ELEVENTH FEDERAL RESERVE DISTRICT

BUSINESS REVIEW

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ELEVENTH DISTRICT BANKING IN RECESSION AND RECOVERY

The close relationship between business developments and banking trends was further demonstrated during the recession and recovery of 1957-58. The impact of the recession that began in the latter part of 1957, along with the monetary and debt management policies designed to cushion recessionary forces, was clearly reflected in changes in bank loans, investments, and deposits. The vigorous and widespread recovery which began in the spring of 1958 has also influenced banking activity. This article examines banking trends in the Eleventh District between October 1957 and September 1958, a period that began only a month or so after the recession and extends into the recovery period.

Growth in Banking Totals

Perhaps the most significant banking development in the District during the 12-month period was the establishment of new peaks by most of the major measures of banking activity, despite the fact that the level of economic activity was generally less than in the preceding year. Resources of member banks, which rose to a record level of $10.7 billion on September 24, exceeded the total of October 11, 1957 (the date of the autumn call a year ago) by 7 percent. Particularly noteworthy was the 9-percent increase in loans and investments—one of the largest of record for a 12-month period. In contrast with banks in the Nation, Eleventh District member banks added substantially to both loan and investment portfolios; loans rose $331 million, or 8 percent, and investments increased $328 million, or 11 percent. In the Nation, loans were

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

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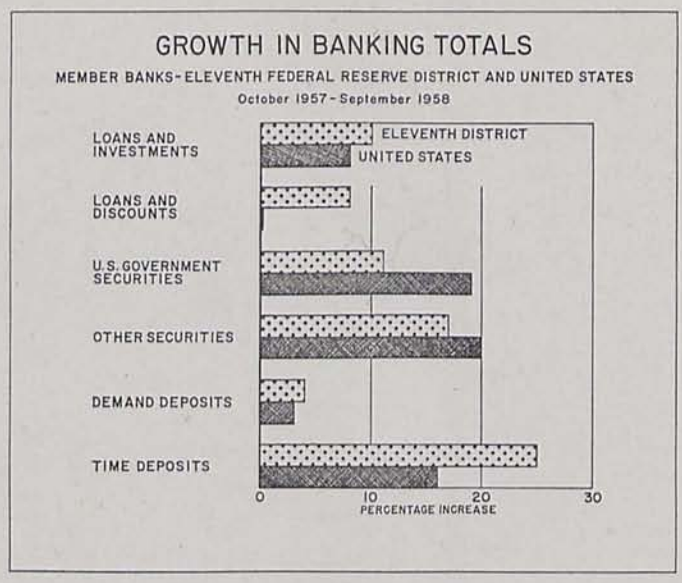
approximately stable, while investments rose by almost twice the percentage gain in the District.

The growth of loans and investments found its counterpart, on the liabilities side of the statement, in marked increases in deposits and capital. As District member banks utilized the reserves made available through an expansive monetary policy to add to their earning assets, demand deposits increased $225 million, or 3 percent, and time deposits continued the rapid gain that began in early 1957, rising $452 million, or 27 percent. Member banks added $54 million, or 7 percent, to their capital accounts.

This impressive record of banking growth, despite the influence of recession, arose from several factors. These factors — including the minor impact of the recession in the Southwest, the end of a long drought, and the expansive influence of monetary and debt management policies — are discussed below.



Loan Demand

A general business decline tends to depress banking activity primarily through its impact on loan demand and the accompanying effect on deposits. As economic activity subsides, businesses commonly reduce their borrowings from banks, and, in the process, deposits tend to decline. In addition, consumer loan demand is likely to diminish during a recession, as consumers adopt cautious spending policies and attempt to strengthen their financial positions. Other types of bank credit extension, such as loans to finance real-estate or securities transactions, may also be dampened by recessionary forces.

Loan trends in the Nation generally followed this traditional pattern during the recession of 1957-58. Loans of all member banks failed to register the usual seasonal expansion in the autumn of 1957 and, after rising temporarily to a peak at the year end, declined substantially in early 1958. As recovery gained momentum in the summer, member bank loans began to increase moderately and, by September, had risen slightly above the year-earlier level. This trend was in sharp contrast with the experience during 1955 and 1956, when loans rose rapidly. Not since the recession of 1953-54 had loans failed to advance substantially during a full 12-month period.

The impact of the recession on business loan demand in the Nation is emphasized by data relating to the Nation's weekly reporting member banks, which account for about four-fifths of the dollar amount of commercial and industrial loans made by banks throughout the country. Business loans of these banks declined 7 percent between September 1957 and September 1958, in sharp contrast with the 9-percent increase registered in the preceding 12 months. Moreover, the influence of the recession on business loans was even more pronounced than is indicated by the 7-percent decline in the past 12 months, inasmuch as these loans have increased moderately — mainly as a result of seasonal factors — since midyear.

Loan demand in the Eleventh District, in contrast, actually strengthened during the recession, with loans advancing at each of the intervening calls between October 1957 and September 1958. All major categories of loans participated in the net increase during the 12 months, with business loans accounting for 41 percent of the gain and agricultural and real-estate loans for about 20 percent each. The growth in loans during the past year was more than 2½ times the increase in the preceding 12 months.

The expansion of $134 million, or almost 7 percent, in commercial and industrial loans of District member banks resulted primarily from the relatively minor impact of the recession in the Southwest, coupled with developments in the petroleum industry which tended to increase loan demand. The recession was concentrated in industrial activity, and the economy of the Southwest, although adding substantially to industrial potential in the postwar years, is much more diversified than that of most industrial areas in the North and East.

CHANGES IN LOANS OF MEMBER BANKS

Eleventh Federal Reserve District

(Dollar amounts in thousands)

Type of loan	Sept. 24, 1958, from Oct. 11, 1957		Oct. 11, 1957, from Sept. 26, 1956	
	Amount	Percent	Amount	Percent
Commercial and industrial loans.....	$134,420	6.5	$ 59,822	3.0
Agricultural loans................	65,344	21.9	−18,158	−5.7
Real-estate loans................	65,756	17.1	−19,076	−4.7
Consumer loans..................	24,514	2.6	72,684	8.3
Loans for purchasing or carrying securities......................	25,543	12.1	16,791	8.7
Loans to banks..................	10,185	89.1	4,858	73.9
All other loans..................	5,051	3.3	7,163	5.0
LOANS AND DISCOUNTS.....	$330,813	8.1	$124,084	3.1

Consequently, the 13-percent decline in industrial production in the Nation between August 1957 and April 1958, while of some significance in the Southwest, had much less effect on the level of business activity and on loan demand in the region. Levels of unemployment ruled substantially lower than in the Nation, and other measures of business activity reflected greater strength than prevailed elsewhere.

Developments in the petroleum industry also added to loan demand. Petroleum activity in 1958 declined to the lowest level in several years, not so much as a result of the recession but mainly because of adjustment to international developments in the industry. As the petroleum situation deteriorated in the winter and spring of 1958, wells in Texas were reduced to a production schedule of 8 days per month, compared with a range of 12 to 18 days in 1957. The sharply diminished allowables tended to depress refining and drilling activity and no doubt lowered the demand for bank credit. On the other hand, the reduction in allowables stimulated the sale of property by some producers who were confronted with a decrease in their cash inflows. The increase in bank loans to finance such transfers more than offset the decline from reduced petroleum activity. Consequently, loans of District weekly reporting member banks to the petroleum industry increased almost 9 percent in the 12 months ended in September 1958.

Agricultural developments also bolstered loan demand in the District; loans to farmers by District member banks advanced $65 million, or almost 22 percent. The end of a severe and extended drought in 1957 and the continuation of satisfactory moisture conditions in 1958 contributed to the most favorable agricultural situation, from the standpoint of production, in a number of years. In addition, higher prices for some commodities, particularly livestock, bolstered agricultural income. The improved situation increased the willingness and ability of farmers to borrow in order to purchase and repair equipment and to expand operations, as well as the willingness of banks to meet these credit demands.

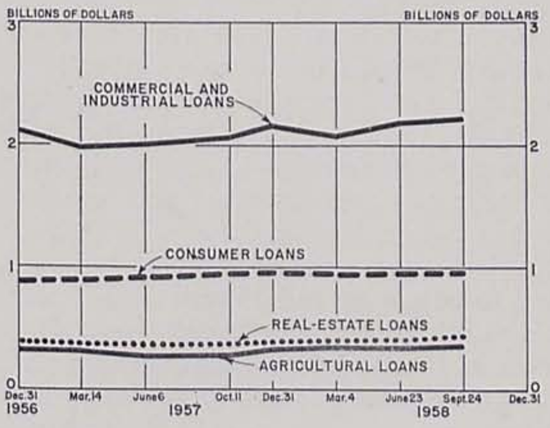
Demand for real-estate credit at District member banks, although well maintained during the recession, has been especially strong in recent months; three-fourths of the increase registered in the past 12 months has occurred since March. Construction loans at weekly reporting member banks followed a similar pattern. These trends reflect the rising level of construction activity in the Southwest since this spring, particularly with respect to residential building. A major factor contributing to the revival of residential construction was the increased availability of mortgage funds, which resulted partly from the emergency mortgage purchasing program of the Federal National Mortgage Association and partly from the general easing of credit conditions.

Other loan developments at District member banks included a moderate (less than 3-percent) gain in consumer loans — contrasted with an increase of more than 8 percent in the year-earlier period — and a 12-percent expansion in securities loans, reflecting in part the increased level of activity in the stock market.

Loan trends at District member banks during the past year can be summarized as reflecting the generally satisfactory level of business activity that prevailed, coupled with the special situation in the petroleum industry, the improved agricultural situation, and the rising level of construction activity. District banks continue to report a strong loan demand, as would be expected in

SELECTED LOAN ACCOUNTS

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



view of the vigor of the recovery movement and the prospects for further growth in the Southwest.

Influence of Monetary and Debt Management Policies

Even though national developments are exerting a growing influence on loan activities of District banks, trends in loan accounts of banks in the Southwest respond principally to regional developments; foremost in the banker's mind is the need for accommodating all worthy credit demands of his local customers. Investment activity, on the other hand, responds significantly to the influence of national monetary and debt management policies. Perspective concerning the investment activity of District banks during the past year can be gained only by first reviewing the nature of these policies in recent months.

The recession that began in the late summer of 1957 marked the end of 3 years of high and generally rising levels of business activity. Early in 1955 — as the boom gained momentum — shortages of labor, material, and equipment, in the face of strongly rising demand for goods and services, began to exert pressure on costs and prices. Federal Reserve policy, accordingly, was directed toward restraint, as reflected in a conservative open market policy and increases in Reserve bank discount rates. By the time the boom came to an end in 1957, discount rates had been increased seven times, the availability of new credit had been curtailed, and interest rates—responding to the forces of demand and supply—had risen to the highest levels since the 1930's.

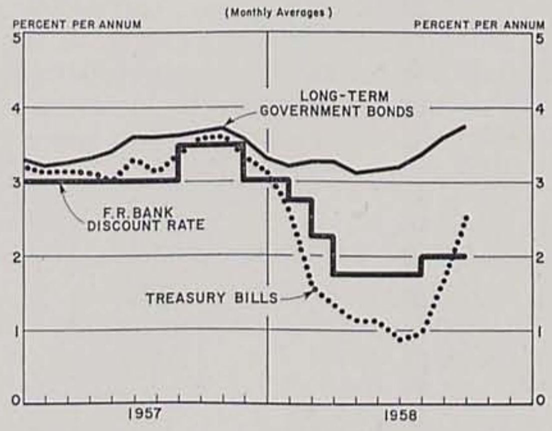
In the autumn of 1957, when it became clear that recession was developing, monetary policy was shifted from restraint to ease. In October the System began to move gradually away from restraint by easing pressures on bank reserves. In mid-November, four Reserve banks reduced their discount rates by one-half point. As is shown in the accompanying chart, the effect of this action on the bond market was dramatic; yields declined sharply—prices rose—as investors became convinced almost overnight that the outlook was for lower rather than higher, levels of interest rates in coming months. Rates on new issues of Treasury bills, which had risen to an average of 3.59 percent in October, declined rapidly in ensuing months and averaged less than 1 percent in June and July 1958. Average yields on long-term Government bonds backed away from the 3.73-percent average of October, declining to a low of 3.12 percent in April 1958.

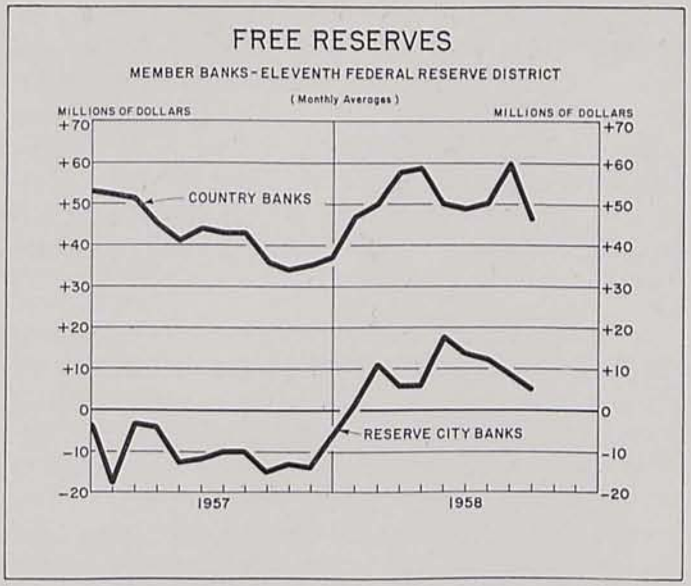
Although the initial yield declines reflected primarily a shift in expectations arising from the reduction in discount rates, this reduction was followed by aggressive System actions to ease credit. By the end of April, discount rates had been reduced four times, from 3½ percent to 1¾ percent, and member bank reserve requirements had been lowered three times, releasing about $1.5 billion in reserve funds to the banking system. Moreover, System open market policy served to ease reserve positions further.

As a result of these moves toward monetary ease, member banks in the District and the Nation found that, for the first time in several years, they had ample funds to meet all worthy loan demands and, in addition, to add substantially to investments. One indicator of reserve availability is the level of "free reserves" or "net borrowed reserves," which refer to the net relationship between excess reserves of member banks and their indebtedness to Reserve banks. Generally speaking, a large volume of free reserves (excess reserves greater than indebtedness to the Reserve banks) indicates monetary ease. High levels of net borrowed reserves (borrowings from the Reserve banks greater than excess reserves) reflect monetary restraint.

As the System moved to promote easier credit conditions, banks obtained funds to reduce their indebtedness to the Reserve banks and to build up their excess reserves. Consequently, the net borrowed reserves that had prevailed in the Nation during most of 1957, ranging above $500 million at times, were eliminated by the

INTEREST RATES





end of the year. In January, free reserves emerged and, by April, were averaging close to $500 million.

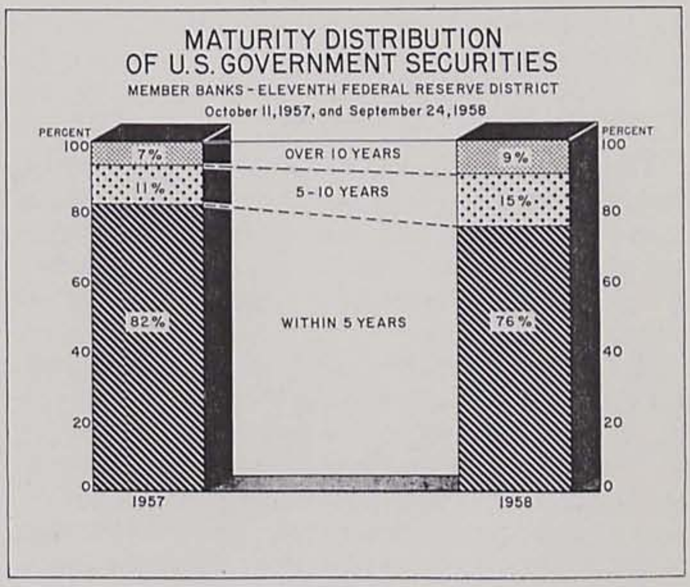
Free reserves of District member banks followed a similar pattern. As is shown in the above chart, reserve city banks in the District experienced net borrowed reserves throughout all of 1957 but moved to net free positions in January 1958. Free reserves of country banks, after declining to relatively low levels in the autumn of 1957, rose rapidly in subsequent months.

The ample availability of reserves induced banks in the District and the Nation to purchase large amounts of Government and other securities. In the Nation, the decline in loan demand, coupled with lower rates on loans, exerted pressure on bank earnings. For this and other reasons, banks purchased Government and other securities. Even though loans at District banks actually rose during the recession, the banks were eager to obtain securities in order to protect earnings while acquiring assets with a high degree of safety and liquidity. As noted above, District member banks increased their investments by 11 percent in the 12 months ended in September. Government securities accounted for almost two-thirds of the increase.

Treasury debt management policies during the recession facilitated the expansion in bank holdings of Governments. Banks were particularly interested in acquiring Government securities of intermediate maturity; such issues normally carry higher interest returns than securities of shorter maturity. The Treasury was therefore able to pursue its policy of lengthening the maturity of the debt, while promoting growth in bank credit during the recession, by offering securities of intermediate range that were especially attractive to banks. In its cash and refunding operations during the first half of 1958, the Treasury offered, among other securities, $16.7 billion of issues maturing in 4 to 8 years. In the initial distribution of these issues, banks in the Nation obtained $10 billion, and banks in the District were allotted $390 million.

The extent to which District member banks acquired intermediate-term securities during the past year is indicated also by the fact that holdings of Government obligations maturing within 5 to 10 years increased almost 43 percent. As a result of these purchases, holdings of Governments in the 5- to 10-year range rose from 11 percent of total holdings in October 1957 to 15 percent in September 1958. Government obligations maturing within 5 years declined from 82 percent to 76 percent of total holdings.

In summary, monetary and debt management policies during the recession promoted a significant growth in bank credit by encouraging bank purchases of Government and other securities. Because of the strength of loan demand in the District, however, investment expansion was considerably less, percentagewise, than in the Nation. Moreover, it is important to note that these policies, by promoting a substantial increase in bank credit, resulted in growth of bank deposits and the money supply. The expansion in the money supply cushioned recessionary forces and minimized the danger of a cumulative decline in business activity.



Growth of Deposits

The 8-percent expansion in total deposits of District member banks during the 12-month period, while about the same as in the Nation, was much more heavily concentrated in time deposits than demand deposits. Demand accounts advanced 3 percent, while time deposits increased 27 percent; increases in the Nation were 3 percent and 16 percent, respectively.

The sharp growth in time accounts in both the District and the Nation, while perhaps reflecting in part a genuine increase in individual savings, probably resulted mainly from the rates of return on such deposits as compared with yields on Treasury bills and other high-quality, short-dated investments. Bank rates on savings accounts, certificates of deposit, and other time accounts — which had generally been raised in 1957 — did not decline as rapidly as yields on money market instruments in late 1957 and early 1958. Consequently, business corporations and other investors transferred large amounts of funds into time accounts and certificates of deposit in order to obtain a higher return.

The large percentage growth of time deposits in the District, as compared with the Nation, probably reflected somewhat higher rates on certificates of deposit at major southwestern banks than at banks in the North and East. Moreover, the percentage growth in District time deposits was magnified by the relatively small proportion of time deposits to total deposits at District banks. As of October 11, 1957, time deposits accounted for only slightly more than 18 percent of total deposits; the proportion in the Nation was about 40 percent. By the time of the September 1958 call, however, time deposits at District banks had risen to almost 22 percent of total deposits.

Conclusions

Three important conclusions can be drawn from banking developments in the District and the Nation during the recession and recovery of 1957-58. In the first place, experience in the District demonstrates that, in an economy as large and diversified as that of the United States, relatively mild and short-lived recessions are not likely to exert equal effects throughout the country. The three postwar recessions — occurring in 1948-49, 1953-54, and 1957-58 — have been dominated by relatively large shifts in business inventory policies and by reduced activity in durable goods production. Consequently, an area that concentrates less heavily in such production may experience only a minor adjustment. Indeed, if it had not been for developments in the petroleum industry in 1957 and 1958, which resulted mainly from events not directly related to the recession, few signs of declining activity would have been evident in the Eleventh District. This conclusion is, of course, significant to District banks, which are not likely to experience the wide swings in loan demand that are characteristic of the more highly industrialized areas of the country.

Secondly, experience in the recessions of 1953-54 and 1957-58 indicates that bank credit and deposits are likely to grow most rapidly during recessions, not in periods of rising and high-level business activity. This tendency is based upon the assumption that monetary and debt management policies would continue to be directed toward cushioning recessionary pressures, once they emerge. Under such conditions, banks may obtain increased availability of reserves, which could be used to purchase Government and other securities. A decline in bank assets resulting from a decrease in loan demand might be offset by expansion of investments. During a boom, on the other hand, expansion in total bank credit may be limited by restrictive monetary policies, even though loans may rise.

Finally, experience in the recession of 1957-58 lends further support to the judgment that an easy monetary policy furnishes a powerful expansive force which tends to cushion recessionary pressures and provide an atmosphere conducive to recovery. In the case of an inventory recession, expansive monetary policies increase the probability that liquidation can be effected in an orderly manner. Many of the stresses and strains that characterized pre-World War II recessions, in which disorderly inventory liquidation proved troublesome, can be avoided. Moreover, an expansive monetary policy assures that banks will have adequate funds to meet all worthy demands for loans. Perhaps most importantly, an expansive policy, coupled with debt management policies that provide securities attractive to commercial banks, promotes growth in bank credit and the money supply, which, in turn, increases liquidity in the economy. As long as confidence remains unimpaired and the basic forces of demand are strong, the increase in money supply and liquidity enhances the prospects for early recovery.

Charls E. Walker
Vice President and
Economic Adviser

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS

DISTRICT SUMMARY

Business loans at weekly reporting member banks in the Eleventh District showed continued strength between mid-September and mid-October, and construction loans were particularly strong. In spite of a 4-week decline, deposits remained substantially above the year-earlier level.

Seasonally adjusted department store sales during September in the District were down from the record high in August but were equal to a year ago. Inventories at the end of the month remained lower than in September 1957, but there was a marked increase in new orders, boosting total orders outstanding above the year-earlier level for the first time in 12 months.

Harvesting has been delayed as a result of adverse weather. Fall-seeded small grains are making excellent development, but conditions have been unfavorable for commercial vegetables. The Texas citrus fruit crop is expected to be larger than last year's production, but that for the District will be smaller. Ranges and pastures are in excellent condition.

Industrial production in the District registered advances during September, with gains reported in both mining and manufacturing activity. Construction contract awards in the District states reflected continued strength during August, and September awards in Texas were above the August level.

Nonagricultural employment in the District states rose during September, led by increases in education and trade. Available data for Texas show a decrease in unemployment and an increase to a new record in average weekly earnings of factory workers during the month.

An improved refined products stock picture and rather persistent widespread cuts in crude oil prices were the principal changes in the petroleum industry during October. Substantial increases in crude oil imports contrasted with reductions in domestic production.

TRADE

September department store sales in the Eleventh Federal Reserve District, seasonally adjusted, receded from the record August level but were equal to sales a year ago. The seasonally adjusted sales index was 162 percent of the 1947-49 average in September, compared with 172 in August and 162 in September 1957. The September dollar volume was up 4 percent from the same month last year but was 3 percent below the preceding month. Most of the increase over September 1957 was accounted for by the one additional trading day this year. During the first 2 weeks in October, sales were 11 percent above the same period a year earlier, but cumulative sales through October 11 were still 1 percent under the comparable 1957 period.

Reports from a selected group of District stores on September sales in the various departments indicate gains of 6 to 8 percent over a year ago in sales of major household appliances, silverware and jewelry, and women's and misses' dresses. Smaller increases were registered in other departments, with sales of women's and misses' accessories up 2 percent and sales of men's clothing and radios, phonographs, and television sets

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

	NET SALES			STOCKS (End of month)	
	September 1958 from		9 mos. 1958 comp. with 9 mos. 1957	September 1958 from	
Area	August 1958	September 1957		August 1958	September 1957
Total Eleventh District	—3	4	—2	7	—5
Corpus Christi	—18	—1	—5	8	—6
Dallas	4	2	1	9	—3
El Paso	0	13	4	2	2
Fort Worth	—2	10	0	11	—7
Houston	1	—1	—8	12	—8
San Antonio	—8	4	1	1	—3
Shreveport, La.	—6	—1	—6	5	—5
Waco	—2	2	—7	8	—9
Other cities	—9	6	2	1	—3

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1947-49 = 100)

Date	SALES (Daily average)		STOCKS (End of month)	
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1957: September....	156r	162r	183r	173r
1958: July..........	144	162	155	163
August........	160	172	163	163
September....	156	162	175p	165p

r — Revised.
p — Preliminary.

up fractionally. Year-to-year decreases of 3 percent and 8 percent, respectively, occurred during the month in sales of women's and misses' coats and suits and furniture and bedding.

Inventories at District department stores at the end of September were 5 percent below a year earlier but were up 7 percent from August, or slightly more than the usual seasonal rise. New orders for merchandise placed by the stores during September were up substantially from August and were 19 percent above September 1957. This marks the first time since January that new orders placed during a month have exceeded those placed during the same month a year ago. As a result of the heavier volume of new orders, total orders outstanding at the end of September were more than a year earlier for the first time since September 1957. This information indicates that department stores are rebuilding inventories in anticipation of rising sales.

New car registrations in the four largest metropolitan areas in the District declined further in September to the lowest level this year. Total registrations in the four areas were 13 percent below the preceding month and 38 percent below a year ago.

AGRICULTURE

Harvesting of the excellent crops in most sections of the District made halting progress during the past month as a result of unfavorable weather. A series of weak cool fronts brought widespread precipitation to virtually every section of the District. Rainfall was the heaviest in south and southeastern sections, particularly in the Lower Valley of Texas, where heavy rains swelled the runoff of the flooding Rio Grande River. Proportionally, the heaviest damage by the floodwaters occurred in the low-lying areas on the Mexican side of the border.

Wheat, oats, and barley sown in early areas made excellent development as a result of favorable moisture conditions. Drilling of remaining winter small grains is being rushed to completion in northwestern sections of the District as soils dry. Surface and subsoil moisture supplies generally are favorable for small grains.

Cotton harvest has been delayed, and the bulk of the crop from Lubbock northward remains in the field. Excessive moisture, especially in the Southern High Plains, has resulted in considerable regrowth of cotton stalks; efforts at defoliating the stalks continue over a wide area. Picking is near completion in the Brazos River bottom, Texas; and mechanical strippers have virtually finished harvesting the crop in northern Blacklands sections. In the irrigated regions of the Trans-Pecos area of Texas and in New Mexico and Arizona, harvesting has made slow progress, and excessive moisture has damaged grades of cotton.

The cotton crop in the District states is placed, as of October 1, at 5,845,000 bales, or slightly below the month-earlier forecast but 12 percent above the output in 1957. In Texas, production is placed at 4,100,000 bales, or about 100,000 bales fewer than indicated a month ago but 13 percent larger than the outturn last year.

Combining of grain sorghums is nearing completion in the northern Low Rolling Plains and the central High Plains of Texas and is past the peak in northern sections of the High Plains in Texas and New Mexico. Grain sorghum production in the District states is placed at 306,224,000 bushels, or 14 percent above last year's record crop.

Peanut digging is well advanced in all late areas, and combining of the crop is getting under way as weather permits. The peanut crop in the District states is estimated to be 59 percent larger than that in 1957. The much-delayed rice harvest is drawing to a close in Louisiana and Texas. Rice output, although below estimates earlier in the season, is indicated to be 9 percent above the 1957 outturn.

Losses of fall and winter vegetable crops have occurred in south Texas areas as a result of heavy rains. Field work has been delayed, and many crops on high ground are in need of cultivation. Clear, open weather is needed urgently so that crops can be worked and planting can be resumed. The citrus fruit crop in Texas is estimated to be moderately higher than that of the previous season, but citrus output in Arizona and Louisiana is estimated to be below a year earlier. The output of oranges and grapefruit in Texas is placed at 15 per-

CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	TEXAS Estimated October 1, 1958	TEXAS 1957	TEXAS Average 1947–56	FIVE SOUTHWESTERN STATES[1] Estimated October 1, 1958	FIVE SOUTHWESTERN STATES[1] 1957	FIVE SOUTHWESTERN STATES[1] Average 1947–56
Cotton[2]	4,100	3,632	3,937	5,845	5,242	5,906
Corn	44,720	40,020	41,525	73,925	61,440	72,283
Winter wheat	77,441	33,669	43,687	200,039	81,912	118,313
Oats	43,552	35,260	23,852	67,640	53,558	39,918
Barley	8,694	5,481	1,892	33,162	23,711	12,241
Rye	270	180	240	2,175	1,255	817
Rice[3]	12,160	11,104	12,863	23,696	21,704	25,133
Sorghum grain	275,614	238,095	96,256	306,224	267,742	113,676
Flaxseed	360	126	827	385	164	1,146
Hay[4]	2,535	2,316	1,690	6,667	6,047	5,041
Peanuts[5]	250,325	159,840	213,524	409,225	256,640	324,617
Irish potatoes[6]	2,148	1,630	[7]1,498	5,390	4,495	[7]3,424
Sweet potatoes[6]	1,386	1,200	[7]1,370	6,272	6,146	[7]6,485
Pecans[5]	38,000	55,000	31,640	74,800	108,500	69,624

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] In thousands of bales.
[3] In thousands of bags containing 100 pounds each.
[4] In thousands of tons.
[5] In thousands of pounds.
[6] In thousands of hundredweight.
[7] Average, 1949-56.
SOURCE: United States Department of Agriculture.

cent and 20 percent, respectively, larger than in the preceding season.

Ranges and pastures remain in excellent condition, and favorable moisture conditions are promoting the development of lush volunteer and early seeded small grain forage. All classes of livestock are in excellent condition.

FINANCE

Loan accounts at weekly reporting member banks in the District continued to expand during the 4 weeks ended October 15, influenced mainly by the growing credit demands of commercial and industrial borrowers. The demand for business loans this fall has consistently exceeded that of a year ago; and, to a large extent, the added strength has occurred in construction loans, paralleling the increased activity in residential building. In the manufacturing and mining categories, the largest increases have occurred in the borrowings of petroleum firms and metals and metal products concerns. Reflecting these advances, as well as approximately seasonal gains in other business loan categories, total business loans rose $29.5 million during the 4 weeks ended October 15 — in contrast to a decline of $13.6 million during the comparable period a year ago.

Real-estate loans and agricultural loans showed moderate declines during the 4-week period, following several months of persistent week-to-week gains. Consumer-type loans, which have moved irregularly higher during the past several months, also declined.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Oct. 15, 1958	Sept. 17, 1958	Oct. 16, 1957
ASSETS			
Commercial and industrial loans	$1,600,835	$1,571,296	$1,474,634
Agricultural loans	36,499	41,214	23,836
Loans to brokers and dealers in securities	19,534	20,352	17,394
Other loans for purchasing or carrying securities	183,152	182,343	160,110
Real-estate loans	228,013	231,429	191,459
Loans to banks	20,386	18,939	25,593
All other loans	636,885	642,039	628,927
Gross loans	2,725,304	2,707,612	2,521,953
Less reserves and unallocated charge-offs	45,862	45,818	42,984
Net loans	2,679,442	2,661,794	2,478,969
U. S. Treasury bills	118,553	69,433	84,703
U. S. Treasury certificates of indebtedness	188,970	199,877	120,350
U. S. Treasury notes	279,896	269,041	212,879
U. S. Government bonds (inc. gtd. obligations)	924,470	924,367	815,984
Other securities	319,832	323,127	281,103
Total investments	1,831,721	1,785,845	1,515,019
Cash items in process of collection	464,615	480,907	439,754
Balances with banks in the United States	475,328	543,247	455,429
Balances with banks in foreign countries	2,586	1,444	1,274
Currency and coin	46,958	49,220	47,422
Reserves with Federal Reserve Bank	570,918	576,190	583,696
Other assets	177,973	175,892	172,573
TOTAL ASSETS	6,249,541	6,274,539	5,694,136
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations	2,937,353	2,931,438	2,815,545
United States Government	149,014	69,283	99,501
States and political subdivisions	131,702	143,661	154,191
Banks in the United States	1,026,223	1,127,875	956,027
Banks in foreign countries	15,361	15,924	17,499
Certified and officers' checks, etc.	57,609	68,917	56,327
Total demand deposits	4,317,262	4,357,098	4,099,090
Time deposits			
Individuals, partnerships, and corporations	1,075,815	1,073,360	804,442
United States Government	7,455	7,455	12,421
Postal savings	421	421	421
States and political subdivisions	221,468	221,291	198,549
Banks in the U. S. and foreign countries	8,185	7,070	6,735
Total time deposits	1,313,344	1,309,597	1,022,568
Total deposits	5,630,606	5,666,695	5,121,658
Bills payable, rediscounts, etc.	42,000	34,250	27,700
All other liabilities	85,055	82,927	89,349
Total capital accounts	491,880	490,667	455,429
TOTAL LIABILITIES AND CAPITAL	6,249,541	6,274,539	5,694,136

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Oct. 15, 1958	Sept. 17, 1958	Oct. 16, 1957
Total gold certificate reserves	$ 711,672	$741,684	$799,414
Discounts for member banks	23,650	6,150	25,257
Other discounts and advances	36	0	338
U. S. Government securities	994,135	975,940	911,510
Total earning assets	1,017,821	982,090	937,105
Member bank reserve deposits	946,954	966,613	979,893
Federal Reserve notes in actual circulation	758,382	752,772	718,400

Although reporting banks liquidated investments on a moderate scale during late September and most of early October, investment accounts rose sharply near the end of the period as the Treasury's recent cash offering of $1.2 billion in Treasury notes and $2.7 billion in special 219-day Treasury bills brought a favorable response from Eleventh District investors. Subscribers in the District were allotted \$52.5 million of the 3½-percent notes and \$149.3 million of the special bills.

Bank credits to Tax and Loan Accounts in payment for the new Treasury securities produced an expansive influence on total deposits, but the deposit increase from this source failed to offset a relatively sharp decline in interbank balances. Consequently, total deposits at the weekly reporting banks declined during the 4 weeks ended October 15. On that date, demand deposits at the reporting banks were 5.3 percent above the year-earlier level, while time deposits were 28.4 percent higher.

Earning assets of the Federal Reserve Bank of Dallas increased \$35.7 million during the 4 weeks ended October 15. The Bank's holdings of Government securities expanded as the System made net purchases in the open market, and this increase was almost matched by a rise in discounts for member banks.

Effective October 16, stock margin requirements were increased from 70 percent to 90 percent by the Board of Governors of the Federal Reserve System. The present requirement is the highest in effect since 1947.

Effective October 24, the Federal Reserve Bank of Dallas and four other Federal Reserve banks raised their discount rates from 2 percent to 2½ percent.

Two important trends developed during October in the Nation's petroleum industry. A new round of price cuts for crude oil, particularly in the Southwest, and a marked improvement in the current relationships of refined products stocks were evident throughout the month. Despite forecasts of sharply improved demand for the coming year, the industry still faced persistent downward price pressures on both crude oil and certain refined products.

October supplies of crude oil were generally higher, as a sharp rise in imports more than offset the cutbacks in domestic production. Crude oil imports in the 5 weeks ended October 17 rose 24 percent above the previous period, although the total was still 4 percent under a year earlier. In contrast to the recent increase in imports, October crude oil production in the Nation was down 2 percent from September, and District production, at 3,071,000 barrels per day, was down 5 percent.

Although crude oil stocks rose slightly in recent weeks, the October 18 total of 254,031,000 barrels was well below a year earlier; and with the improved picture in products stocks, regulatory agencies in the principal states were encouraged to maintain a fairly consistent pattern of production allowables. The Texas Railroad Commission has ordered a continuation of the 11-day producing schedule for November, which will bring a small increase in production because of the shorter month. Likewise, Louisiana and New Mexico

NEW MEMBER BANK

The First National Bank of Fort Stockton, Fort Stockton, Texas, a newly organized institution located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, opened for business October 1, 1958, as a member of the Federal Reserve System. The new bank has capital of \$125,000, surplus of \$75,000, and undivided profits of \$50,000. The officers are: R. D. McDonald, Chairman of the Board; Tom H. Stovell, President and Cashier; Fred Chandler, Jr., Vice President; Conoly Brooks, Vice President; and A. J. Broyles, Vice President.

NEW PAR BANKS

The East Dallas Bank & Trust Company, Dallas, Texas, an insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, October 1, 1958. The officers are: E. M. Bruhns, President; R. V. Stephens, Vice President; and H. L. Kirkpatrick, Vice President and Cashier.

The Commercial State Bank, Garrison, 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 October 1, 1958. The officers are: George W. Tinkle, Chairman of the Board; N. H. Jarrett, President; G. W. Young, Vice President; James S. Taylor, Vice President and Cashier; and Mrs. Maxine H. Williams, Assistant Cashier.

The Park Cities Bank and Trust Company, Dallas, Texas, an insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, October 14, 1958. The officers are: Chevus M. Chapman, President; W. R. Garr, Vice President and Cashier; and Mrs. Anna Belle Collier, Assistant Cashier.

The First State Bank, Clute, Texas, a 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, October 16, 1958. The officers are: J. T. Suggs, President; Allen J. Verdine, Jr., Executive Vice President and Cashier; and Fred A. Palmer, Jr., Vice President.

regulatory authorities have held allowables near their October levels.

Refinery activity during October showed a slight divergence between the District and the Nation. At 2,204,000 barrels per day, District runs averaged 1 percent higher than in September, while refinery runs in the Nation declined 1 percent. In general, the pattern of demand for the principal refined products was mainly seasonal, with distillate and kerosene demand sharply higher and gasoline demand moderately lower. Residual fuel oil demand also rose seasonally, although the general improvement in industrial production throughout the Nation may have added some strength.

On the other hand, refined products stocks showed a small increase during early October but on October 17 were 4 percent below a year ago. This small change in total products stocks, however, conceals some improvement between the inventories of individual products and the total demand for those products. Gasoline stocks were reduced 2 percent from the September level and on October 17 were 5 percent less than on the comparable date last year. Similar improvement was shown in residual fuel oil stocks, which declined an equal amount from September but were still 16 percent above a year ago. Kerosene and distillate stocks, however, showed further gains in recent weeks, partly as a result of the increased refined products imports. In the 5 weeks ended October 17, such imports were 3 percent higher than in the previous 5 weeks and were 37 percent above a year earlier.

INDUSTRY

Industrial production in the District apparently registered a larger than seasonal gain during September. In addition to a substantial increase in crude oil production, there were reports of greater activity in copper and potash mining. Electric power production in the area corresponding approximately to the District increased to a level which was 12 percent above a year earlier, an improvement over the year-to-year gain of 8 percent during August. Total manufacturing employment in the District states rose for the second consecutive month, reflecting a greater than seasonal advance. Furthermore, available data for Texas show that average hours worked in manufacturing increased 0.5 hour to 41.5 hours per week during September, and total manufacturing man-hours in the State rose about 1.5 percent — or more than seasonally — over the August level.

During early October, there were mixed trends in District industrial activity. While declines occurred in oil production and electric power output, the continued stability in refining reflected a seasonally adjusted gain, lumber production appeared to be rising, and a number of other production indicators pointed upward. The demand for metals continued to improve, and there was evidence of increased activity in primary metals manufacturing. Near mid-October, the major east Texas steel producer placed back in operation two open-hearth furnaces which had been idle since August 3. The company indicated that expected increases in oil field activity during the fourth quarter and currently low inventories of certain sizes of pipe were the reasons for this action. In addition, an aluminum company scheduled the restarting, on October 15, of an idle potline at its Point Comfort, Texas, smelter; and another aluminum company planned to increase production at its plant near Corpus Christi, Texas.

The total value of construction contracts awarded in the District states during August, while down seasonally from July, reflected a 56-percent increase over a year earlier. Residential and "all other" construction shared about equally in the year-to-year gain. In September, Texas construction awards were up 31 percent from August and 12 percent from a year ago, according to the *Texas Contractor*. Highways and industrial buildings accounted for most of the State's August-September gain. Confirming scattered reports of increases in the cost of mortgage credit, the Federal Housing Administration reported that the average secondary market price of typical FHA 5¼-percent home mortgages in the Southwest declined 90 cents to $97.90 per $100 par value during September. Also, interest rates on conventional mortgages rose in the region to an estimated average of 5.75 percent on October 1, compared with an average of 5.65 percent during the summer.

Total nonagricultural employment in the District states increased to 4,281,600 during September, which reflects a gain of 15,600 workers over August. Education and trade accounted for most of the increase, while construction — influenced by seasonal factors and labor-management disputes — showed the largest employment decline. Unemployment in Texas decreased 4,100 workers to 180,600 in September; however, unemployment was still 5.1 percent of the labor force, compared with 4.2 percent a year earlier. The volume of claims for unemployment compensation indicated a further moderate decline in the State's jobless total by mid-October.

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]			
		Percentage change from			Annual rate of turnover		
	September 1958	Aug. 1958	Sept. 1957	Sept. 30, 1958	Sept. 1958	Aug. 1958	Sept. 1957
ARIZONA							
Tucson	$ 187,970	10	22	$ 107,470	21.4	19.4	19.0
LOUISIANA							
Monroe	76,365	10	10	54,351	17.6	16.6	15.5
Shreveport	286,589	11	5	173,029	19.7	17.4	17.0
NEW MEXICO							
Roswell	31,928	9	15	28,589	13.4	12.6	12.4
TEXAS							
Abilene	89,034	9	7	61,843	17.5	16.4	16.8
Amarillo	196,288	9	16	116,461	20.2	18.5	19.2
Austin	198,484	18	17	119,384	19.3	15.8	16.9
Beaumont	147,450	10	—2	102,740	17.2	15.6	17.0
Corpus Christi	189,196	1	3	116,570	19.7	20.2	19.6
Corsicana	19,121	21	21	21,941	10.4	8.5	8.8
Dallas	2,250,916	5	6	1,108,871	24.8	24.5	25.9
El Paso	293,711	4	8	155,550	22.8	22.3	22.9
Fort Worth	732,416	9	11	376,611	23.8	22.0	22.3
Galveston	90,653	5	0	64,551	16.4	15.2	16.2
Houston	2,267,045	4	0	1,200,738	22.7	21.8	22.7
Laredo	24,722	7	8	22,106	13.7	12.8	14.0
Lubbock	158,310	8	25	105,367	18.4	17.3	15.7
Port Arthur	60,443	—3	—10	45,866	16.1	16.4	17.5
San Angelo	51,979	12	3	42,858	14.6	13.2	14.6
San Antonio	540,923	5	9	390,107	16.8	16.2	17.3
Texarkana[2]	19,685	8	3	17,126	14.2	13.4	14.0
Tyler	83,418	9	3	60,724	16.3	14.8	16.2
Waco	95,341	1	7	67,394	16.8	16.9	16.9
Wichita Falls	105,340	8	7	109,141	11.6	10.9	11.3
Total—24 cities	$8,197,327	6	6	$4,669,388	21.2	20.3	21.0

[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 $43,707,000 for the month of September 1958.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	August 1958	July 1958	August 1957	January—August 1958	January—August 1957
FIVE SOUTHWESTERN STATES[1]	$ 403,089	$ 444,536	$ 259,086	$ 2,783,384	$ 2,412,873
Residential	176,673	174,119	115,789	1,115,225	900,735
All other	226,416	270,417	143,297	1,668,159	1,512,138
UNITED STATES	3,466,576	3,607,056	2,817,966	23,798,508	22,656,652
Residential	1,450,576	1,557,443	1,283,513	9,500,035	9,033,764
All other	2,016,000	2,049,613	1,534,453	14,298,473	13,622,888

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

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	September 1958[1]	August 1958[1]	September 1957[2]	Change from August 1958	Change from September 1957
ELEVENTH DISTRICT	3,230.1	3,046.2	3,187.1	183.9	43.0
Texas	2,868.4	2,689.8	2,836.3	178.6	32.1
Gulf Coast	536.7	501.1	556.2	35.6	—19.5
West Texas	1,256.3	1,181.4	1,205.8	74.9	50.5
East Texas (proper)	164.4	152.8	180.5	11.6	—16.1
Panhandle	107.8	105.9	107.6	1.9	.2
Rest of State	803.1	748.6	786.2	54.5	16.9
Southeastern New Mexico	252.0	249.9	239.4	2.1	12.6
Northern Louisiana	109.7	106.5	111.4	3.2	—1.7
OUTSIDE ELEVENTH DISTRICT	3,827.5	3,810.5	3,711.8	17.0	115.7
UNITED STATES	7,057.6	6,856.7	6,898.9	200.9	158.7

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

BUILDING PERMITS

Area	NUMBER		VALUATION (Dollar amounts in thousands)				
					Percentage change		
					Sept. 1958 from		
	Sept. 1958	9 mos. 1958	Sept. 1958	9 mos. 1958	Aug. 1958	Sept. 1957	9 mos. 1958 comp. with 9 mos. 1957
ARIZONA							
Tucson	344	3,917	$ 1,294	$ 12,299	29	—62	—28
LOUISIANA							
Shreveport	608	4,535	2,873	24,692	—49	65	31
TEXAS							
Abilene	202	1,508	3,213	16,192	85	148	43
Amarillo	362	2,451	3,282	21,487	44	84	5
Austin	308	2,341	5,270	36,658	158	23	3
Beaumont	359	3,207	1,130	16,121	—76	6	15
Corpus Christi	92	2,121	1,088	18,619	—39	—21	50
Dallas	2,165	18,381	13,716	120,365	1	—2	14
El Paso	713	5,938	5,329	49,728	—32	58	89
Fort Worth	739	6,078	3,807	40,280	—31	18	1
Galveston	117	1,089	249	2,862	26	—70	—18
Houston	1,355	11,894	21,058	175,119	—6	23	—1
Lubbock	465	2,575	4,953	31,474	31	83	47
Port Arthur	164	1,571	359	8,403	4	—21	88
San Antonio	1,245	13,507	4,696	47,067	—27	61	20
Waco	221	1,996	1,492	12,232	15	—21	1
Wichita Falls	147	1,338	889	5,861	—4	—47	—43
Total—17 cities	9,606	84,447	$74,698	$639,459	—8	18	12

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	Sept. 1958 from Aug. 1958	Sept. 1958 from Sept. 1957	9 mos. 1958 comp. with 9 mos. 1957
FURNITURE STORES			
Total Eleventh District	—13	7	0
Amarillo	—21	8	—13
Austin	—8	11	—1
Dallas	—10	16	2
Houston	—18	6	3
Lubbock	—8	17	—
San Antonio	—2	0	—6
Shreveport, La.	—17	9	6
Wichita Falls	45	0	—13
Other cities	—11	6	—3
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District	19	27	—
Dallas	14	27	—

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons			Percent change Sept. 1958 from	
	September 1958e	August 1958	September 1958r	Aug. 1958	Sept. 1957
Total nonagricultural wage and salary workers	4,281,600	4,266,000	4,359,900	0.4	—1.8
Manufacturing	739,600	737,100	785,100	.3	—5.8
Nonmanufacturing	3,542,000	3,528,900	3,574,800	.4	—.9
Mining	238,300	240,700	265,700	—1.0	—10.3
Construction	304,300	315,800	321,700	—3.6	—5.4
Transportation and public utilities	391,800	394,600	412,700	—.7	—5.1
Trade	1,133,800	1,127,200	1,137,800	.6	—.4
Finance	189,800	191,700	184,700	—1.0	2.8
Service	532,300	532,500	523,200	.0	1.7
Government	751,700	726,400	729,000	3.5	3.1

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
e — Estimated.
r — Revised.
SOURCES: State employment agencies.
Federal Reserve Bank of Dallas.