



BUSINESS REVIEW

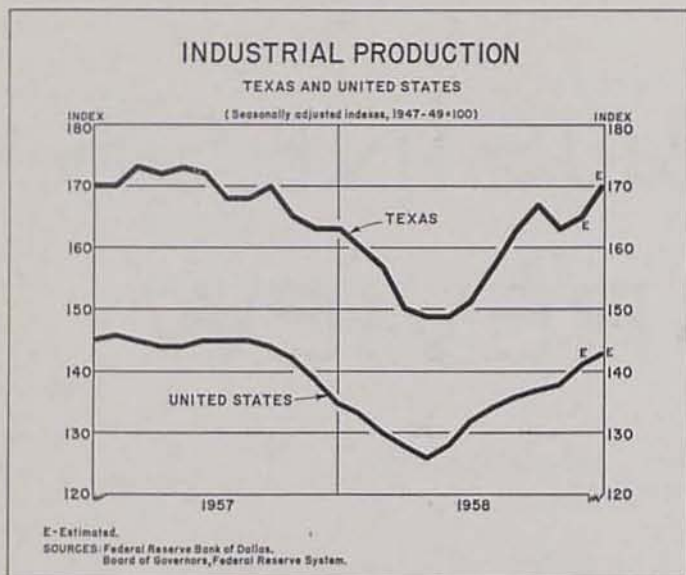
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A PERSPECTIVE OF RECESSION AND RECOVERY

As the Southwest recovers from the recession, the differential trends in the major economic sectors are returning to a generally upward pattern. In retrospect, these diverse movements were the most outstanding feature of economic conditions in this area during the past 12 months. The selective effect of the recession concentrated upon the important petroleum industry and its principal suppliers and service concerns and the transportation equipment industry. In contrast, construction and agricultural activities showed marked gains to reach near-record levels. The net effect of these opposing forces and the supporting influences arising from the generally strong output of certain nondurable goods manufactures and from the relatively high levels of personal income and retail trade was a comparatively mild recessionary impact upon general business conditions in the area.

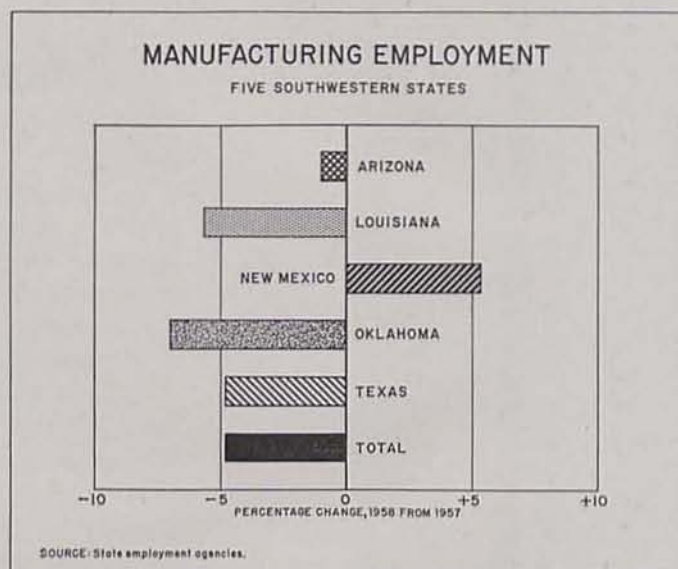
The recession in the Southwest began in the summer of 1957 and reached its trough late in the spring of 1958. With virtually no hesitation, the southwestern economy then reversed its direction so that by July there were strong indications of recovery, including an improvement in crude oil production. During the remainder of 1958, the recovery broadened and strengthened, bringing gains in industrial production, employment, and income. By December, the region's economy had recovered a large share of the earlier decline, although certain sectors had shown only moderate improvement. The following charts and commentaries illustrate the trends in the principal economic measures between 1957 and 1958.

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

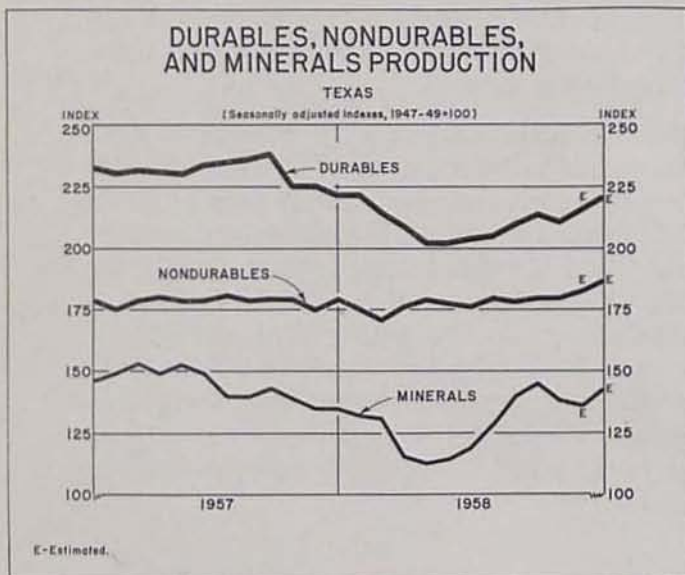


The Texas industrial production index for May 1958 was 14 percent lower than in March 1957, or approximately the same as the national index. Both indexes averaged about 6 percent lower in 1958 than in 1957. The V-shaped fall and rise of the Texas index during the 2 years not only demonstrates the swift response of the industrial sector to the basic depressing forces of curtailed crude oil production, inventory liquidation, and reduced Government purchases but also reflects equally rapid recovery as inventory liquidation slowed, manufacturers' orders expanded, crude petroleum output improved, and the rate of Government spending increased. By December, the Texas index was within 2 percent of its prerecession peak.

Manufacturing employment averaged 5 percent below 1957, as layoffs which started in late 1957 continued until mid-1958 and recovery brought only a modest number of recalls. The largest employment declines were in the more heavily industrialized states of Oklahoma, Louisiana, and Texas. The New Mexico gain was probably a result of increases in uranium refining, missile and related manufacturing, and building materials production. With the recovery, the margin of year-to-year loss for southwestern factory employment gradually narrowed from a peak of 6.1 percent in July and August 1958 to about 3.0 percent in December.

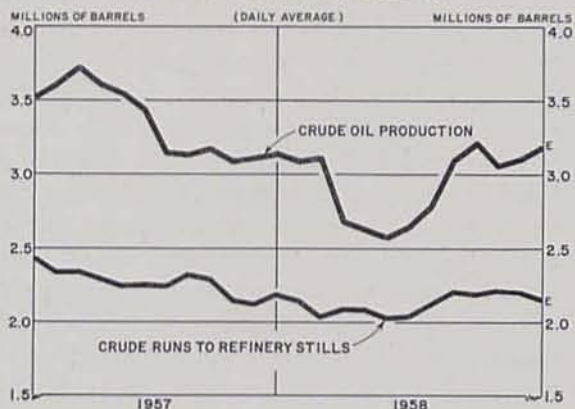


The major segments of the Texas production index showed markedly differing rates of decline during the recession. Durable goods — reflecting principally the cutbacks in primary metals, transportation equipment, and oil field equipment — decreased 15 percent from September 1957 to May 1958 but recovered more than one-half of this loss by the end of the year. Nondurables declined only 5 percent from July 1957 to February 1958, with the main loss occurring in petroleum refining. However, the nondurables index reached a new record in the late fall. The minerals index fell 26 percent, led by the cutback in crude oil production. With recovery, the index regained over 75 percent of its recession loss.



CRUDE OIL PRODUCTION AND REFINING

ELEVENTH FEDERAL RESERVE DISTRICT



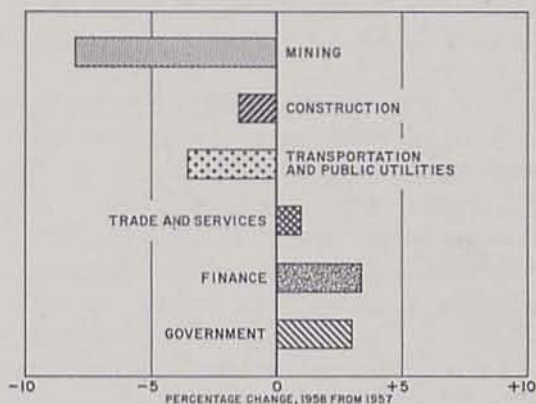
E- Estimated.
SOURCES: U.S. Bureau of Mines,
American Petroleum Institute.

Crude oil production and refining declines were the principal causes of recession in the Southwest. With the heavy inventories built up after the Suez crisis, the petroleum industry was unprepared for a period of slower demand. The recession temporarily halted large increases in domestic demand, and exports fell sharply. By early summer, when crude oil and refined products stocks were substantially reduced, Eleventh District crude oil production began to rise but for all of 1958 averaged 15 percent below 1957. District refinery activity declined only 7 percent from a year earlier after steady improvement in the year-to-year changes, from a 13-percent decrease in February to a small gain late in the year.

The trends in the major types of employment lacked uniformity during 1958 as relatively large decreases in mining, manufacturing, and transportation and public utilities were offset by increases in finance, services, and government. The employment declines followed the recession pattern in the basic industries, with the exception of construction. The employment gains reflected the larger and more numerous financial institutions, heavier consumer spending on services, and expanded governmental activity. Increased employment at defense plants and educational institutions largely accounted for the rise in government payrolls.

MAJOR TYPES OF EMPLOYMENT

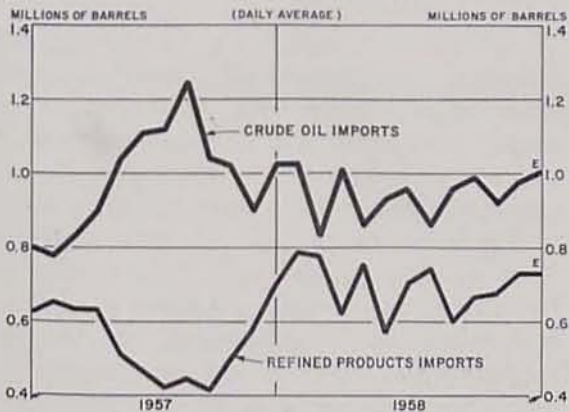
FIVE SOUTHWESTERN STATES



SOURCE: State employment agencies.

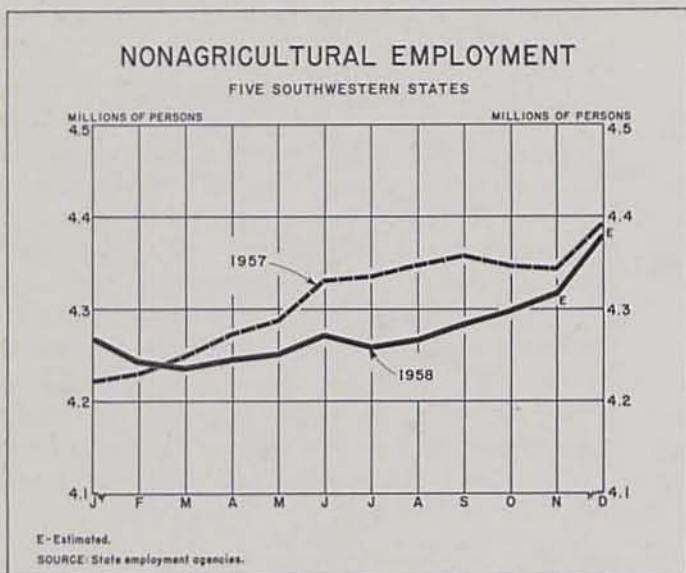
CRUDE OIL AND REFINED PRODUCTS IMPORTS

UNITED STATES



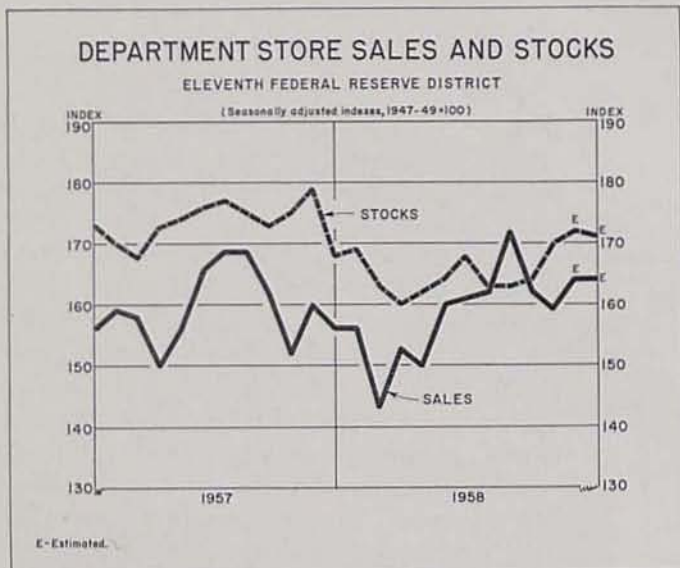
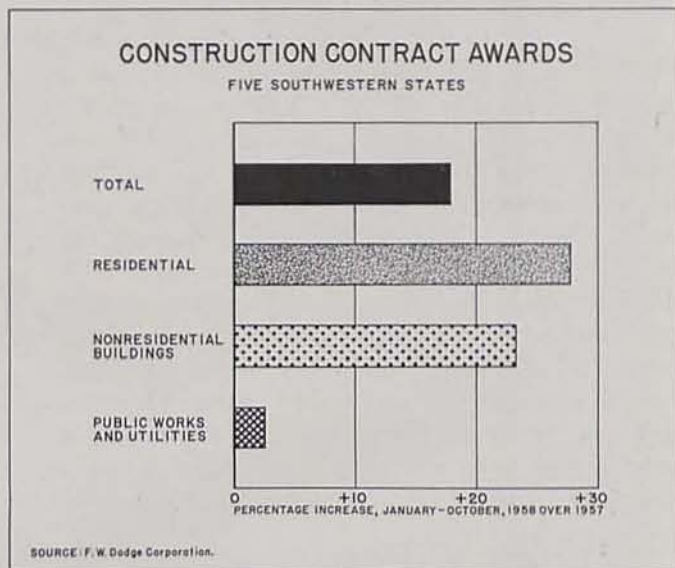
E- Estimated.
SOURCES: U.S. Bureau of Mines,
American Petroleum Institute.

Crude oil and refined products imports were a major cause of reduced petroleum activity during 1958. Total imports reached a peak in January 1958 but fell sharply in February and remained at a fairly high level for the rest of the year, averaging 6 percent above 1957. Rising crude oil imports in the summer of 1957 contributed significantly to the large crude stocks which plagued the industry for almost a year, but such imports decreased 3 percent during 1958. The major change in imports during 1958 was the substantial 27-percent increase in refined products imports. With relatively stable domestic demand, the enlarged refined products imports made sizable inroads on domestic producers' markets.



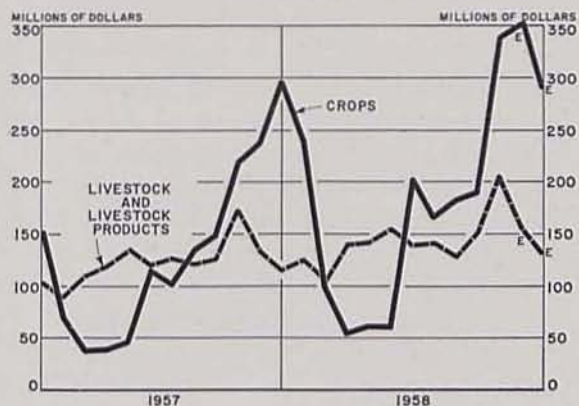
Construction contract awards in the Southwest rose steadily from early spring to reach record levels during 1958, with strength apparent in all major sectors. Residential construction rose quickly in response to the easier terms on Government-backed mortgages, the greater availability of mortgage credit, the mortgage-purchasing program of the FNMA, and the extension of the VA guarantee program. Strong advances in church and commercial construction raised nonresidential building well above the 1957 level. Public works construction increased as a result of the partly antirecessionary programs for highways and municipal services.

Reflecting these diverse movements, nonagricultural employment averaged only 1 percent below 1957. The labor force contracted slightly as women and part-time laborers withdrew, but unemployment rose substantially. In Texas, unemployment averaged about 5 percent of the labor force in 1958, compared with 4 percent in 1957. All major labor markets in the five states eased considerably and were generally classed as areas of moderate to substantial labor surpluses by midyear. A decline in wages and salaries because of reduced employment and hours of work was partly countered by increases in wage rates at several key industrial plants, a rise in unemployment compensation payments, and improvement in farm income.



Department store sales and stocks in the Eleventh District reflected the relatively high level of retail buying and the general trend toward inventory liquidation. Although department store sales during 1958 fluctuated considerably and showed a year-to-year loss of 10 percent in February, the total was almost unchanged from 1957. Strength in nondurable goods sales largely counteracted weakness in sales of hard goods items. Total retail sales in this District apparently followed a similar pattern, with sales at drugstores, gasoline service stations, and apparel outlets maintaining or exceeding year-earlier levels while sales at furniture, hardware, appliance, and automotive establishments declined.

CASH RECEIPTS FROM FARM MARKETINGS FIVE SOUTHWESTERN STATES

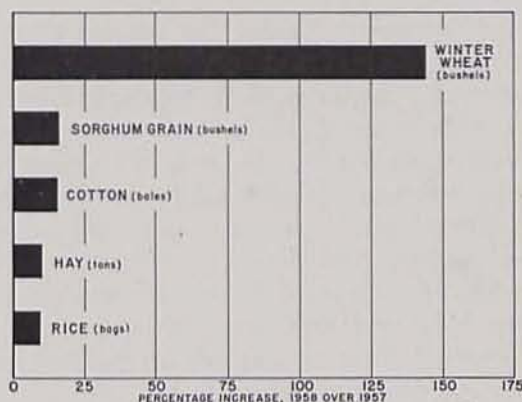


E- Estimated.
SOURCE: U.S. Department of Agriculture.

Cash receipts from southwestern farm marketings during 1958 climbed about 28 percent above the 1957 level because of favorable moisture conditions, higher livestock prices, and some carry-over marketings of 1957 crops. Cash farm income in 1958 was the highest of record, even exceeding the 1952 peak, and was substantially above the 1947-56 average. Despite a heavy acreage withdrawal for placement in Conservation and Acreage Reserves of the Soil Bank, cash receipts from crops, boosted by record yields, rose about 39 percent over a year earlier. With the supply of salable livestock limited by restocking, prices averaged 18 percent more than in 1957, and cash receipts from livestock were about 16 percent higher.

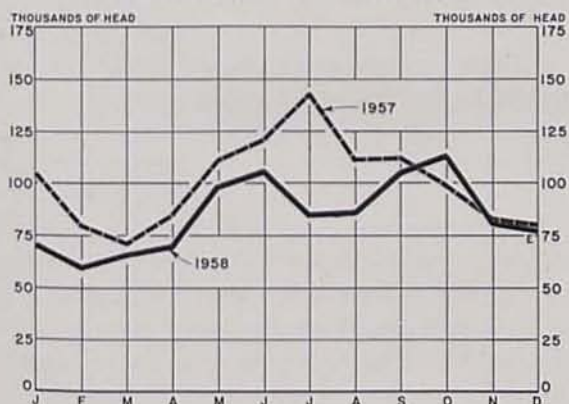
Crop production during 1958 exceeded all previous years in both value and volume. Despite losses due to severe insect infestations and late floods in certain areas, record yields and production were evident in most of the Southwest. Cotton output in the five states reached 6,035,000 bales, or 15 percent over 1957 and 2 percent above the 1947-56 average, as yields improved to a record 431 pounds per harvested acre. Similarly, winter wheat, rice, peanuts, hay, and grain sorghums showed large increases. Although lower prices and higher production costs prevailed, which narrowed profit margins, farm income rose sharply.

CROP PRODUCTION FIVE SOUTHWESTERN STATES



SOURCE: U.S. Department of Agriculture.

CATTLE AND CALF RECEIPTS MAJOR SOUTHWESTERN LIVESTOCK MARKETS

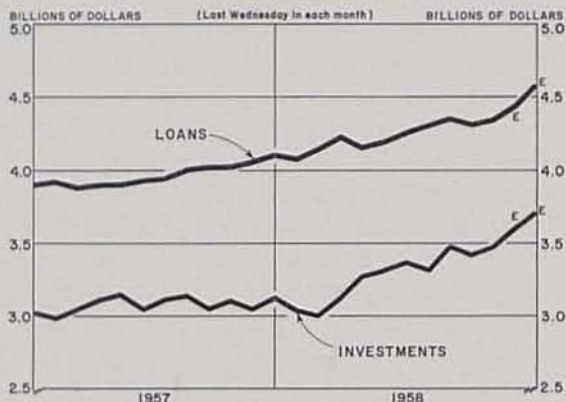


E- Estimated.
SOURCES: Fort Worth Stockyards, Fort Worth, Texas.
Union Stock Yards, San Antonio, Texas.

Cattle and calf marketings in the Southwest were much lower in 1958, as favorable moisture conditions improved ranges and permitted ranchers to rebuild herds, following sharp reductions during the drought years. Moreover, the carrying capacity of ranges was greatly increased by the availability of feed and forage. The higher price levels both encouraged and discouraged restocking but also acted as a stimulant to marketings when the seasonal peak was reached. By late 1958, a substantial amount of restocking had been accomplished, and marketings were resuming a more normal seasonal pattern. At the year end, range conditions were excellent, although cold weather and freezing rains caused ranchers to provide supplemental feed.

MEMBER BANK LOANS AND INVESTMENTS

ELEVENTH FEDERAL RESERVE DISTRICT

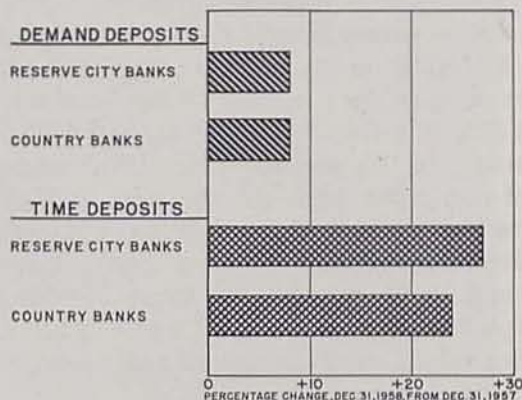


E-Estimated.

Demand and time deposits expanded during 1958, although time deposits turned downward in the fourth quarter. Under the impetus of the easy money policy and heavy bank purchases of Government securities, demand deposits rose sharply, with accounts of individuals, partnerships, and corporations showing the strongest gains. Time deposits continued to rise in early 1958; after midyear, rates on short-term paper climbed swiftly, and time deposit expansion moderated. As depositors shifted funds into Treasury bills and common stocks to obtain higher interest rates or prospective speculative returns, time deposits declined.

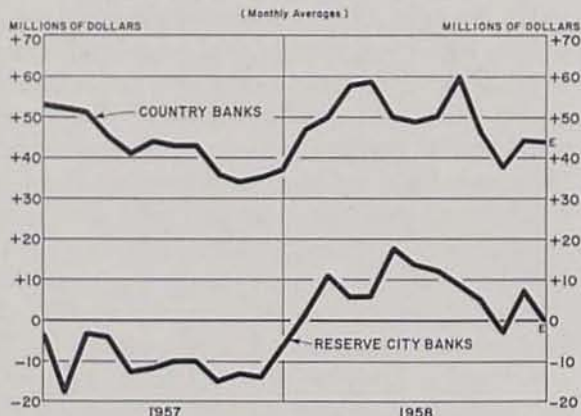
DEMAND AND TIME DEPOSITS

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



FREE RESERVES

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



E-Estimated.

Loans and investments of the District's member banks showed substantial gains over 1957. Contrary to the national trend, loans at the District banks rose throughout 1958 and were nearly 9 percent higher than in 1957. Especially noticeable were the continued advances in commercial and industrial loans, led by increased commitments to petroleum manufacturers and construction firms. Gains in construction and real-estate loans stemmed from the strong building picture. Farmers borrowed more to meet higher production costs and to rebuild livestock herds. Investments rose nearly 15 percent during 1958 as banks purchased new Government security issues in order to utilize their increased reserves.

Free reserves of the member banks were generally larger than in 1957; the greatest availability existed in the early part of the year, when monetary policy was directed toward supplying member banks with ample reserves. As economic conditions steadily improved during the summer, the Federal Reserve System changed its policy toward mild restraint; thus, in the last half of 1958, free reserves trended downward. Free reserves at the reserve city banks virtually disappeared as their relatively high loan-to-deposit ratios and traditionally close money position brought a quick response to the more restrictive monetary policy. Free reserves of country banks also declined in the fall but were still at a comfortable level.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Seasonally adjusted department store sales in the Eleventh District during November exceeded both October and year-earlier sales, and reports indicate that this strength continued in early December.

End-of-November inventories at the stores rose above the preceding month's level for the fourth consecutive month but remained lower than a year ago. New car registrations in the District's four largest metropolitan areas were moderately above October but were almost one-fourth less than in November 1957.

The Supreme Court has reversed the "Memphis Decision" by ruling that, except for fixed-price contracts, natural gas companies may impose a rate increase, subject to refund in accordance with the Federal Power Commission procedure. Colder weather sparked a sharp rise in demand for petroleum products. Imports remained at a high level, and crude oil production increased.

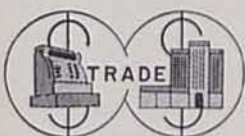
Industrial production in Texas advanced during November, with the seasonally adjusted index reaching 165, compared with 163 in October. Employment of nonfarm workers in the District states showed an

above-normal seasonal increase in November, led by gains in trade, manufacturing, and construction. Unemployment in Texas declined further to 4.6 percent of the labor force.

Construction contracts awarded in the District states reflected a strong contraseasonal gain during October. Both residential and nonresidential construction shared in the advance.

District banking developments during late November and early December featured a strong advance in deposits, paralleled by expansion in both loan and investment accounts. Member banks gained reserve funds in November, and their free reserve position improved moderately. Currency in circulation in the District rose to a record high in December.

Agricultural activity in most sections of the District is seasonally slow, except in winter vegetable areas. Citrus fruit production in the District is below that of last season, but output in Texas is moderately larger. Forage supplies are generally adequate, although rain is needed to promote development of wheat pastures in northwestern sections. Livestock remain in good to very good condition.



Sales at Eleventh District department stores during November increased 2 percent over October and were about the same as a year earlier, despite a reduced

number of trading days. The seasonally adjusted sales index rose to 166 percent of the 1947-49 average, up from 159 in October and 160 a year ago. Sales continued strong during the first 2 weeks in December, registering a 2-percent increase over the comparable 1957 period. Cumulative sales for 1958 through the week ended December 13 were less than one-half of 1 percent below the same period in the previous year; if the present sales pace continues, total department store sales for 1958 will at least equal those in 1957.

Reports from a limited number of the District's department stores show that sales in most major departments during November 1958 were below the comparable levels of 1957. The most notable exception was

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: November . . .	183r	160r	198r	180r
1958: September . . .	156	162	174	164
October	165	159	187	170
November	190	166	191p	174p

r — Revised.
p — Preliminary.

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	November 1958 from		11 mos. 1958 comp. with 11 mos. 1957
	October 1958	November 1957	
FURNITURE STORES			
Total Eleventh District.....	4	10	1
Amarillo.....	0	48	-6
Austin.....	-7	4	2
Dallas.....	8	-1	1
Houston.....	3	11	3
Lubbock.....	31	97	-
San Antonio.....	-4	2	-5
Shreveport, La.....	14	24	8
Wichita Falls.....	-4	6	-10
Other cities.....	7	6	-3
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District.....	-6	33	-
Dallas.....	-12	26	-

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

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

the women's and misses' accessories group, in which sales were 1 percent above a year earlier. Declines occurred in sales of both women's and misses' apparel and men's and boys' wear, but the largest year-to-year decreases were 9 percent in major household appliance sales and 16 percent in sales of radios, phonographs, and television sets.

Department store inventories in the District at the end of November were 2 percent higher than at the end of October, reflecting the fourth consecutive month-to-month increase, but were 3 percent lower than on November 30, 1957. Strength in orders outstanding and new orders placed, which is evident in reports from a selected group of stores, indicates that the stores do not intend to permit inventories to drop as low as they did last winter. Orders outstanding at the end of November were up 4 percent from a month earlier and 8 percent from a year earlier, while new orders placed during November exceeded those placed during October 1958 and November 1957 by 2 percent and 5 percent, respectively.

November registrations of new cars in the four largest metropolitan areas in the District rose 11 percent

over October but were 23 percent under a year ago. In the individual areas, increases of up to 33 percent were recorded over the previous month, with the only decrease, 1 percent, occurring in the Houston area. The year-to-year comparison showed a decrease in each area, ranging from 9 percent in Fort Worth to 34 percent in Houston. Cumulative total registrations in the four areas for the first 11 months of 1958 reflected a 27-percent decline from the corresponding total of 1957.



Harvesting operations in the District are primarily confined to gathering cotton in late areas and harvesting citrus fruits and winter vegetables in commercial areas of south Texas. Light snow and freezing rain during mid-December extended about as far south as Laredo and Corpus Christi. This cold weather checked farm work in northern sections of the District, but citrus and vegetable crops in the Winter Garden and Rio Grande areas escaped major damage.

Most winter vegetables are making good growth in all areas, and planting of additional acreage for late-winter harvest has continued. Conditions have been favorable for onions in all south Texas areas, and a light acreage of this crop has been planted in the Lower Valley; onion transplanting is active in the Laredo and Winter Garden areas. The Texas acreage of vegetables for winter harvest for the fresh market is estimated to be 4 percent less than in 1957 and one-fourth below the 1949-57 average. The reduction from acreage in 1957 is largely the result of continuous rains, which prevented planting of intended acreages.

Citrus fruit production in Texas for the current season (1958-59) is quite favorable, although the crop in Arizona and Louisiana is below the 1957-58 output. Output of oranges in Texas is indicated to be 15 percent above the previous season's crop, and that for grape-

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State and crop	Indicated 1958-59	1957-58	Average of 10 seasons ended 1947-56
ARIZONA			
Oranges.....	650	1,250	1,024
Grapefruit.....	2,000	2,780	2,626
LOUISIANA			
Oranges.....	185	205	196
TEXAS			
Oranges.....	2,300	2,000	1,996
Grapefruit.....	4,200	3,500	5,770

SOURCE: United States Department of Agriculture.

fruit is 20 percent larger. In Arizona and Louisiana, orange production is 48 percent and 10 percent, respectively, under production a year ago. Grapefruit outturn in Arizona is 28 percent smaller than the 1957-58 crop.

The 1958 cotton crop in the District states is placed at 6,035,000 bales, with year-to-year gains in output noted in each state except Louisiana. In Texas the 1958 cotton crop is indicated at 4,350,000 bales, or one-fifth larger than in 1957 and one-tenth greater than the 10-year average. Lint yields in Texas reached an all-time high of 387 pounds per harvested acre.

Feeding of hay, bundle feed, and cake increased during December as a result of cold weather. Unprotected livestock showed considerable shrinkage, but no death losses of consequence occurred. Dry-land wheat pastures in the High Plains are furnishing some grazing, but additional moisture is needed in much of this area to promote root development. Consequently, stock are being kept off wheat fields in many sections. In eastern sections of the District, oats and barley are providing grazing, but low temperatures have retarded forage development.



Deposits at weekly reporting banks in the District expanded sharply during the 4 weeks ended December 17. Loans also showed a strong advance, and investment

accounts were buoyed by bank purchases of Treasury Tax Anticipation bills in late November.

Gross loan expansion of \$45.4 million (excluding the change in interbank loans) during the 4-week period represented a continuation of the pattern of loan expansion which dominated the District's banking picture throughout most of 1958. Commercial and industrial loans were particularly strong during the period, and the 4-week gain of \$30.1 million compares with a \$26.8 million decline during the same period in 1957. Sales finance companies and commodity dealers continued to increase their bank borrowings in late November and early December, but the principal stimulant to business loans came from petroleum firms, whose borrowings have been relatively large for the past several months.

Investment changes during the 4-week period reflected the impact of bank purchases of Treasury Tax Anticipation bills, for which payment was made by credit to Tax and Loan Accounts. In addition, the Treasury's exchange offering of new notes and certifi-

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 17, 1958	Nov. 19, 1958	Dec. 18, 1957
ASSETS			
Commercial and industrial loans.....	\$1,642,780	\$1,612,712	\$1,480,771
Agricultural loans.....	46,081	38,547	23,844
Loans to brokers and dealers in securities.....	23,632	19,904	18,591
Other loans for purchasing or carrying securities.....	181,106	178,767	167,618
Real-estate loans.....	230,012	231,821	196,248
Loans to banks.....	14,068	6,998	48,756
All other loans.....	644,879	641,352	636,498
Gross loans.....	2,782,558	2,730,101	2,572,326
Less reserves and unallocated charge-offs..	45,872	45,891	42,482
Net loans.....	2,736,686	2,684,210	2,529,844
U. S. Treasury bills.....	76,573	64,851	87,579
U. S. Treasury certificates of indebtedness.....	169,553	163,031	103,006
U. S. Treasury notes.....	271,575	264,603	194,282
U. S. Government bonds (inc. gtd. obligations)...	914,481	935,015	805,499
Other securities.....	333,044	326,635	280,052
Total investments.....	1,765,226	1,754,135	1,470,418
Cash items in process of collection.....	504,994	469,571	480,165
Balances with banks in the United States.....	527,059	464,144	495,312
Balances with banks in foreign countries.....	2,326	1,789	1,991
Currency and coin.....	53,424	48,262	53,957
Reserves with Federal Reserve Bank.....	571,767	569,909	560,979
Other assets.....	202,069	194,333	185,478
TOTAL ASSETS.....	6,363,551	6,186,353	5,778,144
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	3,052,546	2,918,342	2,806,174
United States Government.....	73,481	68,096	78,047
States and political subdivisions.....	166,213	177,966	183,503
Banks in the United States.....	1,067,968	1,006,305	1,023,245
Banks in foreign countries.....	18,272	16,934	17,013
Certified and officers' checks, etc.....	60,196	54,956	64,710
Total demand deposits.....	4,438,676	4,242,599	4,172,692
Time deposits			
Individuals, partnerships, and corporations....	1,057,739	1,054,242	793,782
United States Government.....	7,130	7,480	12,125
Postal savings.....	421	421	421
States and political subdivisions.....	219,163	224,015	192,190
Banks in the U. S. and foreign countries.....	6,416	6,691	6,743
Total time deposits.....	1,290,869	1,292,848	1,005,261
Total deposits.....	5,729,545	5,535,447	5,177,953
Bills payable, rediscounts, etc.....	18,300	50,600	22,515
All other liabilities.....	111,875	104,117	105,992
Total capital accounts.....	503,831	496,188	471,684
TOTAL LIABILITIES AND CAPITAL.....	6,363,551	6,186,353	5,778,144

cates for certificates and bonds maturing in December produced an internal shift in the composition of bank portfolios. On balance, however, the total investment increase of \$11.1 million reflected, almost exclusively, bank acquisitions of the new Tax Anticipation bills.

Individuals and businesses added \$134.2 million to their demand deposits at the reporting banks, providing most of the over-all gain which raised total demand balances at these banks to a level 6.4 percent above a year earlier. Demand balances of the Federal Government rose sharply in late November as payment for the new Treasury tax bills was made, but by December 17, this gain had been largely dissipated. Time balances declined further during the 4 weeks, reflecting withdrawals by state and local governments.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	November 1958	October 1958	November 1957
RESERVE CITY BANKS			
Reserve balances.....	\$ 566,483	\$556,318	\$ 553,394
Required reserves.....	556,306	549,964	546,737
Excess reserves.....	10,177	6,354	6,657
Borrowings.....	9,406	9,574	21,243
Free reserves.....	771	-3,220	-14,586
COUNTRY BANKS			
Reserve balances.....	449,166	436,191	455,570
Required reserves.....	400,461	391,307	408,538
Excess reserves.....	48,705	44,884	47,032
Borrowings.....	4,645	7,162	11,533
Free reserves.....	44,060	37,722	35,499
MEMBER BANKS			
Reserve balances.....	1,015,449	992,509	1,008,964
Required reserves.....	956,767	941,271	955,275
Excess reserves.....	58,882	51,238	53,689
Borrowings.....	14,051	16,736	32,776
Free reserves.....	44,831	34,502	20,913

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Dec. 17, 1958	Nov. 19, 1958	Dec. 18, 1957
Total gold certificate reserves.....	\$ 745,628	\$ 751,254	\$763,181
Discounts for member banks.....	15,450	22,600	26,436
Other discounts and advances.....	328	68	286
U. S. Government securities.....	1,026,057	994,971	924,846
Total earning assets.....	1,041,835	1,017,639	951,568
Member bank reserve deposits.....	966,864	973,471	975,910
Federal Reserve notes in actual circulation.....	799,501	773,634	745,483

Earning assets of the Federal Reserve Bank of Dallas rose \$24.2 million between November 19 and December 17, as an increase in Government security holdings more than offset a reduction in discounts and advances. The increase in the Bank's holdings of securities paralleled relatively large System open market purchases to provide reserve funds for seasonal needs. Gold certificate reserves declined moderately during the 4 weeks, but the Dallas Bank's Federal Reserve notes in actual circulation established a record high. On December 17, notes in circulation were 7 percent above the year-earlier level.

NEW MEMBER BANK

The Brooks Field National Bank of San Antonio, San Antonio, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business December 1, 1958, as a member of the Federal Reserve System. The new member bank has capital of \$200,000, surplus of \$200,000, and undivided profits of \$100,000. The officers are: T. R. Heyland, Chairman of the Board; S. F. Ramsey, President; Robt. N. Oman, Vice President and Cashier; and Alton Hays, Assistant Cashier.



During the past month, the Supreme Court of the United States reversed the famous "Memphis Decision" by ruling that, in standard contracts (ones

that do not have a fixed price), a natural gas company may, in conformance with the Federal Power Commission procedure, place a rate increase in effect without the prior consent of its customers. This decision is expected to bring a sharp increase in pipeline construction and a substantially enlarged supply of natural gas which has been held off the market pending the results of this case.

Severe weather in the northern sections of the Nation in December resulted in a large increase in heating oil demand, and further improvement in industrial production stimulated residual fuel oil demand. Total demand for the major refined products rose 13 percent in the 5 weeks ended December 12 and was 5 percent above a year earlier. Surprisingly, gasoline demand declined less than seasonally in this 5-week period and increased 6 percent over a year ago.


The improvement in demand for petroleum products occasioned a corresponding decline in products stocks. Total stocks of the four major refined products on December 12 were down 4 percent from the November level and 5 percent from a year earlier. The imbalances which had developed between distillate and residual fuel oil stocks are being corrected rapidly by the improvements in demand. Probably because of continued strong gasoline demand, inventories of gasoline rose only 1 percent and were 7 percent below a year earlier.

The petroleum industry continued to import crude oil in excess of the levels established by the voluntary quotas. Total crude oil imports in the 5 weeks ended December 12 were 7 percent above the previous period and 9 percent over a year earlier, with most of the increase occurring in crude imports east of California. The total imports picture for the 5 weeks indicates a 6-percent rise from the preceding period and a 19-percent increase over a year ago.

The enlarged supply of foreign crude was more than matched by a further gain in domestic production as crude oil production in the Nation increased 1 percent in early December and District production, at 3,189,000 barrels per day, rose 3 percent. On a year-to-year basis, crude oil production in the District was up 2 percent, but in December 1957 the industry was curtailing out-

put in response to a heavily overinventoried position. District production in January is likely to remain at the December level as the Texas Railroad Commission has continued the 12-day production schedule, and New Mexico and Louisiana also have held allowables steady.

The increase in the total new supply of crude oil and the relative stability of refinery activity resulted in a minor rise in crude stocks to a total of 258,719,000 barrels on December 13. However, at this level, crude stocks were still 7 percent below a year earlier.



Industrial production in Texas advanced in November, with the seasonally adjusted index increasing 2 points to 165. Manufacturing activity resumed its rise, as strikes ended in the automobile industry and primary metals producers and other manufacturers added workers. A less than seasonal increase in crude oil output was the major weakness in industrial production in November. Early reports indicate a fairly large production advance during December, led by renewed strength in the oil situation. However, future gains in factory output will be limited by the layoffs begun in late December by a large Dallas aircraft manufacturer. The layoffs resulted from cancellation of Government contracts for fighter planes and guided missiles.

Nonagricultural employment in the District states, after a strong seasonal rise of 16,500 workers in October, showed a 22,300 increase in November to reach 4,322,000. Gains in trade, manufacturing, and construction accounted for most of this above-normal seasonal increase. Strike settlements were responsible for some of the advance in both manufacturing and construction. On the negative side, labor-manage-

ment disputes continued in a few industries. A new dispute in the air-line industry during late November had a severe impact on some areas of the Southwest; in Houston, air-line traffic was cut by one-third. Unemployment in Texas reflected a contraseasonal decline of 700 from October, and the November total of 167,200 amounted to only 4.6 percent of the labor force.

Construction contract awards in the District states showed a strong contraseasonal increase during October, and the year-to-year margin of gain widened to 49 percent. Residential awards were up a sharp 61 percent from a year ago, and "all other" awards were up 38 percent. While residential contract awards continued to rise, an FHA survey pointed to a further tightening of mortgage credit, with the discount on typical FHA mortgages increasing during October by six-tenths of 1 percent in both the Southwest and the Nation. In November, however, the discount increases slowed to one-tenth of 1 percent in the Southwest and two-tenths of 1 percent in the Nation.

Business and Government spending seemed to be providing new strength to both construction and general business in the region. Among major business expansions recently announced for the District were the plans of a continental railroad to install a \$3 million traffic-control system west of El Paso to connect with a similar \$3.7 million system nearing completion to the east of Tucson. Unclassified Federal contracts awarded in Texas during the third quarter of 1958 totaled over \$94.8 million. The largest single contract amounted to \$8.6 million and was awarded to a Houston oil company for jet fuel.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	November 1958p	October 1958	September 1958	November 1957
TEXAS				
Total industrial production....	165	163	167r	163
Total manufactures.....	194	190	190	191
Durable manufactures.....	216	212	214r	225
Nondurable manufactures....	183	179	179r	175
Minerals.....	137	138	145r	135
UNITED STATES				
Total industrial production....	141	138	137	139
Total manufactures.....	143	140	139	141
Durable manufactures.....	152	145	145	154
Nondurable manufactures....	135	134	133	128
Minerals.....	123	122	122	123

p — Preliminary.

r — Revised.

SOURCES: Board of Governors of the Federal Reserve System, Federal Reserve Bank of Dallas.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Nov. 1958 from	
	November 1958e	October 1958	November 1957r	Oct. 1958	Nov. 1957
Total nonagricultural					
wage and salary workers..	4,322,000	4,299,700	4,344,100	0.5	-0.5
Manufacturing.....	744,000	738,600	778,900	.7	-4.5
Nonmanufacturing.....	3,578,000	3,561,100	3,565,200	.5	.4
Mining.....	236,400	234,900	258,400	.6	-8.5
Construction.....	314,700	308,100	304,400	2.1	3.4
Transportation and public utilities.....	390,600	391,600	407,300	-.3	-4.1
Trade.....	1,145,700	1,135,700	1,148,000	.9	-.2
Finance.....	189,500	190,100	184,100	-.3	2.9
Service.....	531,600	532,400	522,900	-.2	1.7
Government.....	769,500	768,300	740,100	.2	4.0

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

e — Estimated.

r — Revised.

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

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

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts ¹			Demand deposits ¹			
	November 1958	Percentage change from		Annual rate of turnover			
		Oct. 1958	Nov. 1957	Nov. 30, 1958	Nov. 1958	Oct. 1958	Nov. 1957
ARIZONA							
Tucson.....	\$ 180,731	-14	8	\$ 116,146	19.0	22.7	20.0
LOUISIANA							
Monroe.....	68,024	-9	1	49,699	16.7	17.4	15.4
Shreveport.....	272,553	-7	6	181,438	18.2	20.0	16.7
NEW MEXICO							
Roswell.....	33,203	-12	16	30,359	13.2	15.0	12.2
TEXAS							
Abilene.....	82,044	-12	5	62,397	16.0	18.2	16.2
Amarillo.....	191,559	-12	13	119,976	19.1	22.0	19.3
Austin.....	160,463	-18	12	130,411	15.1	19.4	14.4
Beaumont.....	147,561	-2	-2	113,794	16.2	17.3	16.0
Corpus Christi.....	172,280	-8	-4	117,072	17.6	19.3	19.0
Corsicana.....	17,191	-15	16	22,167	9.2	10.9	8.3
Dallas.....	2,285,451	-5	8	1,139,887	24.4	26.0	25.4
El Paso.....	314,638	-2	10	168,226	23.2	24.6	24.2
Fort Worth.....	677,044	-12	7	378,045	21.7	24.8	21.0
Galveston.....	83,164	-12	-16	65,952	15.4	17.8	17.4
Houston.....	2,133,990	-12	-3	1,269,341	20.8	24.2	21.8
Laredo.....	24,144	-8	-7	22,173	13.1	14.3	15.5
Lubbock.....	212,471	6	20	114,554	22.9	22.7	21.7
Port Arthur.....	61,203	-7	-11	45,951	16.0	17.2	17.9
San Angelo.....	47,474	-17	7	42,720	13.3	16.0	13.0
San Antonio.....	508,319	-10	3	390,325	15.6	17.2	17.2
Texarkana ²	19,628	-8	4	16,729	14.2	15.1	14.0
Tyler.....	80,943	-6	7	61,169	16.0	17.0	15.0
Waco.....	95,411	-8	4	69,944	16.4	18.4	17.0
Wichita Falls.....	101,161	-14	7	110,026	11.2	13.1	11.0
Total—24 cities.....	\$7,970,650	-9	4	\$4,838,501	20.0	22.4	20.5

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.

² These figures include only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including one bank located in the Eighth District, amounted to \$42,244,000 for the month of November 1958.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1956: November.....	\$7,587	\$3,668	\$3,919	\$1,392	\$ 762	\$630
1957: November.....	7,327	3,524	3,803	1,644	879	765
1958: July.....	7,539	3,760	3,779	2,077	1,141	936
August.....	7,612	3,799	3,813	2,105	1,160	945
September.....	7,641	3,792	3,849	2,114	1,166	948
October.....	7,615	3,744	3,871	2,106	1,149	957
November.....	7,828	3,832	3,996	2,090	1,131	959

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	Change from				
	November 1958 ¹	October 1958 ¹	November 1957 ²	October 1958	November 1957
ELEVENTH DISTRICT.....	3,107.8	3,062.2	3,093.9	45.6	13.9
Texas.....	2,742.1	2,694.5	2,728.2	47.6	13.9
Gulf Coast.....	518.1	499.5	529.0	18.6	-10.9
West Texas.....	1,216.1	1,171.8	1,166.3	44.3	49.8
East Texas (proper).....	151.4	149.9	171.0	1.5	-19.6
Panhandle.....	102.0	107.7	107.9	-5.7	-5.9
Rest of State.....	754.4	765.5	754.0	-11.1	-4.4
Southeastern New Mexico.....	252.0	255.4	256.4	-3.4	-4.4
Northern Louisiana.....	113.8	112.4	109.3	1.4	4.5
OUTSIDE ELEVENTH DISTRICT.....	3,880.2	3,847.9	3,730.1	32.3	150.1
UNITED STATES.....	6,988.0	6,910.2	6,824.0	77.8	164.0

SOURCES: ¹ Estimated from American Petroleum Institute weekly reports.

² United States Bureau of Mines.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Nov. 26, 1958	Oct. 29, 1958	Nov. 27, 1957
ASSETS			
Loans and discounts.....	\$ 4,441	\$ 4,358	\$4,052
United States Government obligations.....	2,795	2,698	2,375
Other securities.....	804	782	692
Reserves with Federal Reserve Bank.....	1,032	975	995
Cash in vault ^a	139	165	135
Balances with banks in the United States.....	1,080	1,045	1,005
Balances with banks in foreign countries ^a	3	2	2
Cash items in process of collection.....	507	451	464
Other assets ^a	286	264	251
TOTAL ASSETS^a.....	11,087	10,740	9,971
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,133	1,151	1,033
Other demand deposits.....	6,874	6,480	6,322
Time deposits.....	2,076	2,097	1,648
Total deposits.....	10,083	9,728	9,003
Borrowings ^a	17	42	48
Other liabilities ^a	124	110	117
Total capital accounts ^a	863	860	803
TOTAL LIABILITIES AND CAPITAL^a.....	11,087	10,740	9,971

^a — Estimated.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percentage change		
	Nov. 1958	11 mos. 1958	Nov. 1958	11 mos. 1958	Nov. 1958 from		11 mos. 1958 comp. with
	1958	1958	1958	1958	1958	1957	11 mos. 1957
ARIZONA							
Tucson.....	327	4,633	\$ 934	\$ 14,011	20	60	-24
LOUISIANA							
Shreveport.....	345	5,422	2,171	29,083	-2	65	29
TEXAS							
Abilene.....	207	1,918	1,894	20,148	-8	54	47
Amarillo.....	203	2,890	1,402	25,022	-34	-31	3
Austin.....	256	2,874	4,213	44,471	17	34	6
Beaumont.....	343	3,986	965	18,747	-42	-20	12
Corpus Christi.....	101	2,338	1,180	21,070	-7	43	42
Dallas.....	1,642	21,915	11,501	143,359	0	-9	8
El Paso.....	531	7,082	4,700	60,523	-23	44	86
Fort Worth.....	636	7,486	4,110	50,151	-29	-31	-8
Galveston.....	98	1,307	657	3,894	75	93	-3
Houston.....	1,097	14,391	19,495	214,620	-3	94	6
Lubbock.....	273	3,235	4,296	39,620	12	196	40
Port Arthur.....	170	1,997	736	9,945	-9	52	84
San Antonio.....	1,055	15,799	4,626	56,174	3	23	18
Waco.....	164	2,377	626	13,711	-27	-15	0
Wichita Falls.....	113	1,639	779	8,757	-63	-28	-28
Total—17 cities.....	7,561	101,289	\$64,285	\$773,306	-8	29	13

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	October 1958	September 1958	October 1957	January—October	
	1958	1958	1957	1958	1957
FIVE SOUTHWESTERN STATES¹.....	\$ 363,500	\$ 317,413	\$ 244,369	\$ 3,450,752	\$ 2,927,444
Residential.....	182,028	156,955	112,950	1,442,746	1,129,316
All other.....	181,472	160,458	131,419	2,008,006	1,798,128
UNITED STATES.....	3,308,024	3,215,919	2,613,791	30,279,846	27,820,371
Residential.....	1,594,041	1,460,270	1,165,380	12,534,797	11,350,438
All other.....	1,713,983	1,755,649	1,448,411	17,745,049	16,469,933

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

SOURCE: F. W. Dodge Corporation.