



BUSINESS REVIEW

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A PORTRAIT OF RECESSION

The Nation's economy has undergone another postwar recession during the past 12 months. Although the actual decline did not occur until mid-1957, the underlying causes of decline are found in the preceding period of economic boom. The seeds of readjustment and eventual recession were planted in the excessive rate of economic growth. Three examples serve to highlight the gradual erosion of the strength of the prosperity period. During the early months of recovery from the 1953-54 recession, residential construction reached record levels; however, by early 1955, the pressure of speculative construction, which yielded a large overhang of unsold houses, brought a steady decline in home building, lasting until the spring of 1958.

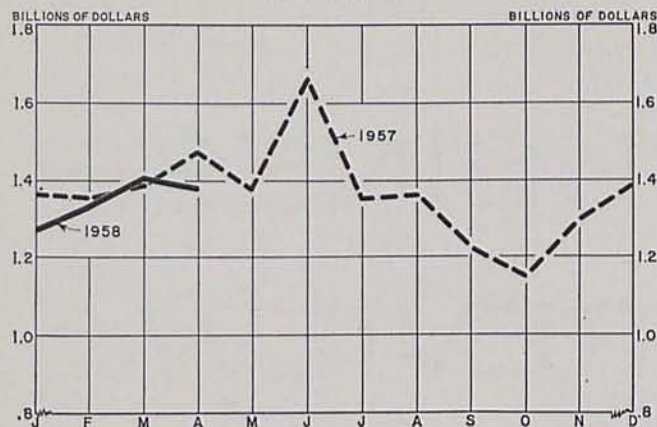
The automobile industry serves as a second example of readjustment commencing during a period of general prosperity. During 1955, the automobile industry showed record production and sales supported by an unusually large increase in consumer credit, which was based in part upon lower down payments and extended maturities. Subsequently, sales began to decline, and recurring problems of inventory accumulation developed during 1956, 1957, and early 1958.

Another underlying cause of recession was the large amount of private capital investment in plant and equipment at a pace and volume which could not be sustained. Although such expenditures did not turn downward until late 1957, the exceptional strength of private capital investment during the preceding 2 years brought an even sharper reaction.

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

MILITARY PROCUREMENT EXPENDITURES

UNITED STATES



SOURCE: U.S. Department of Defense

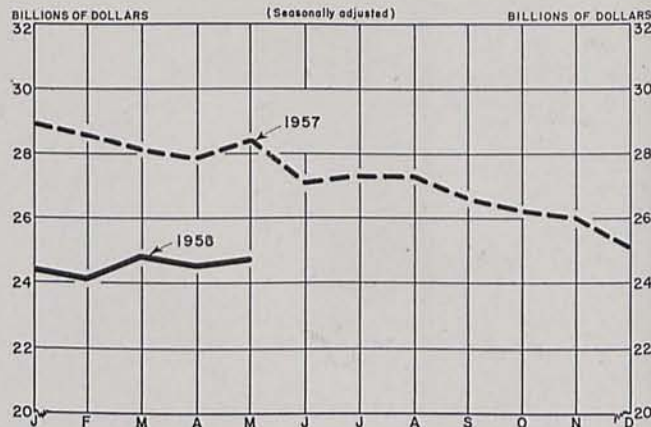
These movements and other actions developed imbalances which, for a time, were concealed by the general strength of the economy. However, the areas of adjustment broadened and cumulated until, in early 1957, economic growth virtually stopped, with inflationary evidences of strength left only in price advances which continued throughout the year.

By midsummer, several precipitating events tipped the balance of the economy toward recession, although prices continued upward and consumer psychology was still oriented toward inflation. Cutbacks in defense orders, combined with a tapering in plant and equipment expenditures and the development of inventory liquidation, marked the change to a downward trend. Shifts in consumer and business confidence also were important, as pessimism dominated the economic outlook during the closing months of 1957 and the first quarter of 1958.

The downturn in economic conditions developed from the imbalances and indiscretions of the long boom period. In addition though, the general public had become well stocked with consumer durables — such as housing, television sets, automobiles, washers, and dryers — and thus began to curtail purchases of these items. Price resistance was also a factor, especially in the cutbacks in automobile purchases, although other factors, such as the lack of change in styling and the high level of consumer credit, were probably important. Whatever the cause, demand for consumer durables failed to continue its upward climb; large inventories at retail and wholesale levels brought an end to accumulations, and signs of liquidation appeared. At the same time, spurred by the strong economy move among the American people which transmitted itself

NEW ORDERS TO MANUFACTURERS

UNITED STATES



SOURCE: U.S. Department of Commerce

to Congress, the rate of defense orders for new hard goods was reduced more than half, and production and payment schedules for defense contractors were canceled or stretched out.

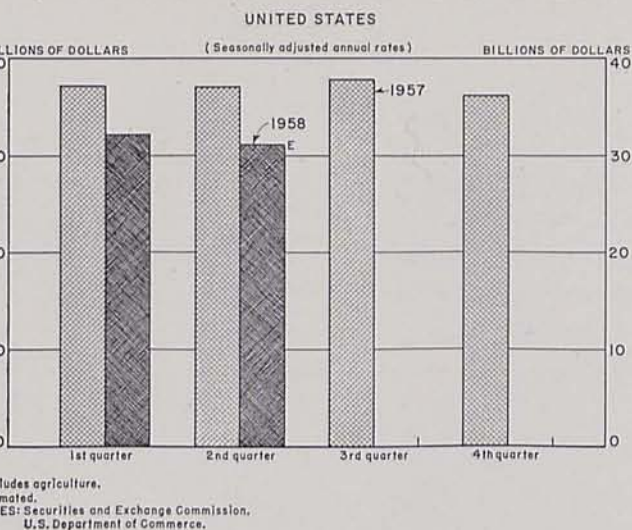
Manufacturers, especially of durable goods, received the full force of the effects of these two actions. From January to September 1957, new orders to manufacturers declined \$2.3 billion, and from September 1957 to February 1958, such orders were reduced \$2.5 billion to a low point of \$24.1 billion. Manufacturers' sales declined from \$29.0 billion in July to \$26.7 billion in December, with another \$1.8 billion decrease developing through April 1958. Manufacturers were caught between a falling volume of new orders and sales and a rising capacity to produce. Not only were new plants becoming ready for production, but older ones had been modernized, with the result that the volume and efficiency of the production process steadily increased.

The Reaction

Manufacturers reacted to this squeeze of declining orders and sales versus rising capacity. Capital investment plans were reviewed and reduced wherever possible. Total plant and equipment expenditures by business were reduced in the fourth quarter of 1957 for the first time in nearly 3 years, and a large cutback was made in the first quarter of 1958 to an annual rate of \$32.4 billion, or \$5.3 billion below the third quarter of 1957.

At the same time, production schedules were reappraised, and the curtailment process began. Total industrial production decreased 13 percent between August 1957 and April 1958, with most of the decline occurring in durable goods and minerals, down 20

PLANT AND EQUIPMENT EXPENDITURES

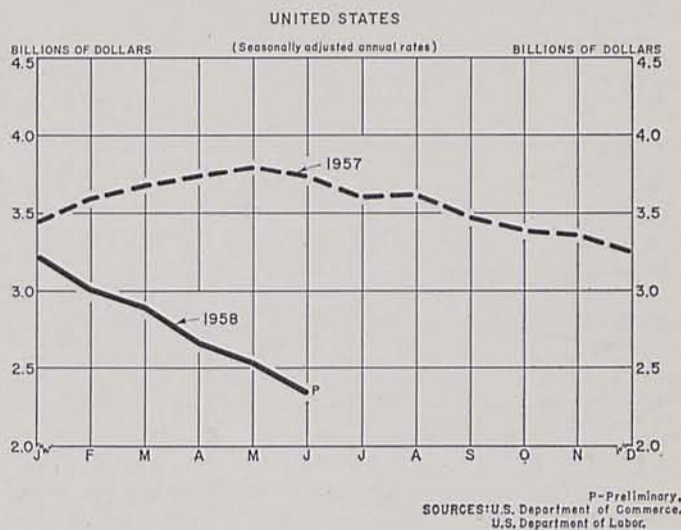


percent and 15 percent, respectively. Nondurables manufacturing was reduced only 5 percent during the 8-month period. Among the durable goods manufacturers, producers of primary metals, transportation equipment, and machinery reported the greatest declines. The curtailment of plant and equipment spending, as well as the cutback in consumer durable goods output, was reflected immediately in the demand for steel, copper, and other primary metals. Steel production fell 38 percent from August 1957 to April 1958, and total primary metals output declined 37 percent.

Transportation equipment production slowed more gradually but with nearly the same results. Aircraft cutbacks, resulting from defense cancellations, brought the initial declines in this sector, while curtailments in automobile output furthered the slide-off in 1958. The pronounced reduction in automobile output was forced by a sharp decline in sales and the subsequent build-up of new car inventories. Machinery production, influenced by the declines in private capital investment and the machine-using industries, was reduced 20 percent in the August-April period. Defense curtailments also were important in the decline in machinery output.

Among the mineral industries, coal output showed the largest reduction, but crude oil, sulfur, iron ore, copper, lead, and zinc mining also declined sharply. An oversupply problem in the petroleum industry led to substantial cutbacks in production through the spring of 1958. Much of the domestic oil industry's problem related to the problem of imports, although the cessation of growth in demand also was a contributing factor. Only the natural gas industry was able to maintain a reasonable semblance of its former level of

INDUSTRIAL CONSTRUCTION



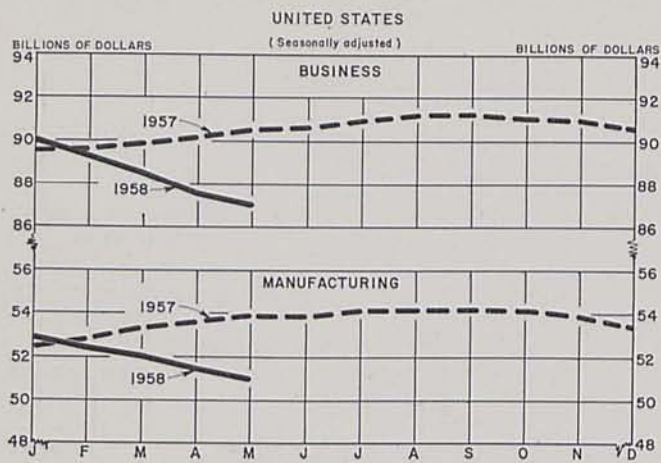
production. In the nondurable goods fields, small losses were evident in textiles and apparel, paper and printing, and chemical and petroleum production. On the other hand, food, beverages, and tobacco output actually increased in the 8-month period.

While the magnitude of the reduction in industrial output appears large relative to the decline in business sales, it should be remembered that manufacturers' inventories were also quite large and that, with even a small decline in sales, such inventories became burdensome. Consequently, production was cut back more than enough to compensate for the loss of sales, permitting inventory liquidation. Manufacturers shifted from inventory accumulation in the third quarter of 1957 to moderate liquidation in the fourth quarter and then exceptionally heavy liquidation in the first and second quarters of 1958.

Total business inventories were reduced from \$91.3 billion in August 1957 to \$87.6 billion in April 1958, reflecting a decline of \$3.7 billion, of which manufacturers accounted for \$2.7 billion. Liquidation continued during May and June, though at a somewhat slower pace. Inventory-sales ratios generally continued upward through the spring of 1958 as sales declines matched the inventory cutbacks.

The development of recession continued as manufacturers, after cutting back production schedules, further reduced the workweek of employees and began to trim total payrolls. The average workweek of manufacturing workers fell from 40.0 hours in August 1957 to 38.3 hours in April 1958. Manufacturing employment, seasonally adjusted, declined from 16,836,000 in August 1957 to 15,253,000 in April 1958, or a reduction of 1,583,000 workers. In the same 8 months,

INVENTORIES



SOURCE: U.S. Department of Commerce.

total nonagricultural employment decreased 2,259,000, with manufacturing accounting for 70 percent of the loss. The other major types of employment, except government, showed reasonably consistent but much smaller losses. Government employment rose 109,000 from August to April. As could be expected, unemployment rose quickly, reaching an adjusted 7.5 percent of the civilian labor force in April, compared with 4.3 percent in August 1957.

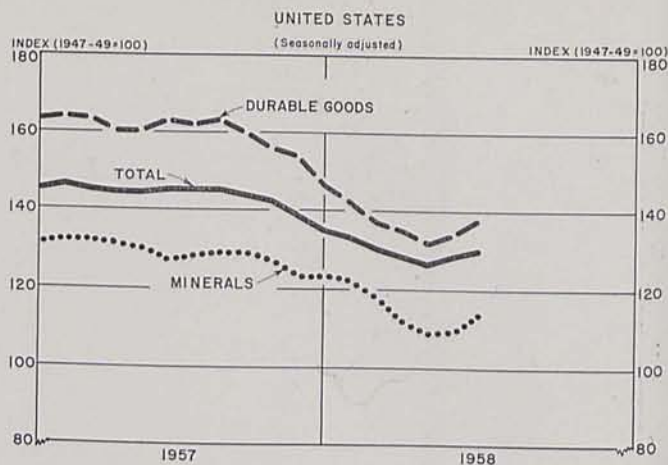
After the initial reaction to the basic causes of the decline, a secondary chain of events developed. The loss of confidence, partly engendered by the space satellite situation in the late fall, tended to deepen the recession. Moreover, production declines in one industry were transmitted to others, and for a while, it was uncertain whether or not an internal, self-feeding momentum might develop.

Two other factors contributed to the deepening and broadening process. First, Government orders for defense were slow in reversing their downward direction. The sheer magnitude of such orders alone requires some months for a change of direction, and in the early fall of 1957, there was by no means a unanimous opinion that a full-scale recession was under way. Secondly, the decline in private capital investment accelerated, bringing further reductions in orders to machine tool, primary steel, and other manufacturers, as well as a continued decline in industrial construction. Such construction, primarily new plants, declined from an annual rate of \$3.6 billion in July 1957 to \$2.3 billion in June 1958, or one-third.

Moves Toward Recovery

As can be seen by an examination of the basic causes of recession, many are eventually self-correct-

INDUSTRIAL PRODUCTION



SOURCE: Board of Governors, Federal Reserve System.

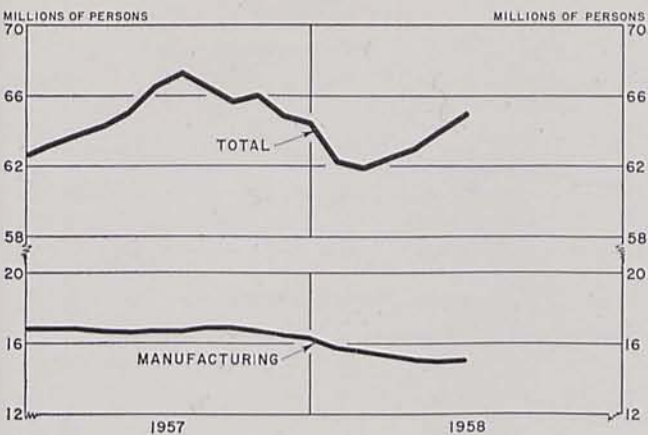
ing. The actual declines set in motion certain forces which, in turn, fostered renewed activity. The strength of personal income, with losses in wages and salaries being offset to a large extent by gains in unemployment compensation and automatic wage raises under long-term contracts, helped to sustain available purchasing power and, thus, total demand. Total personal income declined less than 2 percent from the August record to its lowest point in February. Continued price increases brought wage boosts to about 4 million workers under escalator contracts but also brought a decline in real purchasing power for other workers.

While some decline in retail sales was evident, particularly in early 1958, the steadiness in consumer demand enabled manufacturers to continue a heavy liquidation of inventories. Moreover, such liquidation is, in itself, a self-correcting phenomenon, especially if consumer demand is maintained. Eventually, inventories are reduced to basic working minimums, and hand-to-mouth buying becomes prevalent. Under these conditions, any improvement in demand must call forth an increase in production; in fact, some increase in output is necessary just to compensate for the cessation of stock reductions.

Various branches and agencies of the Federal Government also undertook to dampen recession and stimulate recovery. Congressional moves included a special highway bill designed to speed up construction activities, supplemental appropriations for unemployment compensation and defense, a bill to extend unemployment compensation benefits by means of loans to state agencies, and a bill canceling the excise tax on freight. Congress also enacted a special housing bill which provides for construction of additional public housing and

EMPLOYMENT

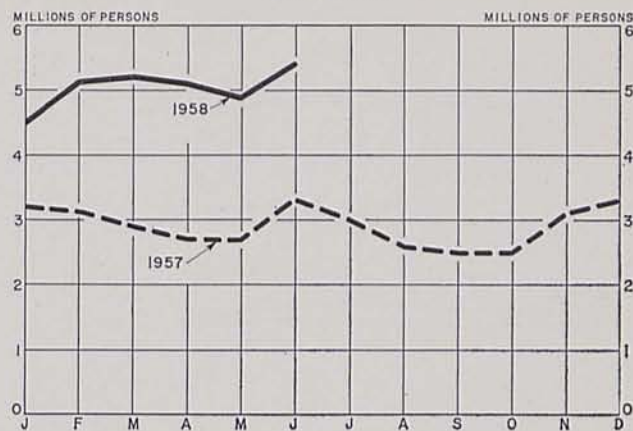
UNITED STATES



SOURCE: U.S. Department of Labor.

UNEMPLOYMENT

UNITED STATES



SOURCE: U.S. Department of Commerce.

appropriates funds for the purchase of mortgages by the Federal National Mortgage Association. Legislative action extended and revitalized the Veterans Administration guarantee program for housing loans.

These moves in the construction field had a significant impact. Residential building, as measured by new housing starts, rose to an annual rate of 1,090,000 units in June, or well above the 995,000 rate of June 1957. The rate of 1,017,000 units in the second quarter of 1958 was more than 3 percent above a year earlier. Moreover, applications for Government-insured mortgages and requests for VA appraisals were markedly greater in May and June than at any other time during the past 18 months.

Under the direction of the Executive Department, several antirecession orders were issued. The Department of Defense enlarged and accelerated its orders for new hard goods and speeded up progress payments to contractors. The Federal Housing Administration liberalized the terms of down payment, loan maturity, and other regulations on mortgage loans insured by that agency.

Important moves also were made by the Federal Reserve System. Toward the end of 1957, the Federal Reserve banks reduced their discount rates from $3\frac{1}{2}$ percent to 3 percent, reversing an August action which had been taken to quell the continuing rise in prices and inflationary forces. As the recession continued, discount rates were reduced further on three other occasions in early 1958. The Federal Reserve System provided additional reserves to the banking system by means of open market purchases of Government securities and three separate reductions in reserve requirements. The massive additions to reserves and other actions of

the Federal Reserve System signaled a distinct shift of credit policy to active ease and provided the basis for a significant growth in the money supply and renewed investment in Government securities.

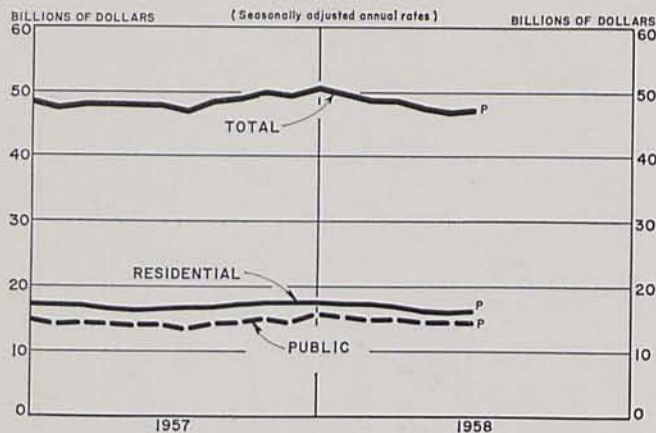
These actions brought a sharp reduction in interest rates, especially from November 1957 to February 1958. Short-term rates, as measured by the market yield on Treasury bills, dropped from 3.58 percent in October 1957 to 1.54 percent in February 1958. A further decline to 0.83 percent occurred between February and June. Yields on prime commercial paper and finance company paper showed nearly parallel reductions. In the long-term market, United States Government bond yields on maturities of 10 years or more declined from 3.73 percent in October to 3.26 percent in February but moved down only to 3.19 percent from February to June. During the period, commercial banks in the money centers lowered their prime rates from $4\frac{1}{2}$ percent to 4 percent and then to $3\frac{1}{2}$ percent.

The decline in rates was quite uneven during this 8-month period; yields on short-term Treasury bills moved down $2\frac{3}{4}$ percentage points, while medium-term bond yields declined only $1\frac{3}{4}$ points and long-term bonds about one-half a point. Part of the reason for this disparity — and, in particular, for the relatively slower decline in long-term yields — was the heavy volume of corporate and municipal securities issued during this period.

Loans and investments of the Nation's weekly reporting member banks rose \$8.5 billion from October 30, 1957, to July 2, 1958, reflecting the net balance of a decline of \$101 million in loans and a gain of \$8.6 billion in investments. As would be expected in a

CONSTRUCTION

UNITED STATES



period of recession, loan demand, except on tax dates, was substantially weakened.

The effectiveness of these actions in stimulating a recovery is a matter of debate, but there is little argument that the easy money situation has at least removed credit availability from the list of factors which might hamper a recovery and has greatly increased the liquidity of the economy. Credit ease, as supplied by the Federal Reserve System during the past 6 months, is a conditioning factor designed to promote an environment of recovery.

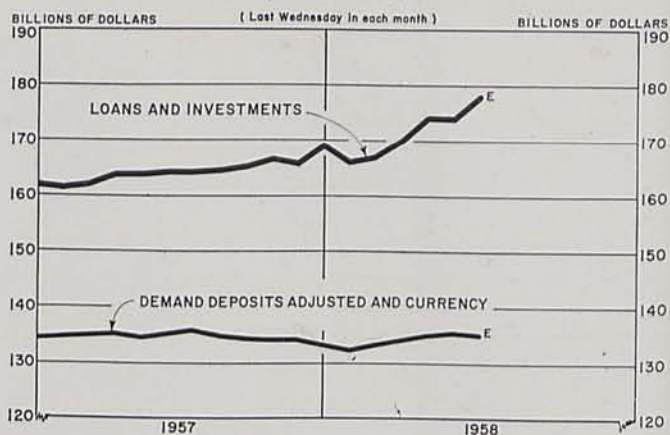
Summary and Prospects for the Future

The trough of the recession may have been reached during April or early May, since the economy moved in an irregular but slightly upward direction during late May, June, and early July. By midsummer, the key to the near-future course of the economy seemed to be the balance of several currently divergent trends. Some of the most important factors exerted both favorable and unfavorable influences. Continued inventory liquidation still constitutes a depressing force on industrial production, but with a number of industries completing their adjustments, such liquidation may mean more orders and renewed production in the near future. The worsening international situation cannot be accurately appraised yet in terms of its impact on general business conditions, but, clearly, the current Mideast crisis has considerable potential influence on the future trend of business.

Another factor which has elements of both favorable and unfavorable effects is the rise in Government defense spending. While initially this will serve to stimulate the economy, the prospective deficit resulting from the rise in spending will be a potent inflationary

SELECTED FINANCIAL INDICATORS

UNITED STATES



force. Increases in wages in many industries — particularly the boost in Government pay scales — provide a significant upward thrust to personal income.

Consumer credit developments have been the result of buyers' decisions to restrict their purchases of durable goods. Since early 1958, consumers have been reducing their outstanding indebtedness. Consumer credit declined \$2.1 billion from December 1957 to April 1958, as repayments steadily exceeded extensions, especially in automobile instalment credit. This reduction in instalment credit probably contributed to the decline in sales of consumer durables but placed the consumer in a much better financial position insofar as this factor is concerned.

A distinctly favorable factor to the near-term economic future has been the recent moderate and rather broad improvement in industrial production. Every major industry showed some increase in output from May to June, led by substantial gains in mining and durable goods production. Steel, fabricated metals, and machinery industries showed real improvement for the second consecutive month. While part of this advance may have been based on temporary factors, such as increased steel production to meet the demand generated by prospective price increases, other improvements in output have been solidly based upon rising orders and the completion of inventory adjustments.

Another force supplying real support toward recovery is the agricultural industry. With favorable prices and a near-record production year in prospect, cash farm income has increased sharply, and farmers are buying more new equipment. The strength of the agricultural situation has been one of the brightest spots in the economy thus far in 1958.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



The supply and demand situation in the petroleum industry was favorable enough at mid-July to warrant a sharp increase in scheduled crude oil

output for August. Eleventh District crude oil production averaged only 2,743,000 barrels daily in the first part of July, or 13 percent below a year earlier. However, the Texas Railroad Commission has raised the number of producing days for August to 11, causing an increase of 327,338 barrels per day in allowables.

The value of construction contract awards in the District states in May was down 3 percent from the high April level but was 5 percent over a year ago. June construction awards in Texas showed a 13-percent decline from May.

Crop prospects remain favorable throughout most of the District. Output of small grains this year is indicated to be above production last year. Cotton acreage in the District is 9 percent smaller than that in 1957. Livestock and pasture conditions remain satisfactory.

Nonfarm employment in the District states rose moderately in June to reach 4,277,900, and unemployment in Texas reflected a relatively small seasonal gain.

District department store sales in June showed a slight seasonally adjusted increase over May, with the gain centered in certain apparel lines and major household appliances.

Registrations of new cars during June declined moderately in the metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio and for the third consecutive month were 33 percent under the same month last year.

Eleventh District weekly reporting member banks increased their loans outstanding during the 4 weeks ended July 16, although commercial and industrial credits were reduced. Free reserves of all District member banks in June were below the May level, as total deposits and required reserves expanded. The Treasury issued a 1½-percent, 1-year certificate of indebtedness in exchange for \$16.3 billion of maturing issues.



Principally because of a normal seasonal decline and the effect of two less trading days, the dollar volume of sales at Eleventh District department stores during

June was 15 percent below May. On an adjusted basis, allowing for the normal seasonal fluctuation and the difference in trading days, department store sales during June rose slightly over May, as shown by the 1-point increase in the seasonally adjusted index. The index was 162 percent of the 1947-49 average in June, up from 161 in May but down from 166 a year earlier.

There is increasing evidence that District department store sales are not reaching the record-high levels that were experienced in the summer of 1957. June sales this year were 3 percent less than in June last year, and

for the first 2 weeks in July, sales were 8 percent below the comparable year-earlier period. Cumulative sales during the first 6 months of this year were 2 percent under the same period in 1957.

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	June 1958 from		6 mos. 1958 comp. with 6 mos. 1957	June 1958 from	
	May 1958	June 1957		May 1958	June 1957
Total Eleventh District.....	-15	-3	-2	-7	-7
Corpus Christi.....	-10	-11	-6	-4	-10
Dallas.....	-18	0	1	-8	-4
El Paso.....	-6	3	2	-8	3
Fort Worth.....	-19	-2	-1	-5	-10
Houston.....	-14	-7	-8	-7	-11
San Antonio.....	-16	-3	0	-4	-11
Shreveport, La.....	-6	-5	-5	-2	-5
Waco.....	-24	-15	-8	-7	-17
Other cities.....	-9	0	2	-8	-8

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
1957: June.....	151r	166r	164r	176r
1958: April.....	143	151	169	163
May.....	159	161	163r	164r
June.....	147	162	152p	163p

r — Revised.
p — Preliminary.

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	June 1958 from		6 mos. 1958 comp. with 6 mos. 1957
	May 1958	June 1957	
FURNITURE STORES			
Total Eleventh District.....	-4	1	1
Amarillo.....	29	-22	-22
Austin.....	-13	10	1
Dallas.....	7	6	1
Houston.....	-3	5	4
Lubbock.....	-11	-9	-7
San Antonio.....	-5	-21	-7
Shreveport, La.....	-4	11	10
Wichita Falls.....	10	11	-15
Other cities.....	-13	-7	-4
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District.....	26	16	—
Dallas.....	23	5	—

Year-to-year changes during June in the major departments at the District's reporting stores were mixed, with no pattern apparent among either the soft goods or the durables. In the apparel lines, increases of 15 percent and 5 percent, respectively, occurred in sales of women's and misses' coats and suits and women's and misses' blouses, skirts, and sportswear. Sales of women's and misses' dresses declined 8 percent, and sales of men's clothing were off 7 percent. In the consumer durables department, furniture and bedding sales registered a 2-percent decrease, but sales of major household appliances increased 4 percent over a year earlier, principally as a result of a 23-percent rise in window air-conditioning unit sales.

District department store inventories at the end of June were down 7 percent from both May 1958 and June 1957. New orders placed during June were up 14 percent from May, or less than the increase which has occurred between these 2 months in recent years, but were 12 percent under June 1957. As a result, outstanding orders at the month end were up 57 percent from May — substantially less than the usual May-June rise — and were 11 percent below the end of June last year.

Registrations of new cars in the metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio in June were 4 percent under the preceding month and 33 percent less than in June 1957. Year-to-year decreases in the individual areas ranged from 17 percent in San Antonio to 43 percent in Dallas.



Agricultural prospects during the past month continued to improve in most sections of the District. Frequent thundershowers generally maintained surface moisture at adequate levels, although recent hot, dry winds and high temperatures dried top soils rapidly. Additional moisture is needed in dry-land areas of Arizona, New Mexico, and west Texas, but in easternmost regions of the District — particularly northern Louisiana — frequent showers are preventing optimum control of injurious insects.

The best feed and food grain crops in several years are in prospect. The small grain harvest was excellent throughout most of the District, and present moisture supplies in northern and eastern Texas are adequate to assure an excellent crop of early planted corn and sorghums. Oat and barley outturns in the District states are estimated, as of July 1, to be 26 percent and 41 percent, respectively, larger than in 1957, and wheat production is almost 2½ times larger. The corn crop is placed at over 66 million bushels, or 8 percent above a year earlier. Grain sorghums in the important northwestern producing areas of the District are making good growth, although some regions would benefit from additional moisture.

CROP ACREAGE

Texas and Five Southwestern States

(In thousands of acres)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	For harvest 1958	Harvested		For harvest 1958	Harvested	
		1957	Average 1947-56		1957	Average 1947-56
Cotton.....	5,650	6,155	9,171	7,056	7,742	11,759
Winter wheat...	3,367	2,322	3,634	8,117	6,016	9,182
Corn.....	1,720	1,703	2,266	2,689	2,617	3,849
Oats.....	1,361	1,640	1,118	2,169	2,495	1,860
Barley.....	378	261	118	1,058	837	402
Rye.....	18	19	30	162	143	104
Rice.....	380	347	524	792	747	1,113
Sorghums.....	8,375	9,103	6,514	10,067	11,402	8,598
Hay.....	1,903	1,890	1,685	4,243	4,232	4,029
Peanuts (alone)...	362	362	527	500	492	729
Flaxseed.....	30	18	127	31	19	139
Irish potatoes....	19	16	21	44	39	245
Sweet potatoes..	22	20	31	109	104	2125

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

² Average, 1949-56.

SOURCE: United States Department of Agriculture.

CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	Estimated July 1, 1958	1957	Average 1947-56	Estimated July 1, 1958	1957	Average 1947-56
Winter wheat....	77,441	33,669	43,687	199,631	81,912	118,313
Corn.....	41,280	40,020	41,525	66,420	61,440	72,283
Oats.....	43,552	35,260	23,852	67,504	53,558	39,918
Barley.....	8,694	5,481	1,892	33,324	23,711	12,241
Rice.....	12,540	11,104	12,863	24,488	21,704	25,133
Hay.....	2,315	2,316	1,690	6,194	6,047	5,041
Flaxseed.....	360	126	827	385	164	1,146
Irish potatoes ² ...	2,148	1,630	1,498	5,358	4,495	3,424
Sweet potatoes ³ ...	1,320	1,200	1,370	6,358	6,146	6,485

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

² In thousands of bags containing 100 pounds each.

³ In thousands of tons.

⁴ In thousands of hundredweight.

⁵ Average, 1949-56.

SOURCE: United States Department of Agriculture.

Harvesting of flax in south Texas is about complete, and production of flaxseed in the District states is placed, as of July 1, at 135 percent above the 1957 output. Rice is making good development, and early plantings are heading. Production of rice in Louisiana and Texas is indicated, as of July 1, at 13 percent larger than the outturn in 1957. Excellent progress is being made in putting up a good supply of hay, although shower activity has lowered the quality of downed hay in local areas.

Cotton is making rapid growth throughout most of the District. Picking is active in the Lower Valley, and the crop is opening rapidly along the Upper Coast. Adequate moisture is promoting development of the crop in the northern Blacklands and eastward; and in irrigated western areas, prospects remain quite favorable. Frequent showers are making insect control measures difficult in many sections, but, generally, damage remains light.

Cotton acreage in cultivation in the Nation, as of July 1, totaled 12,402,000 acres, or 12 percent below a year ago. In the District states, acreage in cultivation was 9 percent smaller than on July 1 last year, ranging from a 7-percent gain in acreage in Arizona to a 22-percent decline for Oklahoma.

All classes of livestock remain in good to excellent condition in most sections of the District. Ample forage is generally available, although sections of the Trans-Pecos area of Texas and parts of New Mexico and Arizona are in need of additional moisture to promote development of grasses. Range feed conditions in most of the District states as of July 1 were equal to or better than conditions on the same date in 1957.

LIVESTOCK RECEIPTS

Major Southwestern Livestock Markets

(Number)

Class	January—June		Percentage change
	1958	1957	
Cattle.....	357,959	432,764	-17
Calves.....	118,108	144,557	-18
Hogs.....	165,792	330,887	-50
Sheep ¹	771,443	732,702	5

¹ Includes goats.

SOURCES: Fort Worth Stockyards, Fort Worth, Texas.

Union Stock Yards, San Antonio, Texas.



At Eleventh District weekly reporting member banks, total deposits declined \$60.5 million in the 4 weeks ended July 16, absorbing one-fourth of the deposit

expansion during the previous 4 weeks. Gross loans rose \$18.4 million, continuing the rise shown in the preceding period but at a somewhat slower pace. Investment holdings were trimmed \$6.7 million, while cash accounts were depleted by \$89.6 million.

Aside from an \$8.1 million repayment by commercial and industrial borrowers and a smaller liquidation of nonbroker securities loans, the remaining categories reflected increased borrowing. "All other loans"—primarily to consumers—advanced \$8.9 million, after showing downward movement earlier in the year, and broker and dealer credits increased by the same amount. Since the last Wednesday of 1957, gross loans have risen over \$100 million, with borrowings against securities increasing \$40 million and lesser though substantial gains occurring in real-estate and commercial and industrial loans.

Although the Government bond market was unsettled during most of the 4 weeks, the reporting member banks made few changes in their investment accounts. The largest change was a \$5.4 million reduction in Government bond holdings. The purchase of \$3 million of Treasury bills more than offset the liquidation of certificates, while \$2.3 million of municipals and other non-Governments was sold or redeemed.

The banks reported that \$73.5 million of demand balances was withdrawn, despite a fractional increase in individual and business accounts. Correspondent banks, state and local governments, and the Federal Government originated the largest withdrawals. Time balances rose under the impetus of a \$17.1 million expansion in individual and business accounts, while the Federal Government claimed one-fourth that amount from its time accounts.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	July 16, 1958	June 18, 1958	July 17, 1957
ASSETS			
Commercial and industrial loans.....	\$1,514,150	\$1,522,222	\$1,456,950
Agricultural loans.....	30,195	28,983	22,751
Loans to brokers and dealers in securities.....	44,489	35,557	33,425
Other loans for purchasing or carrying securities.....	181,412	184,461	147,869
Real-estate loans.....	220,456	217,969	193,566
Loans to banks.....	30,427	22,411	9,081
All other loans.....	639,059	630,171	606,224
Gross loans.....	2,660,188	2,641,774	2,469,866
Less reserves and unallocated charge-offs..	45,858	45,150	42,792
Net loans.....	2,614,330	2,596,624	2,427,074
U. S. Treasury bills.....	74,107	71,101	198,026
U. S. Treasury certificates of indebtedness.....	84,921	87,357	114,653
U. S. Treasury notes.....	268,959	268,503	166,705
U. S. Government bonds (inc. gtd. obligations)...	996,264	1,001,632	823,570
Other securities.....	313,068	315,397	280,168
Total investments.....	1,737,319	1,743,990	1,583,122
Cash items in process of collection.....	426,254	460,322	445,510
Balances with banks in the United States.....	522,993	576,056	463,180
Balances with banks in foreign countries.....	1,456	1,415	2,176
Currency and coin.....	48,466	49,070	47,427
Reserves with Federal Reserve Bank.....	605,532	607,436	609,136
Other assets.....	162,332	165,863	147,103
TOTAL ASSETS.....	6,118,682	6,200,776	5,724,728
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,831,282	2,830,435	2,836,177
United States Government.....	124,634	136,886	184,112
States and political subdivisions.....	178,633	200,616	180,650
Banks in the United States.....	1,041,460	1,070,722	916,866
Banks in foreign countries.....	14,908	15,119	17,824
Certified and officers' checks, etc.....	62,526	73,213	56,411
Total demand deposits.....	4,253,443	4,326,991	4,192,040
Time deposits			
Individuals, partnerships, and corporations....	1,057,743	1,040,668	788,530
United States Government.....	7,455	12,125	12,420
Postal savings.....	421	411	421
States and political subdivisions.....	229,420	228,939	203,099
Banks in the U. S. and foreign countries.....	1,963	1,794	7,225
Total time deposits.....	1,297,002	1,283,937	1,011,695
Total deposits.....	5,550,445	5,610,928	5,203,735
Bills payable, rediscounts, etc.....	19,500	28,500	17,000
All other liabilities.....	62,676	75,524	55,776
Total capital accounts.....	486,061	485,824	448,217
TOTAL LIABILITIES AND CAPITAL.....	6,118,682	6,200,776	5,724,728

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	June 1958	May 1958	June 1957
RESERVE CITY BANKS			
Reserve balances.....	\$555,659	\$550,834	\$ 558,730
Required reserves.....	539,468	528,327	550,481
Excess reserves.....	16,191	22,507	8,249
Borrowings.....	2,360	3,863	20,330
Free reserves.....	13,831	18,644	—12,081
COUNTRY BANKS			
Reserve balances.....	428,246	430,929	450,701
Required reserves.....	377,863	378,263	400,325
Excess reserves.....	50,383	52,666	50,376
Borrowings.....	1,162	2,049	5,953
Free reserves.....	49,221	50,617	44,423
MEMBER BANKS			
Reserve balances.....	983,905	981,763	1,009,431
Required reserves.....	917,331	906,590	950,806
Excess reserves.....	66,574	75,173	58,625
Borrowings.....	3,522	5,912	26,283
Free reserves.....	63,052	69,261	32,342

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 16, 1958	June 18, 1958	July 17, 1957
Total gold certificate reserves.....	\$738,747	\$763,244	\$ 803,830
Discounts for member banks.....	1,100	13,800	15,350
Other discounts and advances.....	0	0	0
U. S. Government securities.....	991,617	966,099	913,364
Total earning assets.....	992,717	978,899	928,714
Member bank reserve deposits.....	980,776	980,597	1,007,848
Federal Reserve notes in actual circulation.....	729,057	713,050	694,782

Daily average free reserves in June for Eleventh District member banks amounted to \$63.1 million, representing a \$6.2 million decline from the preceding month. The decline arose from a \$10.7 million expansion in required reserves, reflecting a 1.6-percent monthly rise in demand deposits and an even larger percentage build-up in time accounts. The increase in daily average reserve balances offset about one-fifth of the higher level of required reserves; in addition, the banks repaid \$2.4 million of their daily average borrowings from the Federal Reserve Bank.

Gold certificate holdings of the Federal Reserve Bank of Dallas declined \$24.5 million in the 4 weeks ended July 16, reflecting interregional and international flows of funds. Member bank reserve balances were unchanged, while Federal Reserve currency outstanding increased \$16 million. The Bank's total earning assets rose \$12.8 million, as holdings of Governments increased \$25.5 million, or double the reduction in member bank borrowing.

NEW PAR BANK

The First State Bank, Freer, Texas, an insured, non-member bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, July 12, 1958. The officers are: G. Cameron Duncan, Chairman of the Board (inactive); R. H. Hudgens, President (inactive); Jimmie Lee, Executive Vice President and Cashier; and Clay Chiles, Vice President (inactive).



The petroleum situation showed such improvement by mid-July that a sharp increase in crude oil output is scheduled for August. Demand for gasoline was particularly brisk in early July. Since inventories were tight, increases in wholesale gasoline prices continued to be announced throughout the Nation, following a rise in prices quoted at gulf refineries. Total demand for petroleum products rose moderately in the 5 weeks

ended July 11 and was the same as in the comparable period of 1957. Military purchases were increased, and there was concern in the industry over the possibility of an interruption in Middle East production. However, immediately following the revolt in Iraq (where one-sixth of Middle East oil is produced), production was maintained in the oil fields, and there were no reports of damage to pipelines.

District crude oil production averaged 2,743,000 barrels per day in the first part of July, which is moderately higher than the June output but is 13 percent below July 1957. National production was 6 percent below the comparable period last year. The Texas Railroad Commission has raised the number of producing days for August to 11, causing an increase of 327,338 barrels per day in allowables. New Mexico allowables have been raised somewhat, while Louisiana allowables are expected to be moderately higher than the July allotment.

Total imports, at 1,555,000 barrels daily in the 5 weeks ended July 11, showed a 12-percent rise from the prior 5-week period but were 5 percent below a year earlier. The total supply of crude oil was slightly under demand; consequently, crude stocks in the Nation declined 2 percent in early July to total 252,809,000 barrels on July 12, or 10 percent below the comparable date in 1957.

District crude runs to refinery stills, averaging 2,116,000 barrels per day in early July, rose moderately from the June level but were 6 percent below a year ago. National refinery operations were 4 percent less than in July 1957. Product inventories showed a slight seasonal rise in early July to total 382,871,000 barrels on July 11 but were equal to the year-earlier level. Gasoline stocks, which declined slightly in the first part of July to reach 182,169,000 barrels, also approximated the July 1957 volume, while light heating oils remained sharply lower. Although residual fuel oil stocks were substantially above last year's level, most of the year-to-year increment was concentrated on the West Coast.



A moderate seasonal rise to 4,277,900 workers was reported for District states nonfarm employment in June. The 28,000 increase over May compared with May-June increases of 42,700 in 1957 and 38,100 in the recession year 1954. The greatest seasonal expansion occurred in construction. However, most

other types of employment reflected increases, with industrial employment rising for the first time in 9 months. The major June decline was in government employment and was caused by the closing of schools for the summer.

Unemployment in Texas during June totaled 208,500, compared with 195,200 in May. This reflected a relatively small increase compared with earlier years and was largely the result of new additions to the labor force. The number of established workers claiming unemployment compensation, after declining in June, showed another small decrease in July.

Construction contract awards in the District states in May, totaling \$335,143,000, were down 3 percent from the high April level but were 5 percent over a year earlier. Both nonresidential building and heavy engineering awards reflected month-to-month declines, while residential contracts rose to a new record and continued 35 percent higher than a year ago.

The value of June construction awards in Texas, as reported by the *Texas Contractor*, was down 13 percent from May, mainly because of a decline in commercial building awards. Highway and residential awards continued to be major areas of strength. However, the Veterans Administration reported that appraisal requests for new houses in Texas declined 24 percent from May to June. Among the major individual construction contracts awarded in the District states during June were a \$15 million contract for an electric power plant at Amarillo and a \$22.8 million award for a dam on the San Juan River in New Mexico. In addition, a Houston bank announced plans to build a bank and office building costing between \$15 million and \$20 million.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change June 1958 from	
	June 1958e	May 1958	June 1957r	May 1958	June 1957
Total nonagricultural					
wage and salary workers..	4,277,900	4,249,900	4,330,300	0.7	-1.2
Manufacturing.....	738,000	733,400	783,900	.6	-5.9
Nonmanufacturing.....	3,539,900	3,516,500	3,546,400	.7	-.2
Mining.....	243,700	240,300	270,500	1.4	-9.9
Construction.....	311,600	299,700	311,400	4.0	.1
Transportation and public utilities.....	393,100	389,600	409,300	.9	-4.0
Trade.....	1,123,100	1,119,700	1,126,500	.3	-.3
Finance.....	191,000	188,600	185,000	1.3	3.2
Service.....	532,000	527,400	520,500	.9	2.2
Government.....	745,400	751,200	723,200	-.8	3.1

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		
	June 1958	Percentage change from		June 30, 1958	Annual rate of turnover	
		May 1958	June 1957		June 1958	May 1958
ARIZONA						
Tucson.....	\$ 179,503	2	18	\$ 108,718	20.4	20.0
LOUISIANA						
Monroe.....	70,158	10	16	48,378	16.9	15.1
Shreveport.....	269,246	-5	0	181,076	17.9	18.4
NEW MEXICO						
Roswell.....	30,131	-6	5	28,166	13.0	14.0
TEXAS						
Abilene.....	81,774	3	-1	59,251	16.7	16.3
Amarillo.....	178,591	4	11	114,741	19.1	18.8
Austin.....	167,041	-8	14	133,164	15.4	16.8
Beaumont.....	144,538	0	-2	108,455	16.1	16.0
Corpus Christi.....	174,863	-4	-5	109,299	19.1	19.4
Corpus Christi.....	15,576	4	7	23,208	8.4	8.0
Dallas.....	2,305,789	3	11	1,063,043	26.6	26.4
El Paso.....	287,154	-4	12	150,793	23.0	23.4
Fort Worth.....	695,819	2	2	376,054	22.7	22.6
Galveston.....	84,895	1	-16	66,747	15.4	15.2
Houston.....	2,224,674	-3	0	1,192,102	22.6	23.0
Laredo.....	26,074	-12	10	22,202	14.4	16.8
Lubbock.....	141,962	1	9	100,456	16.9	16.4
Port Arthur.....	62,220	-7	2	47,193	16.4	18.4
San Angelo.....	48,159	-2	2	40,954	14.4	14.9
San Antonio.....	546,541	-2	14	382,300	17.4	18.6
Texarkana.....	19,676	-1	7	16,327	14.6	14.9
Tyler.....	79,748	4	0	62,646	15.5	15.1
Waco.....	96,403	2	12	66,999	17.4	17.2
Wichita Falls.....	106,568	11	11	109,684	12.1	11.3
Total—24 cities.....	\$8,037,103	0	5	\$4,611,956	21.2	21.4

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 \$41,682,000 for the month of June 1958.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1956: June.....	\$7,150	\$3,493	\$3,657	\$1,370	\$ 767	\$603
1957: June.....	7,265	3,587	3,678	1,591	849	742
1958: February..	7,297	3,481	3,816	1,729	915	814
March.....	7,378	3,589	3,789	1,810	959	851
April.....	7,502	3,677	3,825	1,916	1,033	883
May.....	7,402	3,654	3,748	1,992	1,088	904
June.....	7,523	3,764	3,759	2,048	1,122	926

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	Change from				
	June 1958 ¹	May 1958 ¹	June 1957 ²	May 1958	June 1957
ELEVENTH DISTRICT.....	2,637.2	2,564.1	3,454.4	73.1	-817.2
Texas.....	2,276.0	2,201.4	3,083.3	74.6	-807.3
Gulf Coast.....	445.4	442.6	607.8	2.8	-162.4
West Texas.....	945.5	891.9	1,326.3	53.6	-380.8
East Texas (proper).....	120.5	116.2	208.0	4.3	-87.5
Panhandle.....	106.5	106.8	119.3	-3.3	-12.8
Rest of State.....	658.1	643.9	821.9	14.2	-163.8
Southeastern New Mexico.....	248.4	246.8	242.8	1.6	5.6
Northern Louisiana.....	112.8	116.0	128.3	-3.2	-15.5
OUTSIDE ELEVENTH DISTRICT.....	3,692.4	3,680.2	3,652.3	12.2	40.1
UNITED STATES.....	6,329.6	6,244.3	7,106.7	85.3	-777.1

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	June 25, 1958	May 28, 1958	June 26, 1957
ASSETS			
Loans and discounts.....	\$ 4,276	\$ 4,202	\$3,934
United States Government obligations.....	2,628	2,597	2,387
Other securities.....	743	717	661
Reserves with Federal Reserve Bank.....	974	882	979
Cash in vault.....	130	123	109
Balances with banks in the United States.....	1,160	1,186	986
Balances with banks in foreign countries.....	1	1	2
Cash items in process of collection.....	461	407	465
Other assets.....	239	238	215
TOTAL ASSETS.....	10,612	10,353	9,738
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,193	1,126	1,027
Other demand deposits.....	6,416	6,261	6,223
Time deposits.....	2,065	2,018	1,605
Total deposits.....	9,674	9,405	8,855
Borrowings.....	7	15	31
Other liabilities.....	92	98	75
Total capital accounts.....	839	835	777
TOTAL LIABILITIES AND CAPITAL.....	10,612	10,353	9,738

e — Estimated.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		VALUATION		Percentage change		
	June 1958	6 mos. 1958	June 1958	6 mos. 1958	June 1958 from	6 mos. 1958 comp. with	6 mos. 1957
	1958	1958	1958	1958	1958	1957	6 mos. 1957
ARIZONA							
Tucson.....	511	2,796	\$ 863	\$ 8,248	-59	-64	-27
LOUISIANA							
Shreveport.....	458	2,774	1,736	12,493	0	-9	2
TEXAS							
Abilene.....	187	915	2,142	9,190	29	184	23
Amarillo.....	284	1,536	2,342	13,729	3	35	-6
Austin.....	270	1,468	5,300	24,672	-14	83	17
Beaumont.....	415	2,083	1,294	7,476	-2	-50	-25
Corpus Christi.....	131	1,768	1,833	12,684	2	8	53
Dallas.....	2,201	12,160	10,491	67,981	-19	10	8
El Paso.....	628	3,625	5,663	30,535	7	61	81
Fort Worth.....	638	3,777	4,849	24,437	33	17	-12
Galveston.....	142	722	512	2,136	-10	-35	-5
Houston.....	1,391	7,593	18,792	110,820	-5	-13	-7
Lubbock.....	335	1,494	3,576	18,787	-8	67	25
Port Arthur.....	213	1,086	625	7,236	-27	28	137
San Antonio.....	1,774	9,427	6,498	30,812	9	47	13
Waco.....	227	1,247	1,081	6,135	1	-17	-13
Wichita Falls.....	182	828	973	3,611	85	12	-50
Total—17 cities.....	9,987	55,299	\$68,570	\$390,982	-4	9	5

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	May 1958	April 1958	May 1957	January—May	
	1958	1958	1957	1958	1957
FIVE SOUTHWESTERN STATES ¹	\$ 335,143	\$ 343,705	\$ 320,015	\$ 1,460,698	\$ 1,480,308
Residential.....	156,659	134,595	116,252	622,272	547,739
All other.....	178,484	209,110	203,763	838,426	932,569
UNITED STATES.....	3,402,575	2,881,011	3,399,528	12,983,524	13,714,519
Residential.....	1,346,170	1,240,217	1,297,258	5,145,117	5,328,265
All other.....	2,056,405	1,640,794	2,102,270	7,838,407	8,386,254

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