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## INDUSTRIAL PRODUCTION IN TEXAS

This article presents the Texas industrial production index, a new statistical series developed by the Federal Reserve Bank of Dallas to analyze monthly fluctuations in the output of the State's factories and mineral industries. The index measures output relative to the 1947-49 period and is comparable in coverage and general organization to the national index of industrial production, prepared by the Board of Governors of the Federal Reserve System.

The Texas production index was developed initially in 1953 and, since that time, has been under close observation within the Federal Reserve Bank of Dallas. It is believed that the index provides a reasonably accurate indicator of the trends of industrial production and, thus, fills a long-recognized need for statistical measurement of this increasingly important sector of the Texas economy. However, publication of the index does not mean that all problems concerning its basic data and computation have been resolved. It is recognized that, through constant study of the data and appraisals of the applications of the index to specific situations, suggestions for further improvement may come from internal sources or from independent observers. To this end, certain basic documents have been prepared, including a methodology and procedure, which are available to those interested in the detailed calculations of the index.

The national index is one of the most useful of the various national economic measures, providing a sensitive monthly indicator of changes in one of the most dynamic sectors of the economy.

**FEDERAL RESERVE BANK OF DALLAS**  
**DALLAS, TEXAS**

Along with the various series related to agricultural production and construction activity, the index shows what is happening to the level of physical output; and changes in such output are perhaps the most sensitive reflectors of the trends, cycles, and interregional differences in total economic activity.

Because of the importance of industrial production to the over-all economic picture, a production index for Texas represents another valuable tool for use in appraising regional developments. Furthermore, the rapid expansion of manufacturing in the Eleventh Federal Reserve District increases the importance of such an index. Manufacturing and mining, together, accounted for over one-fifth of total personal income in Texas in 1957, contrasted with about 15 percent of the total in 1947. In comparison, these two sectors of the national economy provided slightly more than one-fourth of personal income during 1957. Texas industry accounted for approximately 5 percent of total value added by manufacturing and mining in the United States during the latest Census year.

The index of industrial production for the Eleventh District was limited to Texas because much of the detailed data useful in constructing such an index are available only on a state basis. Texas is the only state lying wholly within the Eleventh District and accounts for the major share of the industry in this area.

#### Production Trends

Growing regional and national markets, technological advances in the production and use of industrial goods (especially in the chemicals field), and the related rise in capital investment in Texas industry caused industrial production in the State to expand at a rapid pace during the 1947-57 decade. The production index shows that, during this period, there was a gain of 76 percent for the State, compared with an increase of only 43 percent for the Nation. The gain represents an average annual rise of 5.8 percent for Texas; and even this high rate of growth understates the postwar trend, since the 1947-57 comparison is made from a year of cyclical expansion to a year in which a recession began.

However, the pace of expansion became slower during the latter part of the period. Between 1953 and 1957, years which reflect comparable phases of the business cycle, Texas production rose 19 percent, or at an average yearly rate of 4.5 percent. In the Nation, there was a gain of 7 percent over this 4-year period.

#### INDUSTRIAL PRODUCTION IN TEXAS, 1947, 1954, AND 1957

(Annual indexes, 1947-49 = 100)

| Industry                                  | 1947 | 1954 | 1957 |
|---|------|------|------|
| TOTAL INDUSTRIAL PRODUCTION.....          | 96   | 141  | 169  |
| TOTAL MANUFACTURES.....                   | 93   | 155  | 195  |
| DURABLE MANUFACTURES.....                 | 95   | 174  | 231  |
| Lumber and wood products.....             | 108  | 74   | 70   |
| Furniture and fixtures.....               | 94   | 142  | 143  |
| Stone, clay, and glass products.....      | 93   | 172  | 203  |
| Primary metals.....                       | 92   | 252  | 292  |
| Fabricated metal products.....            | 94   | 151  | 193  |
| Machinery (except electrical).....        | 96   | 162  | 228  |
| Electrical machinery.....                 | 115  | 399  | 813  |
| Transportation equipment.....             | 83   | 244  | 343  |
| Other durable goods.....                  | 98   | 170  | 245  |
| NONDURABLE MANUFACTURES.....              | 93   | 146  | 179  |
| Food and kindred products.....            | 99   | 112  | 123  |
| Textile mill products.....                | 98   | 119  | 156  |
| Apparel and allied products.....          | 92   | 138  | 152  |
| Paper and allied products.....            | 92   | 146  | 176  |
| Printing and publishing.....              | 91   | 122  | 139  |
| Chemicals and allied products.....        | 82   | 237  | 332  |
| Petroleum and coal products.....          | 94   | 126  | 170  |
| Leather and leather products.....         | 102  | 163  | 191  |
| Other nondurable goods.....               | 94   | 180  | 308  |
| MINERALS.....                             | 98   | 128  | 144  |
| Crude petroleum.....                      | 100  | 119  | 132  |
| Natural gas.....                          | 87   | 185  | 210  |
| Natural gasoline and allied products..... | 89   | 191  | 230  |
| Metal, stone, and earth minerals.....     | 89   | 131  | 167  |

Manufacturing output in Texas has grown faster than minerals production in the State and faster than manufacturing output in the Nation. In terms of the production index, total manufacturing activity in Texas more than doubled during the 1947-57 period, compared with a gain of less than 50 percent in the Nation. Durable goods manufacturing increased 143 percent, and nondurables production rose 91 percent. Minerals production showed a smaller increase of 47 percent.

The rapid growth in durable goods manufacturing resulted largely from major expansions in the transportation equipment, primary metals, and machinery industries. Chemicals showed the greatest expansion in the nondurables classification.

Transportation equipment production rose more than 300 percent over the past 10 years, a rate of gain second only to that of the relatively small electrical machinery industry. Providing most of this growth was aircraft production, which increased largely in response to military demands. The greatest postwar expansion in the aircraft industry probably occurred in 1951, during the Korean crisis. The industry again showed strong output gains from 1955 through early 1957, but output was curtailed in mid-1957. Since then, activity has shown some improvement, and the major producers in the Dallas-Fort Worth area currently report a large backlog of military orders. The automotive group, although a smaller segment of the industry, also experienced rapid gains. On the other hand, shipbuilding lagged, especially in the period immediately following the Korean War build-up.

Primary metals production is another industry which contributed significantly to the rise in durable goods manufacturing in Texas. The basic steel industry, established in the State during World War II, continued to expand during the postwar period to satisfy local demands for oil field equipment and other types of metal products. Basic steel capacity increased from 582,230 tons on January 1, 1948, to 2,239,750 tons on January 1, 1958, reflecting a gain of 285 percent. However, a more spectacular development occurred in nonferrous metals. The establishment of three primary aluminum plants in the State in the years 1950-52 was an important factor in the sharp rise in metals production during this period.

Nonelectrical machinery production showed a high rate of growth during the 1947-57 decade; and this industry, along with transportation equipment manufacturing, was among the leaders during the 1955-57 boom. Although part of this recent gain was no more than a cyclical recovery from the 1953-54 recession, it also reflected the continuation of a high secular growth trend. Production of oil field machinery and tools, which represents about 60 percent of the industry total in Texas, rose at a high rate by national standards during the past decade but expanded less rapidly than other types of machinery production in the State. This slower growth is not surprising in view of the relatively modest expansion in oil mining activity during the period. In contrast, a wide variety of machinery products — ranging from refrigeration and air-conditioning equipment to metalworking and other industrial machinery — showed very large production increases.

Another major manufacturing industry which registered a greater than average production gain over the past 10 years was the stone, clay, and glass products industry. Supporting this growth were the generally high levels of construction during the period and the resulting demands for construction materials. Cement production, a major component of the industry in Texas, was depressed in 1957, but, even so, its 1947-57 growth equaled that of total industrial output in the State. Brick and other construction materials in this industry generally showed stronger production gains. On the other hand, the lumber and wood products industry reflected a continuing secular adjustment, and its total output declined, led by a decrease in basic lumber production.

Within nondurable goods manufacturing, chemicals and allied products registered the greatest postwar pro-

duction gain. This large industry surpassed both food processing and petroleum refining in importance and, by 1956, accounted for 13 percent of total value added in manufacturing and mining — a position second only to that occupied by crude petroleum production. A dominant factor in this development was the increase in the production of industrial chemicals from petroleum and natural gas. Especially outstanding has been the greater use of chemicals for plastics and synthetic rubber. Many of the older chemical industries, such as cottonseed oil mills, showed slower growth, and carbon black production increased only 7 percent during the entire 1947-57 period. The sharpest increase in total chemical output occurred during 1951, but a strong upward trend has continued, with only brief periods of stability during each of the three postwar recessions.

Petroleum refining has long been one of the major manufacturing activities in Texas, and the industry's output has continued to rise at a higher rate than the over-all level of industrial production. Developments in this industry have become increasingly dependent upon the conflicting forces of expanding raw material demands of local chemical producers and the competitive pressure of foreign oil imports to eastern refineries.

Food processing, now the fourth-ranking industry within manufacturing and mining, has exhibited a modest production gain in comparison with other manu-

PERCENTAGE DISTRIBUTION OF VALUE ADDED BY TEXAS INDUSTRIES  
1947, 1954, AND 1956

| Industry                                  | 1947  | 1954  | 1956  |
|---|-------|-------|-------|
| TOTAL INDUSTRIAL PRODUCTION.....          | 100.0 | 100.0 | 100.0 |
| TOTAL MANUFACTURES.....                   | 49.1  | 54.1  | 57.9  |
| DURABLE MANUFACTURES.....                 | 15.5  | 21.3  | 21.7  |
| Lumber and wood products.....             | 2.7   | 1.2   | 1.0   |
| Furniture and fixtures.....               | .7    | .8    | .8    |
| Stone, clay, and glass products.....      | 1.6   | 2.1   | 2.2   |
| Primary metals.....                       | 1.7   | 3.2   | 3.7   |
| Fabricated metal products.....            | 1.9   | 2.0   | 1.8   |
| Machinery (except electrical).....        | 3.7   | 4.9   | 5.5   |
| Electrical machinery.....                 | .3    | .5    | 1.5   |
| Transportation equipment.....             | 2.6   | 5.6   | 5.2   |
| Other durable goods.....                  | .3    | 1.1   | 1.9   |
| NONDURABLE MANUFACTURES.....              | 33.6  | 32.8  | 36.2  |
| Food and kindred products.....            | 9.6   | 8.2   | 7.6   |
| Textile mill products.....                | .8    | .5    | .4    |
| Apparel and allied products.....          | 2.0   | 1.5   | 1.4   |
| Paper and allied products.....            | .9    | 1.1   | 1.2   |
| Printing and publishing.....              | 2.6   | 2.4   | 2.4   |
| Chemicals and allied products.....        | 6.7   | 11.2  | 12.8  |
| Petroleum and coal products.....          | 10.2  | 7.3   | 9.7   |
| Leather and leather products.....         | .2    | .2    | .1    |
| Other nondurable goods.....               | .5    | .5    | .4    |
| MINERALS <sup>1</sup> .....               | 50.9  | 45.9  | 42.1  |
| Crude petroleum.....                      | 42.5  | 38.4  | 35.0  |
| Natural gas.....                          | 2.0   | 2.1   | 1.9   |
| Natural gasoline and allied products..... | 3.8   | 3.4   | 3.3   |
| Metal, stone, and earth minerals.....     | 2.7   | 2.0   | 1.8   |

<sup>1</sup> Estimated on the basis of data from the Annual Survey of Manufactures: 1956.

<sup>2</sup> Estimated for 1947 and 1956, based on data from the United States Bureau of Mines and the United States Bureau of the Census.

NOTE: Detail does not necessarily add to totals because of rounding.

SOURCES: United States Bureau of the Census.  
Federal Reserve Bank of Dallas.

factoring industries. Its 24-percent gain during the 1947-57 decade was exactly the same as the rise in the State's population. Relatively strong production increases were indicated for such major foods as meat products, bakery products, bottle drinks, shortening and cooking oils, and prepared animal feeds. Absolute declines were indicated for grain mill products, other than animal feeds, and for canned fruits and vegetables. These changes can be attributed partly to the unusual conditions affecting agricultural supplies in 1947 and 1957. For example, the declines in grain milling and fruit and vegetable canning probably reflect, to some extent, the exceptionally large crop production in 1947. In addition, the extensive damage from freezes in the early 1950's has been only partially overcome.

Nevertheless, the relative strength shown by the various food-processing industries during this decade appears to be consistent with expected long-term trends. A strong upward trend is indicated for meat products and prepared animal feeds, and lagging demand is indicated for food from grains. Also, the growing demand for fruits and vegetables is being directed toward more frozen products, with a loss in the relative position of canned products. Regardless of these divergent trends, it can be expected that the over-all level of food processing will continue to be about in line with the growth in population.

The minerals production gain of nearly 50 percent over the past 10 years was large relative to the corresponding national increase of only 28 percent. However, production growth slowed in the past 4 years, rising

only 9 percent — or about the same as in the Nation. Crude petroleum production dominates the Texas minerals picture and is the largest single type of industrial output. However, the flow of crude oil increased at a slower rate than either the other types of minerals production or manufacturing production; whereas it contributed nearly 43 percent of industrial value added in 1947, its share was down to about 35 percent by 1956.

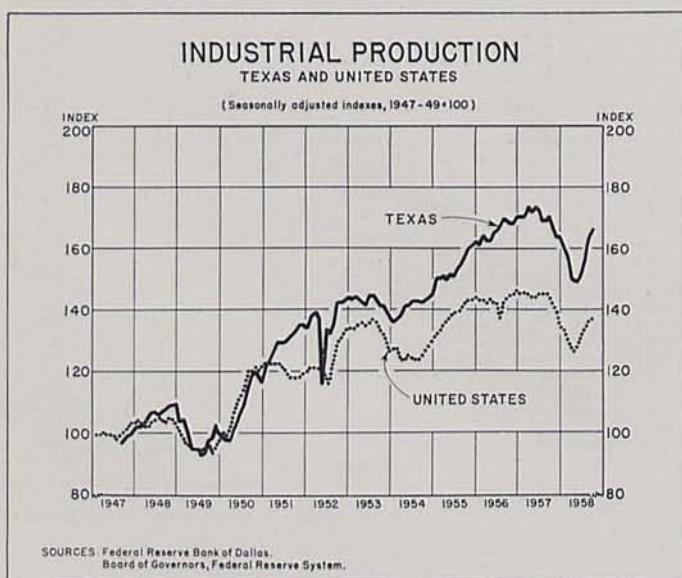
The period of greatest expansion for the oil industry during the past 10 years was from 1950 to 1953. However, after a downward adjustment in 1953 and 1954, oil output rose to a new peak in early 1957 in response to the sharp increase in foreign demand brought about by the Suez Canal crisis. There was a downward adjustment last year, but production began to improve in the summer of 1958 and, for the most part, has been rising since that time.

Other types of minerals production, although less important, generally have expanded at a high rate during the postwar period. Natural gas and natural gasoline and allied products are among the minerals recording sharp gains in production. Important as an export to other regions and as a fuel and raw material for Texas industry, natural gas showed a production increase of 141 percent during the 1947-57 decade. The group comprising all other minerals — "metal, stone, and earth minerals" — experienced a somewhat less dramatic gain. A small absolute decline was indicated for Texas sulfur production in the 1947-57 period, as competition from newly developed sources in other areas became stronger.

#### The 1957-58 Recession

In March and again in May of 1957, the Texas industrial production index reached a seasonally adjusted peak of 173 and then began to decline, falling 14 percent on a seasonally adjusted basis to a recession low of 149 in April and May of this year. Since then, there has been a steady, broadly based recovery, and the adjusted index was back to 166 by September. A temporary reversal is indicated for October, but resumption of the recovery is expected for November.

During the recent recession, the State's production downturn started a few months before the Nation's; the extent of the declines in industrial output was equally severe, but the factors causing the declines were greatly different. Moreover, with manufacturing and mining constituting a somewhat smaller part of the State's economy and with some segments of the economy remaining



## INDUSTRIAL PRODUCTION IN TEXAS, JULY 1947-SEPTEMBER 1958

(Seasonally adjusted indexes, 1947-49 = 100)

| Year                               | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|------------------------------------|------|------|------|------|-----|------|------|------|-------|------|------|------|
| <b>TOTAL INDUSTRIAL PRODUCTION</b> |      |      |      |      |     |      |      |      |       |      |      |      |
| 1947                               | —    | —    | —    | —    | —   | —    | 97   | 98   | 99    | 100  | 100  | 101  |
| 1948                               | 102  | 102  | 103  | 105  | 107 | 107  | 106  | 107  | 108   | 109  | 109  | 110  |
| 1949                               | 103  | 104  | 101  | 95   | 95  | 95   | 93   | 94   | 98    | 99   | 102  | 100  |
| 1950                               | 99   | 98   | 98   | 100  | 104 | 107  | 110  | 115  | 119   | 120  | 119  | 117  |
| 1951                               | 122  | 123  | 126  | 129  | 129 | 129  | 131  | 132  | 133   | 135  | 135  | 134  |
| 1952                               | 134  | 138  | 139  | 137  | 116 | 134  | 132  | 135  | 142   | 142  | 143  | 144  |
| 1953                               | 143  | 144  | 143  | 142  | 141 | 144  | 144  | 143  | 141   | 141  | 139  | 137  |
| 1954                               | 136  | 137  | 138  | 141  | 141 | 143  | 143  | 142  | 142   | 143  | 144  | 145  |
| 1955                               | 150  | 150  | 151  | 150  | 152 | 151  | 154  | 155  | 157   | 160  | 161  | 162  |
| 1956                               | 161  | 164  | 162  | 162  | 165 | 166  | 167  | 170  | 169   | 168  | 168  | 170  |
| 1957                               | 170  | 170  | 173  | 172  | 173 | 172  | 168  | 168  | 170   | 165  | 163  | 163  |
| 1958                               | 160  | 157  | 150  | 149  | 149 | 151  | 157  | 163  | 166   |      |      |      |
| <b>TOTAL MANUFACTURES</b>          |      |      |      |      |     |      |      |      |       |      |      |      |
| 1947                               | —    | —    | —    | —    | —   | —    | 94   | 95   | 96    | 97   | 98   | 99   |
| 1948                               | 100  | 99   | 99   | 102  | 105 | 105  | 105  | 105  | 105   | 106  | 105  | 107  |
| 1949                               | 102  | 104  | 103  | 100  | 101 | 101  | 102  | 102  | 104   | 104  | 105  | 105  |
| 1950                               | 106  | 105  | 106  | 105  | 109 | 110  | 113  | 118  | 120   | 121  | 120  | 123  |
| 1951                               | 126  | 127  | 130  | 132  | 132 | 132  | 135  | 136  | 136   | 139  | 139  | 141  |
| 1952                               | 140  | 142  | 143  | 141  | 129 | 142  | 142  | 144  | 148   | 148  | 150  | 149  |
| 1953                               | 151  | 152  | 152  | 153  | 153 | 154  | 153  | 153  | 151   | 153  | 153  | 151  |
| 1954                               | 151  | 152  | 151  | 153  | 154 | 154  | 155  | 156  | 157   | 158  | 159  | 160  |
| 1955                               | 162  | 163  | 166  | 164  | 170 | 171  | 173  | 174  | 176   | 177  | 179  | 179  |
| 1956                               | 181  | 182  | 184  | 185  | 187 | 188  | 184  | 188  | 189   | 190  | 191  | 192  |
| 1957                               | 195  | 193  | 195  | 196  | 194 | 196  | 197  | 197  | 198   | 193  | 191  | 192  |
| 1958                               | 190  | 185  | 186  | 185  | 185 | 187  | 187  | 190  |       |      |      |      |
| <b>DURABLE MANUFACTURES</b>        |      |      |      |      |     |      |      |      |       |      |      |      |
| 1947                               | —    | —    | —    | —    | —   | —    | 96   | 96   | 96    | 97   | 97   | 98   |
| 1948                               | 99   | 97   | 97   | 101  | 104 | 105  | 105  | 104  | 104   | 107  | 107  | 108  |
| 1949                               | 103  | 105  | 104  | 100  | 101 | 101  | 100  | 101  | 101   | 99   | 101  | 102  |
| 1950                               | 105  | 107  | 108  | 110  | 113 | 116  | 120  | 127  | 129   | 131  | 130  | 134  |
| 1951                               | 137  | 139  | 145  | 149  | 149 | 148  | 153  | 152  | 154   | 157  | 162  | 160  |
| 1952                               | 162  | 162  | 163  | 159  | 162 | 159  | 158  | 159  | 166   | 166  | 167  | 167  |
| 1953                               | 167  | 170  | 168  | 172  | 171 | 174  | 177  | 174  | 168   | 171  | 170  | 168  |
| 1954                               | 171  | 172  | 171  | 171  | 173 | 173  | 175  | 177  | 175   | 177  | 179  | 179  |
| 1955                               | 181  | 184  | 186  | 189  | 193 | 194  | 196  | 198  | 203   | 205  | 205  | 204  |
| 1956                               | 205  | 208  | 211  | 212  | 214 | 213  | 213  | 217  | 218   | 222  | 224  | 227  |
| 1957                               | 233  | 231  | 232  | 231  | 230 | 234  | 235  | 236  | 237   | 225  | 225  | 222  |
| 1958                               | 222  | 214  | 208  | 202  | 202 | 204  | 205  | 210  | 213   |      |      |      |
| <b>NONDURABLE MANUFACTURES</b>     |      |      |      |      |     |      |      |      |       |      |      |      |
| 1947                               | —    | —    | —    | —    | —   | —    | 93   | 95   | 96    | 97   | 98   | 100  |
| 1948                               | 101  | 101  | 100  | 103  | 105 | 105  | 105  | 105  | 105   | 105  | 105  | 106  |
| 1949                               | 101  | 103  | 103  | 101  | 100 | 101  | 102  | 102  | 105   | 107  | 106  | 107  |
| 1950                               | 106  | 105  | 105  | 103  | 107 | 107  | 110  | 113  | 115   | 116  | 115  | 118  |
| 1951                               | 121  | 121  | 123  | 124  | 124 | 125  | 126  | 128  | 128   | 130  | 129  | 132  |
| 1952                               | 130  | 132  | 133  | 133  | 114 | 134  | 135  | 137  | 139   | 140  | 142  | 141  |
| 1953                               | 143  | 144  | 145  | 144  | 145 | 145  | 146  | 143  | 143   | 144  | 146  | 143  |
| 1954                               | 142  | 142  | 142  | 145  | 145 | 145  | 146  | 146  | 148   | 150  | 149  | 152  |
| 1955                               | 154  | 153  | 157  | 152  | 159 | 161  | 163  | 163  | 163   | 164  | 167  | 167  |
| 1956                               | 169  | 171  | 171  | 173  | 174 | 177  | 171  | 174  | 176   | 176  | 176  | 176  |
| 1957                               | 177  | 175  | 178  | 180  | 177 | 178  | 180  | 178  | 179   | 178  | 175  | 178  |
| 1958                               | 175  | 171  | 176  | 178  | 177 | 176  | 179  | 177  | 180   |      |      |      |
| <b>MINERALS</b>                    |      |      |      |      |     |      |      |      |       |      |      |      |
| 1947                               | —    | —    | —    | —    | —   | —    | 100  | 101  | 102   | 103  | 103  | 103  |
| 1948                               | 103  | 105  | 107  | 108  | 108 | 109  | 108  | 109  | 111   | 112  | 112  | 113  |
| 1949                               | 103  | 104  | 98   | 90   | 89  | 89   | 84   | 86   | 91    | 94   | 100  | 94   |
| 1950                               | 92   | 92   | 90   | 95   | 99  | 104  | 107  | 113  | 119   | 119  | 118  | 112  |
| 1951                               | 118  | 120  | 122  | 126  | 127 | 126  | 127  | 129  | 130   | 132  | 130  | 128  |
| 1952                               | 128  | 134  | 135  | 133  | 104 | 126  | 122  | 127  | 136   | 136  | 136  | 138  |
| 1953                               | 136  | 135  | 133  | 131  | 130 | 135  | 135  | 134  | 132   | 129  | 126  | 124  |
| 1954                               | 121  | 122  | 125  | 129  | 129 | 132  | 130  | 128  | 129   | 128  | 129  | 130  |
| 1955                               | 138  | 137  | 137  | 135  | 132 | 136  | 137  | 138  | 143   | 144  | 144  | 145  |
| 1956                               | 143  | 146  | 142  | 140  | 144 | 145  | 150  | 153  | 149   | 146  | 146  | 148  |
| 1957                               | 146  | 149  | 152  | 149  | 152 | 149  | 140  | 140  | 143   | 138  | 135  | 135  |
| 1958                               | 132  | 131  | 116  | 113  | 114 | 118  | 128  | 140  | 143   |      |      |      |

at a high level, the over-all decrease in economic activity was not as pronounced as in the Nation. In fact, most of the decline in the Texas index was attributable to the cutbacks in petroleum and related products. The manufacturing decrease was relatively small.

Among the major production categories, the important minerals group reflected the earliest and sharpest decline and accounted for more than 80 percent of the total loss in Texas industrial output between the May 1957 peak and the April 1958 low. Nondurable goods manufacturing continued at record levels into the summer of 1957, and total manufacturing output did not begin to decline until after September 1957, when durable goods production reached a peak. Even then, a fairly sharp reduction in durable goods output was partially offset by comparative strength in the dominant nondurables sector. In contrast, the national production decline from its August 1957 turning point to its April 1958 low resulted largely from a decrease in manufacturing, concentrated in the durable goods industries.

A part of the difference between the State and the Nation in the relative impact of the major production categories upon total production stems from differences in the relative importance of the categories. For example, minerals production represented over 50 percent of the Texas total and only 10 percent of the national total during the base period. However, it is also true that, during the recent recession, the actual rate of decline for minerals production was greater in the State than in the Nation, and the percentage declines for manufacturing were smaller.

The Texas and national recoveries from the same low month of April 1958 up to September amounted to 71 percent and 58 percent, respectively, of the preceding declines. Leading the faster recovery in the State was the minerals group, which compensated for its earlier adverse effects by regaining over three-fourths of its loss.

Manufacturing recovered roughly one-half of its smaller loss. The relative degree of recovery for the individual categories — minerals, durable manufactures, and non-durable manufactures — was similar for the State and the Nation, with the difference in the over-all rates of revival again stemming mainly from differences in the relative importance of the production categories.

The major factor in the Texas recession was the petroleum industry adjustment, which began in the second quarter of 1957 after a build-up of oil stocks to meet the short-lived Suez crisis. The Government's pre-Sputnik curtailment of defense programs, which greatly affected the State's important aircraft industry, was another key factor in the regional picture. By late 1957, a number of depressing influences — stemming largely from inventory liquidation and the slowdown of an unsustainable capital spending boom — brought about a general production decline in both the State and the Nation.

Between March 1957 and April 1958, the seasonally adjusted level of Texas crude oil production declined 31 percent. Petroleum refining, which had turned downward a few months earlier, reflected a seasonally adjusted decline of 19 percent from its 1957 high to its 1958 low. The downturn in the petroleum industry, with curtailments in drilling and related activities, reduced the industry's demands for tools, rigs, and pipe and contributed to sharp decreases in the State's output of machinery and primary steel. From their individual peaks to their recession lows, primary metals production declined 30 percent, and nonelectrical machinery output declined 24 percent. However, while oil production and refining had made significant recoveries by September 1958, the lagging metals and machinery industries had recovered less than one-third of their declines. Since September, the latter industries have shown more rapid progress, based on scattered reports of increased activity at various steel mills, aluminum refineries, and metalworking plants. Much of this recent gain is probably the result of a spurt in petroleum pipeline construction and some increase in drilling.

Texas transportation equipment manufacturing, influenced largely by developments in the aircraft industry, reached a seasonally adjusted record in March 1957 and then showed a steady decline through July 1958. The total reduction in output during this period was 29 percent. By September, the industry had regained about one-fifth of the loss. Contributing to the sharp decline and slow recovery, which centered in aircraft produc-

tion, were the somewhat parallel developments in automobile assembly operations.

Some industries, principally chemicals and food processing, showed relatively little weakness during 1957 and 1958. Chemical production declined, but the decrease appeared to be smaller than for most other major industries. The seasonally adjusted level of food processing edged downward during late 1957 and early 1958 but by April 1958 — the low month for total production — had recovered most of its earlier loss.

The other major dips in Texas industrial production during the past decade were in 1948-49 and 1953-54. In addition, there was a sharp, but brief, decline in May 1952, caused by a strike which shut down 60 percent of the State's petroleum refining capacity and brought about a substantial curtailment in crude oil production.

Compared with the two earlier postwar recessions, the recent recession was more severe than the post-Korean adjustment of 1953-54 in terms of both the degree and the duration of the production decline but was slightly less severe in degree than the short, sharp decline of 1948-49. Both of the previous declines were of shorter duration on the downside than the corresponding national declines, and recovery began earlier in the State in both instances. However, the 1948-49 decline was steeper and the duration of the recession from downturn to full recovery was longer in Texas, mainly because of the impact upon the State of a severe and protracted adjustment in the oil industry.

In all three of the postwar recessions in Texas, minerals production showed the greater declines, while manufacturing output — supported by the momentum of strong secular growth in such industries as chemicals and by the importance in the State of recession-resistant industries, such as food processing — reflected only moderate losses relative to mining and to national manufacturing.

Review of developments in Texas industrial production during the past decade makes clear the very great importance of the petroleum industry, but it also reveals healthy expansion and diversification in manufacturing. These trends — the rising importance of manufacturing relative to all other economic activities and the growth of new types of industry within manufacturing — point to further improvement in the State's income level and to the possibility of increasing stability in total production.

ROBERT B. WILLIAMSON  
Industrial Economist

# BUSINESS REVIEW

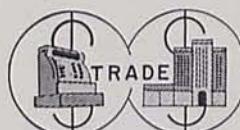
## BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Southwestern crop production this year seems likely to exceed all previous records. Estimates for cotton and grain sorghum production are being increased as harvest progresses. Farm product prices are strong, despite large marketings. Livestock remain in good to excellent condition, and prospects for winter pasture are good.

Crude petroleum production in the District, after declining in October, rose in November, and a further gain is foreshadowed for December. Demand for refined products is improving. Refinery operations in early November were down moderately from the October rate. Drilling operations have shown an upward trend in response to the improved prospects for the oil industry.

District department store sales, on a seasonally adjusted basis, decreased further in October but were better than in the same month last year. The year-to-year gain is being maintained in November. While end-of-month inventories were up more than seasonally in October, they continued lower than a year ago.



On a seasonally adjusted basis, Eleventh District department store sales during October were moderately above sales a year ago but were slightly below the September level. The seasonally adjusted index was 159 percent of the 1947-49 average in October, compared with 152 in the same month last year and 162 in September. During the first 2 weeks in November, sales were 1 percent above the corresponding period a year earlier, but for the year to date, cumulative sales through November 15 were still lagging 1 percent behind the comparable period in 1957.

The strength in sales was evident in all but one of the metropolitan areas in the District for which separate

The upward trend in loans of the District's weekly reporting member banks continued during the 5 weeks ended November 19, with the greatest strength in commercial and industrial loans. Investments declined sharply to provide funds to meet the heavy withdrawals from Treasury Tax and Loan Accounts — the chief factor in the deposit decline.

New car registrations in the District's four largest metropolitan areas, which increased moderately in October, continued substantially under those in October 1957.

Nonfarm employment in the Eleventh District states showed a strong seasonal rise in October, while unemployment in Texas declined to 4.7 percent of the labor force. Industrial production in the District turned downward in October, as a decrease in crude oil production more than offset gains in factory output.

Construction contract awards in the District states in September continued above a year earlier, but a decline was indicated for Texas awards in October. Industrial building awards improved during the September-October period, but home builders reported a slowdown in planned expansions.

data are available. Only in the Houston metropolitan area were October sales below those of October 1957. As shown in the accompanying table, increases ranging up to 12 percent over a year ago and 25 percent over September were registered in the other District areas.

### 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: October..... | 158r                  | 152r                | 193r                  | 176r                |
| 1958: August.....  | 160                   | 172                 | 163                   | 163                 |
| September....      | 156                   | 162                 | 174                   | 164                 |
| October.....       | 165                   | 159                 | 187p                  | 170p                |

r — Revised.

p — Preliminary.

**DEPARTMENT STORE SALES AND STOCKS**

(Percentage change in retail value)

| Area                         | NET SALES      |              |  | STOCKS<br>(End of month) |              |
|------------------------------|----------------|--------------|--|--------------------------|--------------|
|                              | Oct. 1958 from |              | 10 mos. 1958<br>comp. with<br>10 mos. 1957 | Oct. 1958 from           |              |
|                              | Sept.<br>1958  | Oct.<br>1957 | 10 mos. 1958<br>comp. with<br>10 mos. 1957 | Sept.<br>1958            | Oct.<br>1957 |
| Total Eleventh District..... | 10             | 4            | -1   | 7                        | -3           |
| Corpus Christi.....          | 25             | 5            | -4   | 6                        | -3           |
| Dallas.....                  | 7              | 2            | 1  | 7                        | -2           |
| El Paso.....                 | 14             | 4            | 4  | 8                        | 4            |
| Fort Worth.....              | 12             | 9            | 1  | 5                        | -6           |
| Houston.....                 | 7              | -3           | -8   | 5                        | -8           |
| San Antonio.....             | 18             | 10           | 2  | 13                       | 1            |
| Shreveport, La.....          | 7              | 0            | -5   | 2                        | -9           |
| Waco.....                    | 16             | 11           | -5   | 6                        | -4           |
| Other cities.....            | 9              | 12           | 3  | 8                        | -3           |

**SALES AT FURNITURE STORES AND  
HOUSEHOLD APPLIANCE STORES**

(Percentage change in retail value)

| Line of trade<br>by area          | October 1958 from |                 |  |
|-----------------------------------|-------------------|-----------------|--|
|                                   | September<br>1958 | October<br>1957 | 10 mos. 1958<br>comp. with<br>10 mos. 1957 |
| <b>FURNITURE STORES</b>           |                   |                 |  |
| Total Eleventh District.....      | 9                 | 1               | 0  |
| Amarillo.....                     | 46                | 26              | -10  |
| Austin.....                       | 10                | 23              | 2  |
| Dallas.....                       | -5                | -2              | 1  |
| Houston.....                      | 3                 | 1               | 3  |
| Lubbock.....                      | 1                 | 1               | -  |
| San Antonio.....                  | 27                | -1              | -5   |
| Shreveport, La.....               | 13                | 4               | 6  |
| Wichita Falls.....                | -4                | 4               | -11  |
| Other cities.....                 | 10                | -12             | -4   |
| <b>HOUSEHOLD APPLIANCE STORES</b> |                   |                 |  |
| Total Eleventh District.....      | 0                 | 22              | -  |
| Dallas.....                       | 6                 | 18              | -  |

At the stores in the District that report departmental breakdowns, sales in the small wares and soft goods departments during October were stronger compared with a year earlier than were sales of durable goods. A 27-percent increase in sales of fine jewelry and watches was the major factor behind the year-to-year rise of 4 percent in total sales in the small wares group. Durable goods sales were generally lower than a year earlier. Examples were major household appliance sales, which were down 11 percent, and sales of radios and phonographs and television sets, which declined 8 percent and 24 percent, respectively, from October 1957.

District department store inventories at the end of October showed a larger than seasonal gain of 7 percent over the level at the end of September but were still 3 percent below a year earlier. From data reported by a small sample of stores, it appears that the rise in inventories was a result of the 10-percent increase in receipts of goods, which, in turn, reflects the pickup in orders for merchandise in recent months.

Total registrations of new cars in the four largest metropolitan areas in the District during October rose

7 percent over September but were 34 percent less than in October 1957. An 8-percent decrease from September in the San Antonio area was more than offset by increases of up to 16 percent in the Dallas, Fort Worth, and Houston areas. The four market areas registered decreases from October 1957 which ranged from 7 percent in Fort Worth to 45 percent in Houston. Year-to-date figures through October indicate that, for the first 10 months in 1958, registrations were 28 percent under the comparable period in 1957.



Total crop output in the Southwest is likely to exceed the all-time high reached in 1949, despite a moderate reduction in harvested acreage. Cotton production in the District states is placed at 5,960,000 bales, or 14 percent larger than last year and slightly above the 1947-56 average. Output in each of the District states except Louisiana shows a gain from the year-earlier level, ranging from 5 percent in Arizona to 25 percent in Oklahoma. The indicated outturn in Louisiana is 15 percent lower than the 1957 figure. The Texas crop is estimated at 4,250,000 bales, which is 17 percent higher than last year and 8 percent greater than the 10-year average. Cotton yields in Texas reached an all-time peak of 379 pounds per acre.

The early November frost in northwestern sections of the District hastened defoliation of plants, enabling rapid harvest of the cotton crop. In the Blacklands and in northern Texas, harvesting is in the scrapping stage. Cotton picking is at its peak in the western sections,

**CROP PRODUCTION**

**Texas and Five Southwestern States**

(In thousands of bushels)

| Crop                              | TEXAS                        |         | FIVE SOUTHWESTERN STATES <sup>1</sup> |                              |         |                    |
|-----------------------------------|------------------------------|---------|---------------------------------------|------------------------------|---------|--------------------|
|                                   | Estimated<br>Nov. 1,<br>1958 | 1957    | Average<br>1947-56                    | Estimated<br>Nov. 1,<br>1958 | 1957    | Average<br>1947-56 |
| Cotton <sup>2</sup> .....         | 4,250                        | 3,632   | 3,937                                 | 5,960                        | 5,242   | 5,906              |
| Corn.....                         | 44,720                       | 40,020  | 41,525                                | 73,852                       | 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 <sup>3</sup> .....           | 12,160                       | 11,104  | 12,863                                | 23,696                       | 21,704  | 25,133             |
| Sorghum grain.....                | 275,614                      | 238,095 | 96,256                                | 309,698                      | 267,742 | 113,676            |
| Flaxseed.....                     | 360                          | 126     | 827                                   | 385                          | 164     | 1,146              |
| Hay <sup>4</sup> .....            | 2,535                        | 2,316   | 1,690                                 | 6,667                        | 6,047   | 5,041              |
| Peanuts <sup>5</sup> .....        | 258,400                      | 159,840 | 213,524                               | 412,000                      | 256,640 | 324,617            |
| Irish potatoes <sup>6</sup> ..... | 2,148                        | 1,630   | 71,498                                | 5,390                        | 4,495   | 3,424              |
| Sweet potatoes <sup>6</sup> ..... | 1,320                        | 1,200   | 71,370                                | 6,197                        | 6,146   | 7,485              |
| Pecans <sup>7</sup> .....         | 35,000                       | 55,000  | 31,640                                | 68,800                       | 108,500 | 69,624             |

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

<sup>2</sup> In thousands of bales.

<sup>3</sup> In thousands of bags containing 100 pounds each.

<sup>4</sup> In thousands of tons.

<sup>5</sup> In thousands of pounds.

<sup>6</sup> In thousands of hundredweight.

<sup>7</sup> Average, 1949-56.

SOURCE: United States Department of Agriculture.

particularly the irrigated valleys of southern New Mexico and Arizona. An extended period of dry, open weather would benefit growers in all late cotton areas.

Frost and dry weather have hastened the drying of grain sorghums, and combining is virtually complete in most sections of the Southwest. Storage facilities in the northwestern part of the District are filling rapidly, and in some areas, grain is being piled on the ground. Grain sorghum output in the District states is placed at almost 310 million bushels, or 16 percent greater than production last year.

Peanut harvest is almost finished in the Cross Timbers and northern Texas areas. South Texas producers made good progress in harvesting the much-delayed crop, but some loss of nuts occurred in the windrow as a result of rains early in November. Prior to the rains, peanut output in the Southwest was estimated at 412 million pounds, or 61 percent larger than the 1957 crop.

Progress with commercial vegetable crops of south Texas was slow during the first part of November. Open weather permitted soils to dry somewhat toward the middle of the month, when planting and cultivation were resumed. Continued open weather is needed to permit fields in the Lower Valley to dry sufficiently for proper tillage. Recent snow and rain boosted wheat prospects in the Northern High Plains, although the Northern Low Rolling Plains are still in need of moisture. Moreover, widespread infestations with plant disease are reported in the early wheat.

Cattle are mainly utilizing stubble in sorghum fields and cured grass in native pastures, but irrigated wheat fields are already supplying considerable grazing. Forage generally is adequate in the District, and livestock are being maintained in good to excellent condition.



Banking developments in the 5 weeks ended November 19 featured an extension of the upward loan trend which has characterized District banking activity for the past several months. Gross loans (excluding loans to banks) moved up \$18.2 million at weekly reporting member banks, with the over-all gain reflecting increases in nearly all major loan categories. Commercial and industrial loans registered the largest gain, influenced by seasonal increases in credit extensions and larger borrowings by petroleum firms. The upward movement in real-estate loans and agricultural loans was resumed, following a temporary interruption during

CONDITION STATISTICS OF WEEKLY REPORTING  
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

| Item   | Nov. 19,<br>1958 | Oct. 15,<br>1958 | Nov. 20,<br>1957 |
|--|------------------|------------------|------------------|
| <b>ASSETS</b>  |                  |                  |                  |
| Commercial and industrial loans.....                   | \$1,612,712      | \$1,600,835      | \$1,507,578      |
| Agricultural loans.....                                | 38,547           | 36,499           | 22,705           |
| Loans to brokers and dealers in securities.....        | 19,904           | 19,534           | 17,667           |
| Other loans for purchasing or carrying securities..... | 178,767          | 183,152          | 163,950          |
| Real-estate loans.....                                 | 231,821          | 228,013          | 193,884          |
| Loans to banks.....                                    | 6,998            | 20,386           | 19,857           |
| All other loans.....                                   | 641,352          | 636,885          | 627,173          |
| Gross loans.....                                       | 2,730,101        | 2,725,304        | 2,552,814        |
| Less reserves and unallocated charge-offs.....         | 45,891           | 45,862           | 42,975           |
| Net loans.....   | 2,684,210        | 2,679,442        | 2,509,839        |
| U. S. Treasury bills.....                              | 64,851           | 118,553          | 75,185           |
| U. S. Treasury certificates of indebtedness.....       | 163,031          | 188,970          | 97,844           |
| U. S. Treasury notes.....                              | 264,603          | 279,896          | 185,942          |
| U. S. Government bonds (inc. gtd. obligations).....    | 935,015          | 924,470          | 806,918          |
| Other securities.....                                  | 326,635          | 319,832          | 283,457          |
| Total investments.....                                 | 1,754,135        | 1,831,721        | 1,449,346        |
| Cash items in process of collection.....               | 469,571          | 464,615          | 400,796          |
| Balances with banks in the United States.....          | 464,144          | 475,328          | 416,776          |
| Balances with banks in foreign countries.....          | 1,789            | 2,586            | 1,484            |
| Currency and coin.....                                 | 48,262           | 46,958           | 47,842           |
| Reserves with Federal Reserve Bank.....                | 569,909          | 570,918          | 584,462          |
| Other assets.....                                      | 194,333          | 177,973          | 173,207          |
| <b>TOTAL ASSETS</b> .....                              | <b>6,186,353</b> | <b>6,249,541</b> | <b>5,583,772</b> |
| <b>LIABILITIES AND CAPITAL</b>                         |                  |                  |                  |
| Demand deposits  |                  |                  |                  |
| Individuals, partnerships, and corporations.....       | 2,918,342        | 2,937,353        | 2,726,190        |
| United States Government.....                          | 68,096           | 149,014          | 63,198           |
| States and political subdivisions.....                 | 177,966          | 131,702          | 183,806          |
| Banks in the United States.....                        | 1,006,305        | 1,026,223        | 893,103          |
| Banks in foreign countries.....                        | 16,934           | 15,361           | 18,182           |
| Certified and officers' checks, etc.....               | 54,956           | 57,609           | 60,661           |
| Total demand deposits.....                             | 4,242,599        | 4,317,262        | 3,945,140        |
| Time deposits  |                  |                  |                  |
| Individuals, partnerships, and corporations.....       | 1,054,242        | 1,075,815        | 795,647          |
| United States Government.....                          | 7,480            | 7,455            | 12,150           |
| Postal savings.....                                    | 421              | 421              | 421              |
| States and political subdivisions.....                 | 224,015          | 221,468          | 204,003          |
| Banks in the U. S. and foreign countries.....          | 6,691            | 8,185            | 6,735            |
| Total time deposits.....                               | 1,292,849        | 1,313,344        | 1,018,956        |
| Total deposits.....                                    | 5,535,448        | 5,630,606        | 4,694,096        |
| Bills payable, rediscounts, etc.....                   | 50,600           | 42,000           | 69,450           |
| All other liabilities.....                             | 104,117          | 85,055           | 90,320           |
| Total capital accounts.....                            | 496,188          | 491,880          | 459,906          |
| <b>TOTAL LIABILITIES AND CAPITAL</b> .....             | <b>6,186,353</b> | <b>6,249,541</b> | <b>5,583,772</b> |

the preceding 4-week period. Consumer-type loans also moved to higher levels, probably reflecting increased automobile financing as the new models became available. Aside from interbank loans, which customarily show wide week-to-week fluctuations, the only loan category registering a decline was loans to finance securities transactions.

The behavior of both investment and deposit accounts during the 5 weeks ended November 19 reflected the aftereffects of bank subscriptions to the Treasury's offering of securities in early October. The Treasury's withdrawal of deposits previously created by bank credits to Tax and Loan Accounts exerted a contractive influence on total deposits, more than accounting for the \$74.7 million decline in demand balances. Time

accounts also declined during the 5-week period, reversing at least temporarily a prolonged upward movement in these balances.

Reporting banks liquidated investments as deposits were withdrawn, and total portfolios declined \$77.6 million. A substantial portion of this investment liquidation involved securities previously acquired in the Treasury's October financing. Notwithstanding the over-all decline in investments, reporting banks added to their holdings of Government bonds and non-Government securities.

Reserve positions of member banks in the District tightened moderately in October. Average borrowings from the Federal Reserve Bank rose from \$5.3 million in September to the year's high of \$16.7 million in October, and free reserves of member banks declined from \$52.4 million to \$34.5 million.

Subscription books were open from November 19 through November 21 on the Treasury's offering of new securities in exchange for \$12.2 billion of certificates and bonds maturing in December. Holders of the maturing obligations were allowed the option of exchanging for a 3 3/8-percent certificate due November 15, 1959, offered at a discount to yield 3.43 percent, or a 3 5/8-percent note due May 15, 1961, also offered at a dis-

#### RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

| Item                      | October<br>1958 | September<br>1958 | October<br>1957 |
|---------------------------|-----------------|-------------------|-----------------|
| <b>RESERVE CITY BANKS</b> |                 |                   |                 |
| Reserve balances.....     | \$556,318       | \$559,407         | \$ 561,320      |
| Required reserves.....    | 549,964         | 551,014           | 555,900         |
| Excess reserves.....      | 6,354           | 8,393             | 5,420           |
| Borrowings.....           | 9,574           | 2,619             | 18,597          |
| Free reserves.....        | -3,220          | 5,774             | -13,177         |
| <b>COUNTRY BANKS</b>      |                 |                   |                 |
| Reserve balances.....     | 436,191         | 434,002           | 450,487         |
| Required reserves.....    | 391,307         | 384,656           | 405,515         |
| Excess reserves.....      | 44,884          | 49,346            | 44,972          |
| Borrowings.....           | 7,162           | 2,695             | 10,309          |
| Free reserves.....        | 37,722          | 46,651            | 34,663          |
| <b>MEMBER BANKS</b>       |                 |                   |                 |
| Reserve balances.....     | 992,509         | 993,409           | 1,011,807       |
| Required reserves.....    | 941,271         | 935,670           | 961,415         |
| Excess reserves.....      | 51,238          | 57,739            | 50,392          |
| Borrowings.....           | 16,736          | 5,314             | 28,906          |
| Free reserves.....        | 34,502          | 52,425            | 21,486          |

#### CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

| Item   | Nov. 19,<br>1958 | Oct. 15,<br>1958 | Nov. 20,<br>1957 |
|--|------------------|------------------|------------------|
| Total gold certificate reserves.....             | \$ 751,254       | \$ 711,672       | \$797,295        |
| Discounts for member banks.....                  | 22,600           | 23,650           | 49,319           |
| Other discounts and advances.....                | 68               | 36               | 286              |
| U. S. Government securities.....                 | 994,971          | 994,135          | 910,550          |
| Total earning assets.....                        | 1,017,639        | 1,017,821        | 960,155          |
| Member bank reserve deposits.....                | 973,471          | 946,954          | 990,395          |
| Federal Reserve notes in actual circulation..... | 773,634          | 758,382          | 721,734          |

count to yield 3.68 percent. In announcing the refunding offer, the Treasury also disclosed that, on December 11, it will inaugurate a program to move gradually from the present cycle of 13-week Treasury bills to a new cycle which will include both 13-week and 26-week bills.

#### NEW MEMBER BANK

The First State Bank of Idabel, Idabel, Oklahoma, located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, became a member of the Federal Reserve System on November 24, 1958. The bank has capital of \$100,000, surplus of \$150,000, undivided profits of \$148,000, and total resources of approximately \$3.7 million. The officers are: Frank A. Wooten, President and Chairman of the Board; C. R. O'Neal, Jr., Vice President; Alyce Westbrook, Vice President; Dale F. Stapp, Cashier; James Bushers, Assistant Cashier; Margaret Bollinger, Assistant Cashier; and W. W. Blakeley, Assistant Cashier.



The Nation's petroleum industry has taken special note of two projected trends in the demand for and supply of crude oil. The United States Bureau of Mines forecast of demand for December, at 7,130,000 barrels per day, anticipates a continuance of the recent upward movement which has brought crude oil demand to levels 3 to 4 percent above the comparable 1957 totals. In response to the improvement in demand and to the relatively low level of crude oil stocks, crude production expanded in November, and a further increase is expected in December. The early November average for crude oil production in the District amounted to 3,103,000 barrels per day, or 1 percent above October, with national production showing a similar gain.

In recognition of these trends, the Texas Railroad Commission has raised total production allowables for December by 105,094 barrels per day and has established a 12-day production schedule, in contrast to an 11-day schedule for both October and November. Louisiana allowables have been held constant for December.

For the first time in several weeks, crude oil imports declined and in the 5 weeks ended October 11 totaled 954,000 barrels per day, or 1 percent below a year earlier. Such imports east of California also reflected a small decline from the October level but were 7 percent above a year ago. Crude oil stocks on November 15 were 256,592,000 barrels, or slightly under October.

The demand for the major refined products has shown new strength, with a contraseasonal stability in gasoline demand and more than seasonal gains in the demand for kerosene and distillate products. In addition, with further gains in industrial production, residual fuel oil demand has maintained its recent upward trend.

The supply of products was relatively constant in early November, since crude runs to refinery stills in the Nation showed virtually no change from the October level, although refinery runs in the District, totaling 2,185,000 barrels per day, declined 2 percent. On the other hand, refined products imports in the 5 weeks ended November 14 rose 21 percent over October and were 55 percent higher than a year ago. The amount of this increase was sufficient, despite small declines in crude oil imports, to raise total imports to a level 7 percent above October and 17 percent above November 1957.

With refinery activity fairly stable in early November, total products stocks showed a minor decline. Among the four major products, no significant changes in stocks occurred from the end of October to the middle of November, but compared with a year ago, a number of important trends were evident. The year-to-year margin of decline in gasoline stocks widened, while the margin for distillate fuel oil narrowed.



Nonfarm employment in the District states reflected a strong seasonal rise in October, increasing 15,900 workers from September to reach a level of 4,298,900.

This improvement is in sharp contrast with the decline which occurred in the same period of 1957, but the October level was still 1.1 percent less than a year earlier. Government, trade, and service employment showed further month-to-month gains, and settlement of strikes in the gulf coast area more than offset the normal seasonal decline in construction employment. Manufacturing — affected by labor disputes — and mining both showed decreases in employment. Unemployment in Texas decreased another 12,700 workers to reach an October level of 167,900, which is 4.7 percent of the labor force. Later reports indicate seasonal stability in the unemployment level from October to November.

The recovery in District industrial production apparently received a setback in October as a result of the

#### NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

| Type of employment                              | Number of persons |                   |                  | Percent change<br>Oct. 1958 from |              |
|---|-------------------|-------------------|------------------|----------------------------------|--------------|
|   | October<br>1958e  | September<br>1958 | October<br>1957r | Sept.<br>1958                    | Oct.<br>1957 |
| Total nonagricultural wage and salary workers.. | 4,298,900         | 4,283,000         | 4,347,600        | 0.4                              | -1.1         |
| Manufacturing .....                             | 739,400           | 740,500           | 779,300          | -2                               | -5.1         |
| Nonmanufacturing .....                          | 3,559,500         | 3,542,500         | 3,568,300        | .5                               | -3           |
| Mining .....                                    | 235,600           | 238,700           | 259,300          | -1.3                             | -9.1         |
| Construction .....                              | 306,200           | 305,200           | 315,200          | .3                               | -2.9         |
| Transportation and public utilities.....        | 391,800           | 392,300           | 409,400          | -1                               | -4.3         |
| Trade.....                                      | 1,134,800         | 1,133,000         | 1,137,800        | .2                               | -3           |
| Finance.....                                    | 190,000           | 190,100           | 184,400          | -1                               | 3.0          |
| Service.....                                    | 532,800           | 531,200           | 524,500          | .3                               | 1.6          |
| Government.....                                 | 768,300           | 752,000           | 737,700          | 2.2                              | 4.1          |

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

e — Estimated.

r — Revised.

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

decrease in crude oil production. The new seasonally adjusted index of Texas industrial production declined to an estimated 162 percent of the 1947-49 average in October, compared with an index level of 166 in September. However, the manufacturing component continued to show strength. There was evidence of a greater than seasonal rise in petroleum refining and substantial increases in both primary steel and aluminum. A labor-management dispute in the transportation equipment industry limited the increase in factory output, but operations had resumed by late in the month. A strike also temporarily halted copper refining at a large El Paso refinery in October; otherwise, activity in the copper industry reflected a moderately rising trend.

The value of construction contracts awarded in the District states during September was 21 percent less than the large August total but was 18 percent higher than a year earlier. Residential awards were especially strong compared with September 1957. Total contract awards in the region for the first 9 months of 1958 amounted to 15 percent more than awards during the same period in 1957. In October, Texas contract awards reflected a 21-percent decline from September and were down 46 percent from a year earlier, according to the *Texas Contractor*. Residential and nonresidential building shared in the sharp year-to-year decline.

Industrial building awards in the District during September and October apparently were up from the same period in 1957. Such awards in Texas showed a gain of 13 percent and included a \$2 million award for a new building for an instruments manufacturing company in Dallas, a \$2 million expansion of a petroleum refinery in the Tyler area, and a new \$5 million acetic acid plant at Pampa.

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

(Dollar amounts in thousands)

| Area                         | Debits to demand deposit accounts <sup>1</sup> |            |           | Demand deposits <sup>1</sup> |           |            | Annual rate of turnover |  |
|------------------------------|--|------------|-----------|------------------------------|-----------|------------|-------------------------|--|
|                              | Percentage change from                         |            |           |                              |           |            |                         |  |
|                              | October 1958                                   | Sept. 1958 | Oct. 1957 | October 31, 1958             | Oct. 1958 | Sept. 1958 |                         |  |
| ARIZONA                      |  |            |           |                              |           |            |                         |  |
| Tucson.....                  | \$ 208,941                                     | 11         | 22        | \$ 113,188                   | 22.7      | 21.4       | 20.9                    |  |
| LOUISIANA                    |  |            |           |                              |           |            |                         |  |
| Monroe.....                  | 74,458   | -2         | -2        | 48,528                       | 17.4      | 17.6       | 17.2                    |  |
| Shreveport.....              | 292,979  | 2          | 3         | 176,881                      | 20.0      | 19.7       | 18.1                    |  |
| NEW MEXICO                   |  |            |           |                              |           |            |                         |  |
| Roswell.....                 | 37,555   | 18         | 14        | 29,757                       | 15.5      | 13.4       | 14.5                    |  |
| TEXAS                        |  |            |           |                              |           |            |                         |  |
| Abilene.....                 | 93,725   | 5          | 5         | 61,291                       | 18.2      | 17.5       | 18.4                    |  |
| Amarillo.....                | 217,092  | 11         | 20        | 120,307                      | 22.0      | 20.2       | 20.5                    |  |
| Austin.....                  | 196,512  | -1         | 22        | 123,425                      | 19.4      | 19.3       | 16.1                    |  |
| Beaumont.....                | 150,345  | 2          | -5        | 105,448                      | 17.3      | 17.2       | 17.4                    |  |
| Corpus Christi.....          | 187,963  | -1         | 1         | 116,573                      | 19.3      | 19.7       | 19.8                    |  |
| Corsicana.....               | 20,146   | 5          | 11        | 22,356                       | 10.9      | 10.4       | 10.1                    |  |
| Dallas.....                  | 2,410,297                                      | 7          | 6         | 1,114,485                    | 26.0      | 24.8       | 27.4                    |  |
| El Paso.....                 | 321,345  | 9          | 8         | 158,133                      | 24.6      | 22.8       | 25.1                    |  |
| Fort Worth.....              | 772,966  | 6          | 11        | 371,022                      | 24.8      | 23.8       | 23.3                    |  |
| Galveston.....               | 94,848   | 5          | -2        | 64,025                       | 17.8      | 16.4       | 17.2                    |  |
| Houston.....                 | 2,424,727                                      | 7          | 1         | 1,204,751                    | 24.2      | 22.7       | 23.4                    |  |
| Laredo.....                  | 26,327   | 6          | 10        | 22,210                       | 14.3      | 13.7       | 14.6                    |  |
| Lubbock.....                 | 200,921  | 27         | 29        | 107,659                      | 22.7      | 18.4       | 19.1                    |  |
| Port Arthur.....             | 65,570   | 8          | -9        | 45,971                       | 17.2      | 16.1       | 18.8                    |  |
| San Angelo.....              | 57,121   | 10         | 12        | 42,772                       | 16.0      | 14.6       | 15.0                    |  |
| San Antonio.....             | 562,086  | 4          | 7         | 392,999                      | 17.2      | 16.8       | 18.2                    |  |
| Texarkana <sup>2</sup> ..... | 21,230   | 8          | 4         | 16,515                       | 15.1      | 14.2       | 15.0                    |  |
| Tyler.....                   | 86,353   | 4          | -3        | 60,909                       | 17.0      | 16.3       | 17.5                    |  |
| Waco.....                    | 103,920  | 9          | 9         | 68,880                       | 18.4      | 16.8       | 18.0                    |  |
| Wichita Falls.....           | 117,932  | 12         | 15        | 107,404                      | 13.1      | 11.6       | 11.8                    |  |
| Total—24 cities.....         | \$ 8,745,359                                   | 7          | 6         | \$ 4,695,489                 | 22.4      | 21.2       | 22.2                    |  |

<sup>1</sup> Deposits of individuals, partnerships, and corporations and of states and political subdivisions.

<sup>2</sup> 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 \$46,543,000 for the month of October 1958.

NATURAL GAS: MARKETED PRODUCTION

(In millions of cubic feet)

| Area            | Second quarter 1958 | First quarter 1958 | Second quarter 1957 |
|-----------------|---------------------|--------------------|---------------------|
| Louisiana.....  | 480,200             | 568,100            | 480,000             |
| New Mexico..... | 168,800             | 206,200            | 157,900             |
| Oklahoma.....   | 176,600             | 186,300            | 166,600             |
| Texas.....      | 1,256,200           | 1,379,700          | 1,277,600           |
| Total.....      | 2,081,800           | 2,340,300          | 2,082,100           |

SOURCE: United States Bureau of Mines.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

| Area                           | October 1958 <sup>1</sup> | September 1958 <sup>1</sup> | October 1957 <sup>2</sup> | September 1958 | October 1957 | Change from |
|--------------------------------|---------------------------|-----------------------------|---------------------------|----------------|--------------|-------------|
|                                | Oct. 1958 <sup>1</sup>    | Sept. 1958 <sup>1</sup>     | Oct. 1957 <sup>2</sup>    | Sept. 1958     | Oct. 1957    |             |
| ELEVENTH DISTRICT.....         | 3,062.2                   | 3,230.1                     | 3,078.8                   | -167.9         | -16.6        |             |
| Texas.....                     | 2,694.4                   | 2,868.4                     | 2,711.1                   | -174.0         | -16.7        |             |
| Gulf Coast.....                | 499.5                     | 536.7                       | 526.5                     | -37.2          | -27.0        |             |
| West Texas.....                | 1,171.8                   | 1,256.3                     | 1,159.2                   | -84.5          | 12.6         |             |
| East Texas (proper).....       | 149.9                     | 164.4                       | 166.0                     | -14.5          | -16.1        |             |
| Panhandle.....                 | 107.7                     | 107.8                       | 110.4                     | -1             | -2.7         |             |
| Rest of State.....             | 765.5                     | 803.1                       | 749.0                     | -37.6          | 16.5         |             |
| Southeastern New Mexico.....   | 255.4                     | 252.0                       | 249.4                     | 3.4            | 6.0          |             |
| Northern Louisiana.....        | 112.4                     | 109.7                       | 118.3                     | 2.7            | -5.9         |             |
| OUTSIDE ELEVENTH DISTRICT..... | 3,847.9                   | 3,827.5                     | 3,780.8                   | 20.4           | 67.1         |             |
| UNITED STATES.....             | 6,910.2                   | 7,057.6                     | 6,859.6                   | -147.4         | 50.6         |             |

SOURCES: <sup>1</sup> Estimated from American Petroleum Institute weekly reports.

<sup>2</sup> United States Bureau of Mines.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

| Item   | Oct. 29, 1958 | Sept. 24, 1958 | Oct. 30, 1957 |
|--|---------------|----------------|---------------|
| <b>ASSETS</b>  |               |                |               |
| Loans and discounts.....                               | \$ 4,358      | \$ 4,320       | \$ 4,030      |
| United States Government obligations.....              | 2,698         | 2,647          | 2,386         |
| Other securities.....                                  | 782           | 778            | 715           |
| Reserves with Federal Reserve Bank.....                | 975           | 961            | 970           |
| Cash in vault.....                                     | 165           | 156            | 157           |
| Balances with banks in the United States.....          | 1,045         | 1,107          | 970           |
| Balances with banks in foreign countries.....          | 2             | 1              | 3             |
| Cash items in process of collection.....               | 451           | 459            | 400           |
| Other assets <sup>e</sup> .....                        | 264           | 257            | 245           |
| <b>TOTAL ASSETS<sup>e</sup></b> .....                  | <b>10,740</b> | <b>10,686</b>  | <b>9,876</b>  |
| <b>LIABILITIES AND CAPITAL</b>                         |               |                |               |
| Demand deposits of banks.....                          | 1,151         | 1,219          | 1,033         |
| Other demand deposits.....                             | 6,480         | 6,380          | 6,247         |
| Time deposits.....                                     | 2,097         | 2,109          | 1,664         |
| Total deposits.....                                    | 9,728         | 9,708          | 8,944         |
| Borrowings <sup>e</sup> .....                          | 42            | 20             | 27            |
| Other liabilities <sup>e</sup> .....                   | 110           | 105            | 106           |
| Total capital accounts <sup>e</sup> .....              | 860           | 853            | 799           |
| <b>TOTAL LIABILITIES AND CAPITAL<sup>e</sup></b> ..... | <b>10,740</b> | <b>10,686</b>  | <b>9,876</b>  |

e — Estimated.

BUILDING PERMITS

| Area                | VALUATION (Dollar amounts in thousands) |              |           |              |            |           | Percentage change       |
|---------------------|---|--------------|-----------|--------------|------------|-----------|-------------------------|
|                     | Oct. 1958 from                          |              |           |              |            |           |                         |
|                     | Oct. 1958                               | 10 mos. 1958 | Oct. 1958 | 10 mos. 1958 | Sept. 1958 | Oct. 1957 | comp. with 10 mos. 1957 |
| ARIZONA             |   |              |           |              |            |           |                         |
| Tucson.....         | 389                                     | 4,306        | \$ 778    | \$ 13,077    | -40        | -4        | -27                     |
| LOUISIANA           |   |              |           |              |            |           |                         |
| Shreveport.....     | 542                                     | 5,077        | 2,220     | 26,912       | -23        | -2        | 27                      |
| TEXAS               |   |              |           |              |            |           |                         |
| Abilene.....        | 203                                     | 1,711        | 2,062     | 18,254       | -36        | 88        | 47                      |
| Amarillo.....       | 236                                     | 2,687        | 2,133     | 23,620       | -35        | 14        | 6                       |
| Austin.....         | 277                                     | 2,618        | 3,600     | 40,258       | -32        | 21        | 4                       |
| Beaumont.....       | 436                                     | 3,643        | 1,661     | 17,782       | -47        | 9         | 14                      |
| Corpus Christi..... | 116                                     | 2,237        | 1,271     | 19,890       | 17         | -22       | 42                      |
| Dallas.....         | 1,892                                   | 20,273       | 11,493    | 131,858      | -16        | -21       | 10                      |
| El Paso.....        | 613                                     | 6,551        | 6,095     | 55,823       | 14         | 103       | 90                      |
| Fort Worth.....     | 772                                     | 6,850        | 5,761     | 46,041       | 51         | -32       | -5                      |
| Galveston.....      | 120                                     | 1,209        | 375       | 3,237        | 51         | 107       | -12                     |
| Houston.....        | 1,400                                   | 13,294       | 20,006    | 195,125      | -5         | 26        | 2                       |
| Lubbock.....        | 387                                     | 2,962        | 3,850     | 35,324       | -22        | -29       | 32                      |
| Port Arthur.....    | 256                                     | 1,827        | 806       | 9,209        | 125        | 74        | 87                      |
| San Antonio.....    | 1,237                                   | 14,744       | 4,481     | 51,548       | -5         | 7         | 17                      |
| Waco.....           | 217                                     | 2,213        | 853       | 13,085       | -43        | 15        | 1                       |
| Wichita Falls.....  | 188                                     | 1,526        | 2,117     | 7,978        | 138        | 188       | -28                     |
| Total—17 cities..   | 9,281                                   | 93,728       | \$ 69,562 | \$ 709,021   | -7         | 5         | 12                      |

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

| Area and type                               | September 1958 | August 1958 | September 1957 | January—September 1958 | January—September 1957 |
|---|----------------|-------------|----------------|------------------------|------------------------|
| FIVE SOUTHWESTERN STATES <sup>1</sup> ..... | \$ 317,413     | \$ 403,089  | \$ 270,202     | \$ 3,091,293           | \$ 2,683,075           |
| Residential.....                            | 156,955        | 176,673     | 115,631        | 1,264,141              | 1,016,366              |
| All other.....                              | 160,458        | 226,416     | 154,571        | 1,827,152              | 1,666,709              |
| UNITED STATES.....                          | 3,215,919      | 3,466,576   | 2,549,928      | 26,985,813             | 25,206,580             |
| Residential.....                            | 1,460,270      | 1,450,576   | 1,151,294      | 10,945,492             | 10,185,058             |
| All other.....                              | 1,755,649      | 2,016,000   | 1,398,634      | 16,040,321             | 15,021,522             |

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

SOURCE: F. W. Dodge Corporation.



# BUSINESS REVIEW

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