Five southwestern states[1]		United States	
	1958	1957	1958	1957	1958	1957
Cattle..........	7,736	7,736	14,606	14,802	93,967	94,502
Milk cattle....	1,165	1,219	2,449	2,534	33,612	34,270
Beef cattle....	6,571	6,517	12,157	12,268	60,355	60,232
Sheep..........	4,864	4,749	6,856	6,754	31,328	30,840
Stock sheep...	4,700	4,476	6,593	6,365	27,390	26,538
Feeders.......	164	273	263	389	3,938	4,302
Hogs...........	908	946	1,710	1,908	51,559	51,703
Horses and mules.	242	255	555	590	3,348	3,574
Chickens[2].......	15,050	16,859	24,884	27,762	370,475	390,137
Turkeys.........	397	431	519	578	5,477	5,799

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] Does not include commercial broilers.
SOURCE: United States Department of Agriculture.

INDEXES OF PRICES RECEIVED BY TEXAS FARMERS AND RANCHERS

(1910-14 = 100)

	All farm commodities		Crops		Livestock and livestock products	
Month	1957	1956	1957	1956	1957	1956
January........	259	246	251	230	270	267
February.......	264	249	258	233	272	271
March..........	262	247	254	234	274	264
April...........	264	250	254	238	278	265
May............	268	252	256	239	284	269
June...........	268	252	252	252	290	253
July............	271	255	251	257	297	253
August.........	271	250	249	249	300	252
September......	265	248	239	243	298	255
October........	265	246	240	250	299	242
November......	264	251	233	252	304	250
December.......	265	253	224	251	320	256
Average......	266	250	247	244	291	258

SOURCE: United States Department of Agriculture.

District states showed a 1-percent decline in the number of all cattle and calves, with decreases evident in both milk cattle and beef cattle. Reversing the trend of the past several years, sheep inventories in both the Nation and the District states increased 2 percent during 1957. In line with national trends, there were decreases in the numbers of hogs, horses and mules, chickens, and turkeys in the District states.

Cash receipts from farm marketings in the District states during 1957 totaled $3,293,811,000, or only slightly above the $3,288,988,000 received in the previous year. An 8-percent increase in receipts from livestock and livestock products more than offset a 6-percent decrease in those from crops.

FINANCE

In the 4 weeks ended February 12, the condition reports of the District's weekly reporting member banks reflected net deposit withdrawals of $164.3 million and a $17.8 million decline in bills payable and rediscounts. In addition, gross loans decreased $32.4 million, or slightly less than the decrease in investment accounts. A year earlier, deposit withdrawals were larger, and bills payable rose $19.5 million.

As the principal item in the loan liquidation, commercial and industrial loans declined $26.8 million, which is about $15 million less than in the comparable period in 1957. Sales finance companies reduced their indebtedness to the District banks by $13.1 million, while trade borrowings declined $11.5 million. Net borrowings of firms in the metals, public utilities, and construction categories rose between $3 million and $4 million. Real-estate loans declined $3.8 million during the 4 weeks, and securities credits were off nominally. "All other loans" showed a $7.8 million increase, or somewhat larger than in 1957. Interbank credits, which fluctuated widely during the period, decreased $8.9 million.

The weekly reporting banks reduced their holdings of short-term investments during the 4 weeks, against the background of the February Treasury refunding. Liquidation of certificates amounted to $26.4 million, while the sale and redemption of Treasury bills equaled $8.2 million. The banks replenished their holdings of Treasury notes by $3.2 million, which offset reductions in the remaining accounts.

Of the $183.8 million decrease in demand deposits, the withdrawal of individual and business balances claimed more than 50 percent, and the reduction in interbank balances accounted for one-third. In the comparable weeks of 1957, each of these demand deposit classifications reflected a heavier drain than this year. In the time deposit accounts, individuals and businesses increased their balances $16.3 million, or well above the $3.8 million gain in the comparable weeks of 1957. Thus, the rising trend of time deposits which started last year continued in early 1958.

The reserve positions of District member banks eased during January, reflecting the changes in national monetary policy, as well as seasonal movements. Free reserves rose $18.4 million to a level of $49.2 million. Daily average borrowings of $12.6 million were about half the December level, while excess reserves increased $5.3 million, the expansion in daily average reserve balances more than offsetting the increase in required reserves. At the reserve city banks, net borrowed reserves of $6.7 million in December moved to free reserves of $1.7 million in January, reflecting a sizable decrease in daily average borrowings and a gain in excess reserves. Free reserves of the

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 12, 1958	Jan. 15, 1958	Feb. 13, 1957
ASSETS			
Commercial and industrial loans	$1,477,500	$1,504,343	$1,462,216
Agricultural loans	25,259	25,690	25,126
Loans to brokers and dealers in securities	16,729	17,217	27,251
Other loans for purchasing or carrying securities	167,577	167,345	143,683
Real-estate loans	192,504	196,343	195,228
Loans to banks	20,868	29,720	23,800
All other loans	638,031	630,201	584,902
Gross loans	2,538,468	2,570,859	2,462,206
Less reserves and unallocated charge-offs	44,821	44,734	41,594
Net loans	2,493,647	2,526,125	2,420,612
U. S. Treasury bills	67,709	75,954	68,722
U. S. Treasury certificates of indebtedness	75,066	101,456	48,888
U. S. Treasury notes	192,924	189,766	192,112
U. S. Government bonds (inc. gtd. obligations)	794,928	797,599	805,164
Other securities	266,819	267,237	247,027
Total investments	1,397,446	1,432,012	1,361,913
Cash items in process of collection	396,519	476,883	428,064
Balances with banks in the United States	491,957	497,114	443,592
Balances with banks in foreign countries	1,808	1,183	1,795
Currency and coin	50,247	49,672	49,004
Reserves with Federal Reserve Bank	590,133	613,542	532,679
Other assets	189,153	187,708	182,993
TOTAL ASSETS	5,610,910	5,784,239	5,420,652
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations	2,732,153	2,834,983	2,787,055
United States Government	32,673	26,443	29,556
States and political subdivisions	190,143	192,554	187,175
Banks in the United States	949,137	1,013,018	886,589
Banks in foreign countries	17,014	16,969	17,115
Certified and officers' checks, etc.	61,020	81,928	59,903
Total demand deposits	3,982,140	4,165,895	3,967,393
Time deposits			
Individuals, partnerships, and corporations	825,150	808,817	737,680
United States Government	12,125	12,125	12,345
Postal savings	421	421	421
States and political subdivisions	201,359	198,200	135,060
Banks in the U. S. and foreign countries	6,938	6,938	6,955
Total time deposits	1,045,993	1,026,501	892,461
Total deposits	5,028,133	5,192,396	4,859,854
Bills payable, rediscounts, etc.	5,591	23,350	28,000
All other liabilities	100,176	95,894	94,182
Total capital accounts	477,010	472,599	438,616
TOTAL LIABILITIES AND CAPITAL	5,610,910	5,784,239	5,420,652

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	January 1958	December 1957	January 1957
RESERVE CITY BANKS			
Reserve balances	$ 565,692	$ 563,792	$ 560,213
Required reserves	553,549	553,765	554,805
Excess reserves	12,143	10,027	5,408
Borrowings	10,487	16,727	8,642
Free reserves	1,656	−6,700	−3,234
COUNTRY BANKS			
Reserve balances	468,679	459,207	470,296
Required reserves	419,081	412,810	415,787
Excess reserves	49,598	46,397	54,509
Borrowings	2,097	8,968	829
Free reserves	47,501	37,429	53,680
MEMBER BANKS			
Reserve balances	1,034,371	1,022,999	1,030,509
Required reserves	972,630	966,575	970,592
Excess reserves	61,741	56,424	59,917
Borrowings	12,584	25,695	9,471
Free reserves	49,157	30,729	50,446

country banks were $47.5 million, which is slightly more than $10 million above the December level.

As of February 12, total gold certificate reserves of the Federal Reserve Bank of Dallas were $826.1 million, or $14.1 million below January 15. Member bank reserve balances declined $31.1 million, and Federal Reserve notes in actual circulation declined $14.7 million. Total earning assets of the Bank were down $20.5 million, reflecting equal decreases in the Government securities account and member bank discounts. At this period of the year, this Bank's holdings of Government securities normally decline to offset the return flow of currency and other seasonal additions to reserves.

Effective February 14, the Federal Reserve Bank of Dallas reduced its discount rate from 3 percent to 2¾ percent, thereby joining 10 of the other Reserve banks at the lower level.

NEW PAR BANK

The Channelview State Bank, Channelview, Texas, an insured, nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, January 31, 1958. The officers are: J. W. Anderson, President; J. T. Oliver, Executive Vice President; and Eugene E. Smart, Vice President and Cashier.

OIL and GAS

Although production and refinery operations remained at sharply reduced levels, the price structure in the petroleum industry continued to weaken during the first half of February. Because of high-level inventories and disappointing demand, product prices were lowered in many parts of the Nation, and erosion of crude oil prices became more widespread in the southwestern states. Very cold weather in all but the western section of the Nation accelerated light heating oil sales and caused heavy withdrawals from inventories. Nevertheless, total demand for the major products in the 5 weeks ended February 14 was 8 percent below a year ago. Sales of residual fuel oil showed the sharpest year-to-year decline, as steady cutbacks in industrial activity had a pronounced effect upon residual fuel oil demand.

Total imports reached a record level in mid-February; at 1,574,000 barrels daily during the 5 weeks ended February 14, they were 16 percent above a year earlier. In contrast, District crude oil production in the first half of February was virtually unchanged from January and, at 3,093,000 barrels daily, was 15 percent below February 1957. National output showed an 11-percent year-to-year reduction. Crude stocks in the Nation fell 1 percent in early February to a level of 278,982,000 barrels on February 8 but were 11 percent above a year ago.

Production in March is expected to be at a sharply lower level, since the Texas Railroad Commission has adopted a 9-day producing schedule for the month, thereby reducing total allowables 513,814 barrels per day. Allowables for New Mexico were cut slightly to reach a record low. Louisiana and Oklahoma allowables are expected to be reduced also.

District refinery operations declined 10 percent in the first part of February to average 1,974,000 barrels daily—the lowest level in over 3 years and 16 percent below February 1957. National crude runs to refinery stills showed a year-to-year decrease of 8 percent. As the result of the lower refining rate and the recently increased sales of light heating oils, total products stocks declined 3 percent during early February but, at 396,598,000 barrels on February 14, were 13 percent more than at the same time last year. Stocks of distillate and residual fuel oils were 19 percent and 60 percent, respectively, greater than a year earlier. Gasoline inventories rose to a record high of 210,560,000 barrels on February 14, or 8,306,000 barrels above the comparable date in 1957.

Reflecting low-level production and the general oversupply condition in the industry, drilling also has been curtailed. As measured by the number of rotary drilling rigs in operation, drilling activity in Louisiana, New Mexico, Oklahoma, and Texas showed a 1-percent increase during the first half of February. However, the 1,337 rigs in use on February 17 were 21 percent below the number at the start of the year and 26 percent less than on the corresponding date in 1957.

Nonagricultural employment in the five District states, at 4,268,100 in January, reflected a 109,700 decline from December, compared with a loss of 105,600 in the December-January period of last year. Seasonal reductions in trade and government employment accounted for most of the recent decline, but almost all types of nonfarm employment showed decreases. Manufacturing employment in the region continued its downward trend and, at 755,500 in January, was 30,400 less than the peak of last August and 18,900 under the level of January 1957. Additional cutbacks in industrial employment and activity were reported in February for several of the region's industries, including steel production, automobile manufacturing, and metals and potash mining.

Unemployment in Texas increased 30,300 over December to reach a mid-January total of 181,200. This total represents 5.7 percent of the nonfarm labor force, which is as high as the peak rates reached in the 1949 and 1953-54 business recessions. The January rise in unemployment was attributed mainly to job losses in transportation, transportation equipment manufacturing, and Government postal work and to a slowdown in agricultural activity because of unfavorable weather. A rise in the number of persons receiving unemployment compensation indicates that total unemployment in the State probably increased further in February.

The value of construction contracts awarded in the District states during December showed strong gains of 27 percent over November and 18 percent over December 1956. Most of the improvement over November occurred in nonresidential construction, whereas residential awards accounted for most of the year-to-year gain. Contributing to the large value of contracts for the month were five manufacturing projects in Louisiana and Texas, which, together, amounted to $20.5 million, or about one-third the month-to-month gain in total awards. The cumulative value of total awards for 1957 was 10 percent higher than in 1956, with residential construction up 14 percent and "all other" construction up 7 percent.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons: January 1958e	Number of persons: December 1957	Number of persons: January 1957r	Percent change Jan. 1958 from: Dec. 1957	Percent change Jan. 1958 from: Jan. 1957
Total nonagricultural wage and salary workers	4,268,100	4,377,800	4,221,400	—2.5	1.1
Manufacturing	755,500	767,500	774,400	—1.6	—2.5
Nonmanufacturing	3,512,600	3,610,300	3,447,000	—2.7	1.9
Mining	256,900	258,000	259,500	—.4	—1.0
Construction	296,500	302,500	295,400	—2.0	.4
Transportation and public utilities	397,800	402,800	405,300	—1.3	—1.9
Trade	1,125,500	1,193,200	1,090,300	—5.7	3.2
Finance	183,500	183,500	178,100	.0	3.0
Service	515,300	519,400	497,000	—.8	3.7
Government	737,100	750,900	721,400	—1.8	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] January 1958	Percentage change from Dec. 1957	Percentage change from Jan. 1957	Demand deposits[1] January 31, 1958	Annual rate of turnover Jan. 1958	Annual rate of turnover Dec. 1957	Annual rate of turnover Jan. 1957
ARIZONA							
Tucson	$ 191,949	5	3	$ 104,780	21.7	21.0	21.0
LOUISIANA							
Monroe	75,137	4	—7	52,655	16.9	16.0	16.4
Shreveport	302,972	11	8	191,261	18.8	17.2	17.2
NEW MEXICO							
Roswell	34,758	2	2	28,461	14.6	14.4	13.4
TEXAS							
Abilene	96,453	3	21	59,398	19.2	18.8	14.9
Amarillo	192,698	—3	7	108,226	21.0	21.8	19.8
Austin	179,604	12	4	125,440	16.9	15.4	17.8
Beaumont	169,224	0	10	113,175	17.8	17.9	16.0
Corpus Christi	197,507	10	—1	112,843	20.4	18.5	21.0
Corsicana	20,647	18	21	21,304	11.2	9.4	9.0
Dallas	2,660,432	2	3	995,434	30.8	30.2	29.5
El Paso	334,380	1	20	152,475	26.2	26.9	23.2
Fort Worth	769,545	1	—1	353,820	25.9	25.4	25.0
Galveston	95,359	—3	—2	70,531	16.0	16.6	15.6
Houston	2,542,759	—1	0	1,172,069	25.3	24.7	23.9
Laredo	27,533	4	11	21,403	15.5	15.2	15.1
Lubbock	212,039	12	15	111,640	22.1	20.8	19.0
Port Arthur	70,053	—1	12	48,385	17.8	18.2	16.9
San Angelo	53,842	0	14	40,654	15.5	15.5	12.2
San Antonio	547,961	—1	2	345,804	18.8	19.0	18.5
Texarkana[2]	20,675	9	—5	15,764	15.1	13.8	15.6
Tyler	94,642	12	9	59,845	18.1	16.2	16.7
Waco	99,691	4	—1	66,396	17.9	17.5	17.5
Wichita Falls	110,448	3	4	104,092	12.2	11.9	12.0
Total—24 cities	$9,100,308	2	3	$4,475,855	23.8	22.3	22.7

[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 $42,699,000 for the month of January 1958.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 12, 1958	Jan. 15, 1958	Feb. 13, 1957
Total gold certificate reserves	$826,083	$ 840,161	$689,992
Discounts for member banks	3,900	14,000	9,200
Other discounts and advances	0	260	1,300
U. S. Government securities	913,070	923,169	919,441
Total earning assets	916,970	937,429	929,941
Member bank reserve deposits	993,915	1,024,987	946,294
Federal Reserve notes in actual circulation	720,358	735,042	689,154

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	January 1958[1]	December 1957[1]	January 1957[2]	Change from December 1957	Change from January 1957
ELEVENTH DISTRICT	3,104.4	3,088.3	3,511.1	16.1	—406.7
Texas	2,727.5	2,717.3	3,120.3	10.2	—392.8
Gulf Coast	541.6	538.0	616.4	3.6	—74.8
West Texas	1,169.6	1,164.5	1,310.9	5.1	—141.3
East Texas (proper)	160.9	160.1	209.8	.8	—48.9
Panhandle	104.6	103.7	107.9	.9	—3.3
Rest of State	750.7	751.1	875.3	—.4	—124.6
Southeastern New Mexico	262.4	257.4	251.4	5.0	11.0
Northern Louisiana	114.6	113.6	139.4	1.0	—24.8
OUTSIDE ELEVENTH DISTRICT	3,778.5	3,806.0	3,968.9	—27.5	—190.4
UNITED STATES	6,882.9	6,894.3	7,480.0	—11.4	—597.1

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	Jan. 29, 1958	Dec. 25, 1957	Jan. 30, 1957
ASSETS			
Loans and discounts	$4,090	$ 4,107	$3,907
United States Government obligations	2,359	2,440	2,404
Other securities	675	687	614
Reserves with Federal Reserve Bank	984	1,007	968
Cash in vault[e]	148	130	130
Balances with banks in the United States	1,031	1,110	931
Balances with banks in foreign countries[e]	2	2	2
Cash items in process of collection	434	551	401
Other assets[e]	275	258	254
TOTAL ASSETS[e]	9,998	10,292	9,611
LIABILITIES AND CAPITAL			
Demand deposits of banks	1,070	1,208	973
Other demand deposits	6,286	6,446	6,304
Time deposits	1,693	1,672	1,439
Total deposits	9,049	9,326	8,716
Borrowings[e]	15	23	41
Other liabilities[e]	121	124	110
Total capital accounts[e]	813	819	744
TOTAL LIABILITIES AND CAPITAL[e]	9,998	10,292	9,611

e—Estimated.

BUILDING PERMITS

Area	NUMBER January 1958	VALUATION (Dollar amounts in thousands) January 1958	Percentage change January 1958 from December 1957	Percentage change January 1958 from January 1957
ARIZONA				
Tucson	357	$ 1,657	242	60
LOUISIANA				
Shreveport	471	2,958	126	133
TEXAS				
Abilene	135	1,301	3	47
Amarillo	197	1,885	5	—49
Austin	226	3,508	134	—37
Beaumont	294	911	44	—32
Corpus Christi	307	1,256	—58	—27
Dallas	1,619	9,969	36	13
El Paso	424	3,775	13	114
Fort Worth	611	5,322	51	—22
Galveston	70	158	72	19
Houston	1,057	14,927	9	—47
Lubbock	205	2,002	179	—58
Port Arthur	139	838	151	76
San Antonio	1,308	3,069	—15	—37
Waco	196	1,031	107	51
Wichita Falls	70	229	—66	—78
Total—17 cities	7,686	$54,796	25	—25

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	December 1957	November 1957	December 1956	January—December 1957	January—December 1956
FIVE SOUTHWESTERN STATES[1]	$ 278,992	$ 219,036	$ 237,454	$ 3,425,472	$ 3,129,042
Residential	96,134	89,333	70,089	1,314,783	1,155,081
All other	182,858	129,703	167,365	2,110,689	1,973,961
UNITED STATES	1,982,342	2,370,699	2,057,237	32,173,412	31,612,196
Residential	758,580	929,987	699,140	13,039,005	12,861,977
All other	1,223,762	1,440,712	1,358,097	19,134,407	18,750,219

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