



BUSINESS REVIEW

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GROWTH IN SOUTHWESTERN BANKING

Developments in Eleventh District banking conditions during 1958 reflected the impact of a central banking policy of monetary and credit ease, as well as the generally favorable business conditions that prevailed in the Southwest. To a large extent, the nationwide 1957-58 recession was concentrated in the durable goods industries, and its effect upon the southwestern economy was comparatively mild. Although the petroleum industry underwent severe adjustment, which also affected the industry's suppliers, agricultural and construction activities were at record levels. Consequently, District loan demand held up well throughout the recession. Contractive influences on bank assets and deposits, which developed in other sections of the country as a result of substantial loan liquidation, were not as noticeable in the Southwest's banking picture.

Monetary and credit ease, while initiated in the latter part of 1957, was continued with force throughout the first half of 1958. Subsequently, from August to December, the policy of ease was moderated. As a result of three reductions in discount rates and in reserve requirements, together with System purchases of Government securities during the first 6 months of the year, pressures on bank reserve positions were removed, and reserve funds were provided to support expansion of bank credit. The shift in credit policy from restraint to ease was designed to promote monetary growth and to cushion the impact of economic recession. The influence of the System's easing actions was immediately reflected

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

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in a progressive easing of the reserve positions of member banks in the Eleventh District and, also, in the rapid growth of loans and investments which accompanied the elimination of reserve pressures.

Bank asset and deposit expansion in the District paralleled the national trend, but the lesser impact of the 1957-58 recession on southwestern business and industry is indicated by the more rapid growth of banking aggregates in the Eleventh District. Loans and investments at the District's member banks advanced 12 percent in 1958, compared with a gain of slightly less than 9 percent for all commercial banks in the country. Similarly, total deposits at the District banks rose 10 percent during the year, while the gain at all commercial banks in the Nation was 6 percent.

Loan Demand

Loan demand in the Southwest was active throughout 1958. Although the volume of loan applications probably declined moderately from the peak levels reached in 1956 and 1957, total loans at member banks in the District rose consistently throughout the year. Continued loan growth in the face of a slight moderation in loan demand reflected a shift from the more selective lending operations adopted during the previous years of credit restraint. Loan expansion was particularly sharp during the final quarter of 1958, when the extraseasonal increase exceeded the combined gains in the preceding 9 months.

Gross loans of District member banks rose \$463 million, or 11 percent. This gain, the largest since 1955, compares with an increase of only \$151 million during 1957. Business loans were especially strong during the year, accounting for one-half of the total loan increase. Virtually all of this growth was concentrated at weekly reporting member banks in leading cities, where nearly all types of businesses expanded their borrowings. Of the various classes of business loans, petroleum loans showed the largest gain. Growth in these loans accelerated after midyear as petroleum production rose to higher levels, refinery runs increased, and drilling activity improved. Increased lending to construction companies also buoyed business loan accounts. This expansion, which occurred mostly in the last half of the year, reflected the record level of building activity. Other groups of business borrowers whose use of credit rose significantly were commodity dealers, sales finance companies, and trade establishments.

In contrast with 1957, when District banks increased their real-estate loans by only a small amount, 1958 witnessed a gain of \$50 million, or almost 13 percent. This gain was influenced not only by the sustained demand for real-estate loans but also by the development of easier reserve positions and the rapid advance in time deposits. As reserve positions tightened and time deposits began to decline in the final quarter of the year, real-estate loans also declined.

Agricultural loans at the District's member banks also rose substantially, the 1958 gain being \$96 million. This 29-percent rise contrasted with a 2-percent advance in 1957. Most of the 1958 increase was in the form of larger holdings of Commodity Credit Corporation certificates of interest. In addition to the influence of bumper crops during the year, the expansion in holdings of CCC certificates of interest also reflected the willingness of banks to add these instruments to their loan accounts as a secondary reserve.

Member banks in the District during 1958 increased their loans to securities brokers and dealers by \$23 million and added \$25 million in loans to others for purchasing and carrying securities. The combined increase of \$48 million compares with a \$3 million decline in 1957. Of all the major loan categories, only loans to individuals showed smaller growth in 1958 than in the preceding year. Primarily as a result of reduced consumer purchases of durable goods, consumer loans expanded only \$23 million, or less than one-third of the 1957 gain.

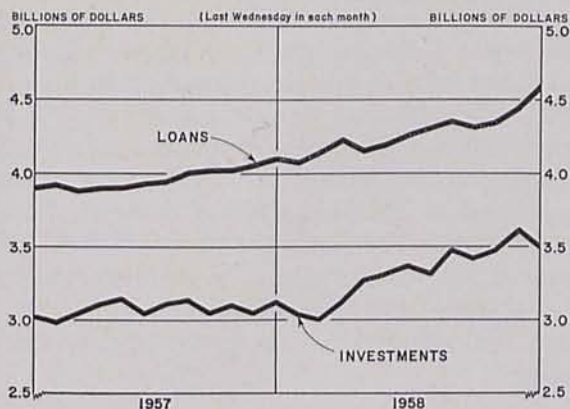
Investments

Investment holdings at member banks in the District rose steadily throughout 1958, with the annual increase amounting to \$445 million. This increase of 14 percent represented the largest gain since 1945 and, to a large extent, reflected bank utilization of proceeds from the deposit expansion promoted by reductions in reserve requirements and System open market operations in the first half of 1958. The process of investment expansion was facilitated during the year by intermittent Treasury offerings of obligations having maturities attractive to commercial banks. Reflecting their comfortable reserve positions during most of the year, banks were relatively heavy subscribers to Treasury offerings for which payment by credit to Tax and Loan Accounts was allowed.

In expanding their investment accounts, the member banks placed emphasis upon securities in the interme-

MEMBER BANK LOANS AND INVESTMENTS

ELEVENTH FEDERAL RESERVE DISTRICT



diate- and long-term ranges. Thus, the largest gains were recorded in holdings of Government bonds. Holdings of Treasury notes and certificates of indebtedness also rose, but Treasury bill holdings declined moderately. Of the total increase in holdings of Government securities, almost two-thirds represented obligations having maturities of beyond 5 years.

Deposits

Influenced mainly by a national credit policy of ease during the first half of 1958 and by improving business conditions in the second half of the year, deposits at member banks in the District advanced steadily. The

spread between the 1957 and 1958 monthly averages of deposits gradually widened as the year progressed. By November, deposits were averaging more than 10 percent above the comparable averages in 1957. The annual increase in deposits, also 10 percent, represented the largest gain since 1945. Demand balances expanded \$542 million, or 7 percent, during the year, while time deposits increased \$417 million. In terms of relative growth, however, the 25-percent rise in time deposits was considerably larger than the percentage growth in demand accounts.

Time deposit growth was concentrated in the first half of the year, when rates on short-term investments were at cyclical lows. Later, as market rates firmed, time deposit gains at the larger banks in the District slowed and eventually began a downward movement which extended throughout the fourth quarter of the year.

Earnings and Expenses

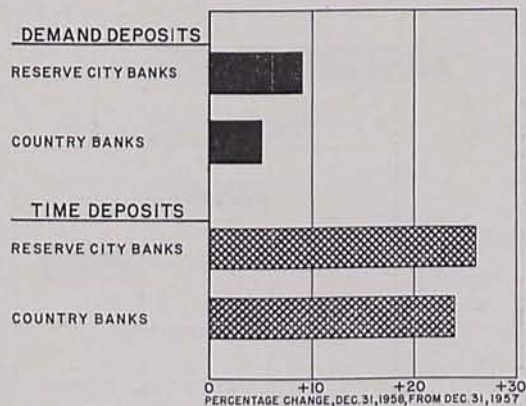
Interest income on both loans and investments at member banks in the District rose to higher levels in 1958. Interest and dividends on investments increased 6 percent as larger investment holdings more than offset a decline in the average rate of return, and interest and discounts on loans increased 8 percent. These gains — coupled with larger current earnings from service charges, trust operations, and other sources — produced an 8-percent advance in current operating earnings to a level of \$377 million.

The 1958 increase in current operating earnings was accompanied by a general expansion in operating expenses, which rose 11 percent during the year. The expansion in operating expenses was heavily weighted by a 31-percent advance in the amount of interest paid on time deposits. Except for the cost of interest on borrowed funds, all categories of operating expenses also showed gains in 1958. Expenses for officers' salaries rose 7 percent, and expenses of employees' wages and salaries increased 4 percent. Notwithstanding the higher percentage growth of expenses, the larger absolute increase in current earnings — together with recoveries on loans, profits from securities transactions, and other sources — resulted in a 13-percent rise in bank profits. For the entire year, net profits after income taxes amounted to \$76 million, of which 45 percent was paid out in cash dividends.

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DEMAND AND TIME DEPOSITS

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



PETROLEUM — A YEAR OF ADJUSTMENT

The petroleum industry and its related suppliers underwent a major readjustment during 1958, as a complex of internal and international forces converged to hold total demand at about the year-earlier level and to reduce domestic oil operations. Early in the year, the heavy accumulation of inventories, originating from the slow adjustment of crude oil production after the termination of the Suez crisis, merged with the curtailed demand stemming from the economic recession and a high level of imports to cause a sharp cutback in crude oil production. For nearly 6 months, domestic production was steadily lowered so that current demand was being met, in part, by inventory liquidation. Prices of crude oil and refined products were under heavy pressure, and although there was no major break in the basic crude price, some downward movement occurred. Under these conditions, drilling activity slowed markedly, and refinery runs also were reduced.

By midsummer, the corrective actions of the industry had been sufficiently effective to allow a small improvement in production and refining. Gains in demand for refined products slowly strengthened with the broadly based industrial recovery; although imports of refined products rose sharply, the over-all improvement still left room for moderate expansion in domestic operations. In the final quarter of the year, an extraseasonal rise in demand for home heating oil, caused by severely cold weather, and further gains in industrial production reinforced the improvements in the petroleum industry and encouraged a large increase in drilling activity. Year-end demand, production, and refining were above the late-1957 levels, while stocks were markedly lower.

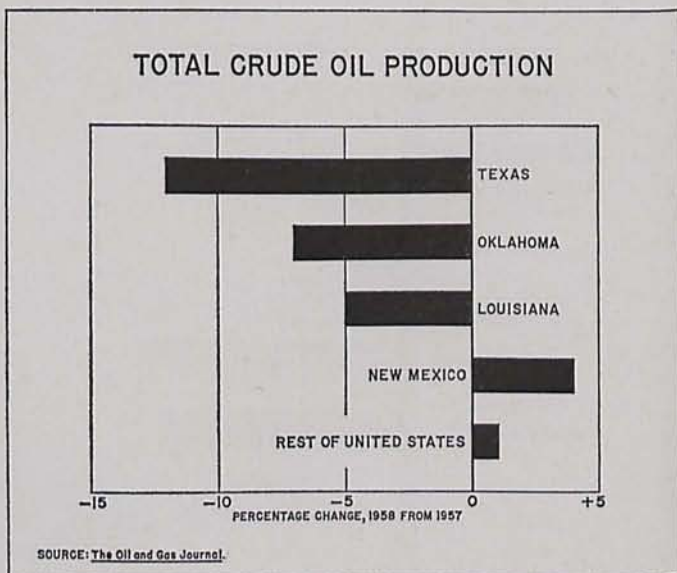
The oil-producing states in the Eleventh District experienced the sharpest impact of the petroleum industry's adjustment and again demonstrated their strategic position as the balance wheel for the entire industry. Total District drilling activity fell to a level of 21,359 well completions, or 14 percent under 1957, compared with a national decline of 9 percent. Wildcat completions were down 24 percent in the District, while development drilling declined only 11 percent. Oil well completions decreased at a much faster rate than gas well completions in both the District and the Nation. The wildcat success ratio for the District dropped to 19 percent from 22 percent in 1957. Drilling activity was centered in the west Texas and Four Corners areas of the District states, but offshore drilling was curtailed

sharply. Drilling might have been reduced further if some leases had not been near expiration dates, thereby encouraging activity merely to hold the leases.

The impact of this decline in drilling activity was reflected in the sales of industrial suppliers to the oil industry. Drilling rigs, cement, drilling muds, drill pipe, and many other products were in reduced demand. Similarly, most of the service firms, exploration concerns, and geophysical companies found domestic business sharply curtailed. These declines were reflected, in turn, to many small subcontractors. In addition, the lower level of drilling activity reduced lease payments and lessened the potential rise in royalty and production payments.

It is estimated that proved recoverable reserves of crude oil in the District states increased less than 200 million barrels in 1958, and such reserves in Texas fell almost 375 million barrels. Proved reserves of crude oil rose in Oklahoma, New Mexico, and Louisiana, with this State gaining 396 million barrels. Thus, Texas crude oil reserves declined, while Louisiana reserves more than made up the loss and supplied the main impetus to the slight gains in both District and national reserves.

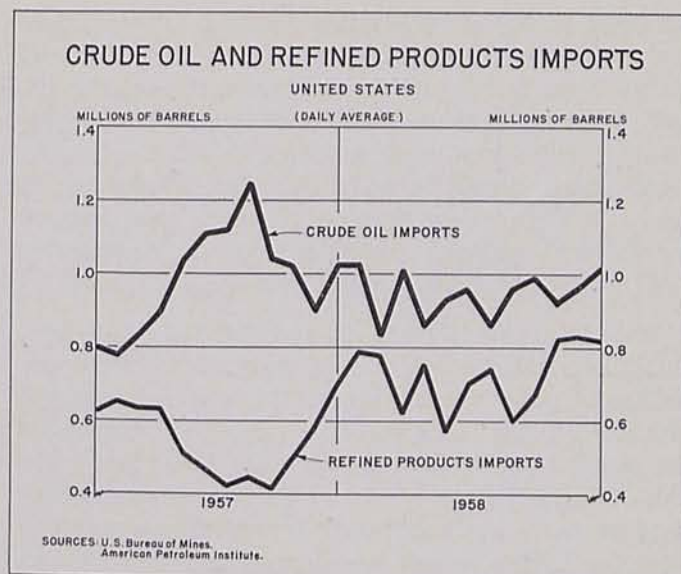
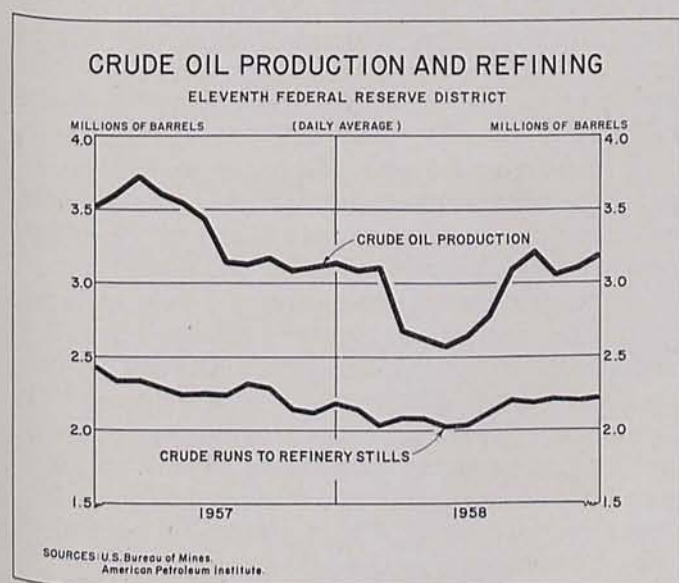
Domestic production adjustments were also handled principally in the District, where crude oil output was down to an average of 2,937,000 barrels per day, or 12 percent below 1957 — contrasted with a nationwide decline of 7 percent. Early in the year, when production comparisons were measured against the record



levels of early 1957, year-to-year decreases in District production were as high as 28 percent; but by September and for the remainder of the year, there was a slight margin of gain over 1957. Among the District states, crude oil output showed declines ranging from 5 to 12 percent in Louisiana, Oklahoma, and Texas; New Mexico production increased moderately. Other than an 8-percent loss in California production, crude oil output in the rest of the United States rose during 1958. The number of producing days in Texas was cut back to 122 in 1958, reflecting a decline for the third consecutive year and contrasting with a total of 171 in 1957 and 276 in 1951. During April, May, and June, Texas producing days were reduced to 8, a record low, but by December, allowables were scheduled on a 12-day basis.

Crude oil imports during 1958 averaged 953,000 barrels per day, or 44,000 barrels daily lower than in 1957. However, in the latter part of the year, such imports exceeded the level set for the voluntary imports quotas, and total crude oil imports for 1958 accounted for a rising share of the domestic market. Throughout the year, the voluntary imports quota arrangement was under criticism from groups that wanted more stringent controls and companies which were dissatisfied with their quotas. For some time, the authorities have been trying to work out a satisfactory plan to curtail imports, but no announcement has been made of either the main features of the plan or its date of implementation.

Crude runs to refinery stills in the District, averaging 2,133,000 barrels per day, were 6 percent under 1957;



in the Nation, crude runs were down 4 percent. Refinery activity approximated the pattern for production, with a large year-to-year margin of decline early in 1958 being followed by a steady narrowing until October, when a gain was registered. Although new refinery construction was lower than in 1957, there were a number of modernizations and expansions at District refineries in 1958. Many of these capital expenditure programs were developed to increase facilities for producing raw stock materials for the chemical industry. Moreover, some of the larger oil companies with subsidiary chemical concerns made substantial investments in new chemical plants and equipment.

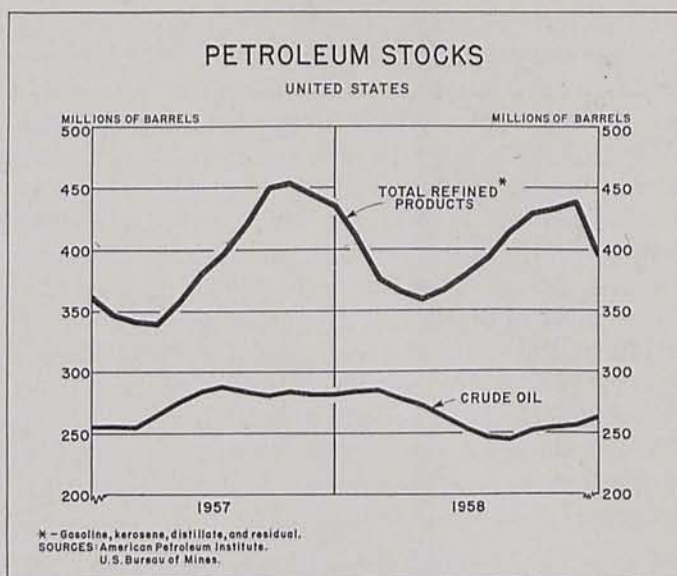
Augmenting the domestic supply, imports of refined products rose from 548,000 barrels per day in 1957 to 724,000 barrels daily in 1958. An especially strong increase in such imports occurred in the final quarter of the year, when average imports were 38 percent above the closing 3 months of 1957. Total imports of crude oil and refined products averaged nearly 9 percent above the 1957 level, while domestic crude oil production was cut back 7 percent and refinery activity was reduced 4 percent.

The major factor which enabled the industry to reduce inventories in the first half of the year and then expand production in the final 6 months was the continued high level of demand. Total demand for the four major refined products averaged 7,352,000 barrels per day in 1958, representing an increase of 64,000 barrels daily over 1957. Among the different types of products, kerosene and distillate demands were

strongest, followed by gasoline demand. Only residual fuel oil requirements were lower than in 1957. Demand for gasoline was fairly well sustained throughout the year; however, demand for each of the other major refined products was uneven, with residual fuel oil demand down sharply in early 1958 but up strongly in the last half of the year. As a consequence, total demand for the four products was slightly below the comparable 1957 level through August but then spurted ahead.

With total supply curtailed and demand up slightly, stocks of crude oil and refined products were sharply reduced. Crude oil stocks started the year with a margin of about 28 million barrels over early 1957 but ended the year 19 million barrels below the December 1957 level. Similarly, total stocks of the four major refined products were cut back severely and at the year end were 36 million barrels less than at the same time in 1957. Among the major products stocks, distillate fuel oil and gasoline were substantially under the year-earlier levels, kerosene stocks were down slightly, and residual fuel oil stocks were still somewhat above a year ago.

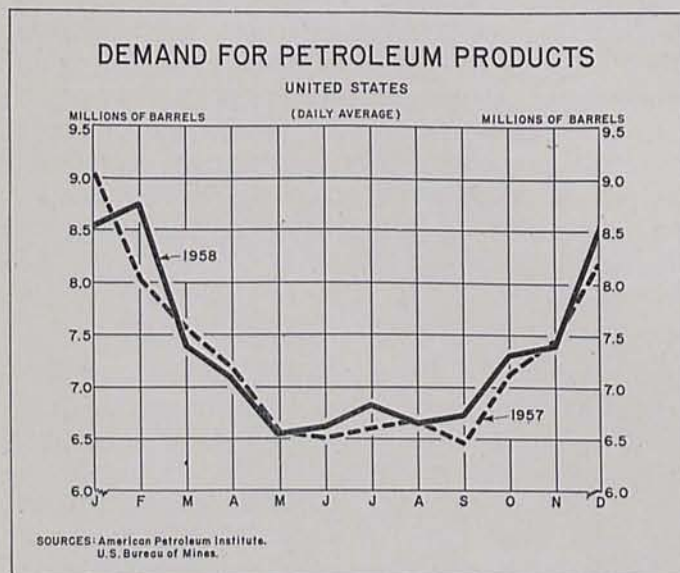
In addition to the problems of a slower gain in demand, rising imports, and reduced production, the industry faced a rash of price cuts on crude oil and refined products. Both early and late in the year, crude oil prices were under heavy pressure, and the downward moves offset most of the general crude price rise of early 1957. However, the price reductions were selective, and west Texas sour crude showed some of the sharpest cuts. Throughout the spring and summer, gasoline price



wars were particularly noticeable. Furthermore, there was increased market competition.

By early 1959, the petroleum industry was in a substantially improved position from a year ago. Stocks of refined products were in good balance, and crude oil stocks did not appear to be excessive, especially in view of the strong demand for fuel oil stemming from severely cold weather. In addition, with industrial production continuing upward, residual fuel oil demand has strengthened. Perhaps more importantly, the regulatory agencies have exercised restraint in advancing allowables.

Despite the improvements, the petroleum industry faces a number of important problems in early 1959. Imports have continued upward, especially refined products. With crude production much above last summer's level, crude oil stocks accumulated markedly during the past 6 months and, unless watched carefully, could become burdensome. Moreover, gasoline inventories have been accumulating at a more than seasonal pace as refiners attempt to keep ahead of the exceptionally strong demand for heating oil. Wages at most major refineries have been increased 5 percent; however, in early February, at least one refinery was strike-bound, causing a sharp curtailment in demand for certain District crude. The current year also opened with a new round of crude price cuts, and although prices of some refined products were raised slightly, gasoline price wars have erupted again. Nevertheless, with a prospective increase of 4 to 5 percent in demand in 1959, the industry is moderately optimistic.



BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



During January, substantial gains in durable goods sales and continuing strength in soft goods sales caused a year-to-year increase of 8 percent in

Eleventh District department store sales. Data for individual metropolitan areas indicate that the improvement in sales was uniform throughout the District. Total new car registrations in the District's four largest metropolitan areas during January were above both the year-earlier and the month-earlier levels.

Improved moisture conditions boosted agricultural prospects over a wide section of the District, although rain is needed in western areas. Output of winter vegetables for fresh market may be one-third below that of last year. Livestock remain in fairly good condition, and forage supplies are increasing seasonally. The numbers of all cattle and calves, stock sheep, hogs, chickens, and turkeys as of January 1 were larger than a year ago.

In response to seasonal influences, nonfarm employment in the District states declined, and Texas unemployment rose during January. Industrial pro-

duction in Texas was seasonally constant in January, as strong gains throughout most industries offset weakness in crude oil production and layoffs at aircraft plants.

Construction contracts awarded in the District states during 1958 reached a record value and were 15 percent higher than in 1957. In December, contracts reflected a year-to-year decline, caused by a sharply reduced volume of nonresidential awards.

Refinery operations continued at a high level in January and early February to satisfy the rising demand for petroleum products. Substantial imports of refined products added to supply. Crude oil prices drifted lower in the western portion of the Eleventh District.

Business loans and consumer loans showed increased strength in the 4 weeks ended February 18, but other types of loans continued to decline. The District's weekly reporting member banks gained time deposits during the 4-week period, but demand balances decreased modestly. Reserve positions of reserve city banks in the District tightened in January, but free reserves of country banks rose.



Despite the rather poor shopping weather, Eleventh District department store trade during January maintained its extra-seasonal strength and featured

a continued gain in durable goods sales. Announcements of new store openings and projected construction were quite noticeable during both January and early February. New department stores are to be opened in Austin, Dallas, Fort Worth, and Houston, with expansions of existing stores in these same cities and many others throughout the District.

Department store sales in the District during January declined less than seasonally from December and were 8 percent above sales in January 1958. The seasonally adjusted sales index rose to 168 percent of the

1947-49 average, compared with 160 in December and 155 in January a year ago. In early February, sales continued above the 1958 pace, and for the first 6 weeks of 1959, cumulative sales were 9 percent above the declining sales volume in the comparable period last year.

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
1958: January.....	123r	155r	148r	169r
November.....	190	166	190	172
December.....	277	160	152	163
1959: January.....	133	168	147p	167p

r — Revised.
p — Preliminary.

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	January 1959 from	
	December 1958	January 1958
FURNITURE STORES		
Total Eleventh District.....	-35	-3
Amarillo.....	2	29
Austin.....	-22	15
Dallas.....	-27	15
Houston.....	-32	-20
Lubbock.....	54	36
San Antonio.....	-55	-11
Shreveport, La.....	-40	3
Wichita Falls.....	8	21
Other cities.....	-40	-6
HOUSEHOLD APPLIANCE STORES		
Total Eleventh District.....	-35	17
Dallas.....	-37	18

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES		STOCKS (End of month)	
	January 1959 from		January 1959 from	
	December 1958	January 1958	December 1958	January 1958
Total Eleventh District.....	-52	8	-3	-1
Corpus Christi.....	-59	7	-5	-2
Dallas.....	-51	6	0	0
El Paso.....	-51	9	1	3
Fort Worth.....	-56	6	-5	-5
Houston.....	-52	9	-5	-3
San Antonio.....	-47	11	-5	0
Shreveport, La.....	-49	8	9	3
Waco.....	-55	7	-6	-5
Other cities.....	-54	8	-5	1

Incomplete data on sales in the various departments indicate that sales of durable goods contributed substantially to over-all sales strength in January. According to these preliminary reports, there were year-to-year gains of 3 percent and 19 percent, respectively, in sales of major household appliances and radios, phonographs, and television sets; and the total for all home-furnishings lines was up 6 percent. In addition, sales of soft goods continued to show favorable year-to-year comparisons, with sales of women's and misses' coats, suits, and dresses up 11 percent and sales of men's clothing up 9 percent.

Inventories on hand at the District's department stores at the end of January remained 1 percent below the year-earlier level and were 3 percent lower than at the end of December. From incomplete data, it appears that orders outstanding, bolstered by a more than seasonal increase in new orders placed during the month, were up about 10 percent from a year ago, continuing the rise which began last fall.

New car registrations in January were 3 percent greater than in December and 9 percent higher than in January 1958 in the four largest metropolitan areas in

the District. Year-to-year comparisons in the individual areas varied over a wide range. In San Antonio, registrations during January rose 43 percent over a year ago, while Fort Worth and Dallas registrations gained 13 percent and 8 percent, respectively. The Houston area, with a 2-percent decline, was the only one of the four showing a decrease from January last year.



Moisture conditions were sharply improved over a wide portion of the District during February as a result of rain, sleet, and snow. The heaviest precipitation was received from the Low Rolling Plains and the Edwards Plateau region of Texas eastward into Louisiana. In some early sections, such as the Lower Valley and Coastal Bend of Texas, wet soils are delaying seeding of crops. Surface moisture supplies remain inadequate in northwestern wheat areas, and general rains would be extremely helpful. In these same areas, several days of warmer weather have encouraged development of roots and top growth of wheat. Just a few days of mild weather will provide lush pasturage in irrigated sections. From the Blacklands eastward, small grains have responded quickly to improved moisture conditions, and prospects are more encouraging than a few weeks earlier.

HARVESTED ACREAGE OF PRINCIPAL CROPS

Five Southwestern States

(In thousands of acres)

Area	1958	1957	1956	Average 1947-56
Arizona.....	1,220	1,132	1,138	1,103
Louisiana.....	2,422	2,529	2,685	3,062
New Mexico.....	1,121	1,064	1,116	1,432
Oklahoma.....	9,289	8,680	9,400	11,086
Texas.....	24,299	23,787	21,376	25,380
Total.....	38,351	37,192	35,715	42,063

SOURCE: United States Department of Agriculture.

In most commercial vegetable areas, progress has been slow as a result of wet weather, particularly in south Texas. Field work has been interrupted, and the cool, damp weather has been generally unfavorable for most crops. Some south Texas onion growers are having difficulty in curing onions for shipping. Production of winter vegetables in Texas for fresh market is estimated, as of February 1, to be 32 percent below last year and 30 percent below the 1949-57 average.

Livestock are in good condition and, in most sections, have come through the winter with very little loss of weight. As of February 1, range feed conditions

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

Texas, Five Southwestern States, and United States

(In thousands)

	Texas		Five southwestern states ¹		United States	
	1959	1958	1959	1958	1959	1958
Cattle.....	8,510	7,736	15,764	14,576	96,851	93,350
Milk cattle....	1,108	1,177	2,352	2,456	32,826	33,413
Beef cattle....	7,402	6,559	13,412	12,120	64,025	59,937
Sheep.....	5,355	4,891	7,465	6,891	32,644	31,337
Stock sheep...	5,170	4,700	7,159	6,591	28,364	27,327
Feeders.....	185	191	306	300	4,280	4,010
Hogs.....	1,226	908	2,132	1,705	57,201	50,980
Horses and mules.	232	242	527	557	3,079	3,354
Chickens ²	17,196	15,050	27,567	24,995	383,257	370,884
Turkeys.....	515	397	648	539	5,861	5,542

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

² Does not include commercial broilers.

SOURCE: United States Department of Agriculture.

in most of the District states were slightly below those at this time a year ago.

The number of all cattle and calves on farms and ranches in the District states as of January 1, 1959, totaled 15,764,000, or 8 percent more than on the same date a year earlier. An 11-percent increase in the number of beef cattle more than offset a 4-percent decline in milk cattle numbers. In the Nation, cattle numbers rose 4 percent to total 96,851,000, or just slightly above the previous record number on hand on January 1, 1956.

Changes in loan, investment, and deposit accounts at weekly reporting member banks in the District were comparatively small during the 4 weeks ended Febru-

ary 18. Loan liquidation of \$7 million, heavily weighted by a \$17 million reduction in interbank loans, was somewhat less than seasonal. Real-estate loans and agricultural loans continued the downward movements which had developed in earlier weeks, and securities loans also declined.

However, business loans and consumer-type loans registered notable gains. Continued strength in business loan demand is indicated by the \$19 million increase recorded for these loans in the 4 weeks ended February 18. In the corresponding period a year ago, \$5 million of business loans was liquidated. In the residual loan category reflecting predominantly consumer loans, the \$11 million gain was almost three times the rise in the comparable period of 1958.

Investment liquidation of \$14 million occurred in the 4 weeks, despite a net increase of \$41 million in Treas-

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 18, 1959	Jan. 21, 1959	Feb. 19, 1958
ASSETS			
Commercial and industrial loans.....	\$1,671,694	\$1,652,957	\$1,477,660
Agricultural loans.....	38,375	46,252	26,647
Loans to brokers and dealers in securities.....	21,802	22,887	16,473
Other loans for purchasing or carrying securities.....	178,702	185,474	167,577
Real-estate loans.....	217,882	221,029	199,828
Loans to banks.....	13,030	30,431	18,150
All other loans.....	661,501	650,654	639,952
Gross loans.....	2,802,986	2,809,684	2,546,287
Less reserves and unallocated charge-offs..	48,936	49,167	44,811
Net loans.....	2,754,050	2,760,517	2,501,476
U. S. Treasury bills.....	117,680	76,919	62,167
U. S. Treasury certificates of indebtedness.....	129,273	145,480	65,427
U. S. Treasury notes.....	264,972	327,312	189,880
U. S. Government bonds (inc. gtd. obligations)...	914,734	904,341	823,258
Other securities.....	345,979	332,684	268,923
Total investments.....	1,772,638	1,786,736	1,409,655
Cash items in process of collection.....	486,330	491,840	380,396
Balances with banks in the United States.....	504,827	461,617	513,733
Balances with banks in foreign countries.....	1,734	1,883	1,429
Currency and coin.....	47,755	49,458	47,880
Reserves with Federal Reserve Bank.....	587,110	577,077	564,972
Other assets.....	185,106	200,029	187,299
TOTAL ASSETS.....	6,339,550	6,329,157	5,606,840
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,890,952	3,005,308	2,734,021
United States Government.....	147,987	98,294	62,437
States and political subdivisions.....	244,909	216,421	181,632
Banks in the United States.....	948,985	1,002,286	893,524
Banks in foreign countries.....	14,914	17,379	17,114
Certified and officers' checks, etc.....	149,156	65,289	57,877
Total demand deposits.....	4,396,903	4,404,977	3,946,605
Time deposits			
Individuals, partnerships, and corporations....	1,087,271	1,074,863	847,739
United States Government.....	7,130	7,130	12,125
Postal savings.....	421	421	421
States and political subdivisions.....	186,932	179,024	202,637
Banks in the U. S. and foreign countries.....	6,871	6,870	6,438
Total time deposits.....	1,288,625	1,268,308	1,069,360
Total deposits.....	4,785,528	5,673,285	5,015,965
Bills payable, rediscounts, etc.....	41,700	46,500	11,891
All other liabilities.....	90,517	94,539	100,845
Total capital accounts.....	521,805	514,833	478,139
TOTAL LIABILITIES AND CAPITAL.....	6,339,550	6,329,157	5,606,840

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	January 1959	December 1958	January 1958
RESERVE CITY BANKS			
Reserve balances.....	\$ 567,572	\$ 569,078	\$ 565,692
Required reserves.....	559,600	561,149	553,549
Excess reserves.....	7,972	7,929	12,143
Borrowings.....	28,765	8,387	10,487
Free reserves.....	-20,793	-458	1,656
COUNTRY BANKS			
Reserve balances.....	465,734	456,265	468,679
Required reserves.....	416,695	408,674	419,081
Excess reserves.....	49,039	47,591	49,598
Borrowings.....	2,020	3,180	2,097
Free reserves.....	47,019	44,411	47,501
MEMBER BANKS			
Reserve balances.....	1,033,306	1,025,343	1,034,371
Required reserves.....	976,295	969,823	972,630
Excess reserves.....	57,011	55,520	61,741
Borrowings.....	30,785	11,567	12,584
Free reserves.....	26,226	43,953	49,157

ury bill holdings. The increase in bill holdings reflected largely bank acquisitions of a special issue of 217-day Tax Anticipation bills dated February 16. Weekly reporting member banks also expanded their holdings of Government bonds and non-Government investments, but net liquidation of Treasury notes and certificates of indebtedness more than offset these gains.

Deposits rose modestly during the 4-week period, reflecting primarily a \$20 million increase in time accounts. This increase in time balances reverses the declining pattern of late 1958 and early 1959. In the demand deposit categories, personal and business accounts decreased substantially, but advances in other classes of deposits almost erased the decline.

The reserve positions of country banks in the District eased slightly in January. As these banks gained reserve funds, they reduced their borrowings from the Federal Reserve Bank and made a small addition to their excess reserve balances. At reserve city banks, however, reserve positions tightened appreciably during January.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 18, 1959	Jan. 21, 1959	Feb. 19, 1958
Total gold certificate reserves.....	\$ 783,026	\$ 741,224	\$798,685
Discounts for member banks.....	11,041	27,691	1,350
Other discounts and advances.....	952	952	0
U. S. Government securities.....	997,686	1,000,122	915,313
Total earning assets.....	1,009,679	1,028,765	916,663
Member bank reserve deposits.....	1,004,943	997,076	975,283
Federal Reserve notes in actual circulation.....	777,270	783,224	717,508

Primarily as a result of reductions in discounts for member banks, earning assets of the Federal Reserve Bank of Dallas declined \$19 million during the 4 weeks ended February 18. Holdings of Government securities also decreased, reflecting net System sales during the period. The Bank's Federal Reserve notes in actual circulation showed a 4-week decline of \$6 million, but the amount in circulation on February 18 was 8 percent above the year-earlier level.

NEW PAR BANK

The North State Bank of Amarillo, Amarillo, Texas, a newly organized, insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, February 5, 1959. The officers are: H. V. Tull, Jr., Board Chairman; Frank P. Sharman, President; J. F. Leake, Vice President and Cashier; and Charles Hines, Assistant Cashier.



The major developments in District petroleum operations in January and early February centered about the continued large demand for petroleum products,

a major refinery strike, and weakening crude oil prices. District refineries operated at a higher rate in January but slowed operations early in February, partially as a result of a strike which idled a 275,000 barrel-per-day refinery at Port Arthur. Product prices generally moved upward in the first weeks of 1959, in spite of increased refinery yields and record imports of refined products. The crude price cuts were broadened and extended to most west Texas crude oil output.

Cold weather and continued economic recovery accelerated demand for most major refined products in January and early February. Distillate demand in the 5 weeks ended February 13 was an impressive 11 percent above the comparable period in 1958. Rising industrial activity was generally responsible for the increased demand for residual fuel oil, which reached 9 percent over a year ago. Gasoline demand declined seasonally but was also significantly above 1958. Prices of refined products, with the exception of gasoline, advanced or were very firm in January and early February. Gasoline prices were weak, and in specific localities, price wars developed.

The high level of product demand was reflected in heavy crude runs to refinery stills in January. District crude runs during the month averaged 10 percent above a year earlier. At 2,176,000 barrels per day, refinery operations remained high in early February, although they were somewhat below the January rate. Refinery runs were cut back more sharply in the District than in the Nation, partly because of the continued strike at Port Arthur. Rapidly increasing imports of refined products also tended to depress domestic refinery output in February. Product imports in the 5 weeks ended February 13 advanced 13 percent to a level 60 percent above the similar period in 1958. In contrast, crude oil imports were 13 percent lower.

Daily average crude oil production in the District and the Nation in early February advanced only slightly, although production in the Eleventh District, averaging 3,251,000 barrels per day, was 4 percent above a year ago. Continued high-level refinery runs have lowered crude oil stocks in the District and the Nation, with national stocks at 256,032,000 barrels on February 14. However, this reduction has not prevented

some rather general cuts in crude prices in west Texas and southeastern New Mexico.

Although industry nominations for March crude oil production were lower than the February totals, Louisiana, New Mexico, and Texas allowables in March are virtually unchanged. March allowable production in Texas, at 3,138,565 barrels per day, is down 1 percent. Major producers involved in refinery strikes accounted for the decline in total industry estimates of demand. The levels of both nominations and allowables reflect the industry's feeling that there will not be drastic mandatory reductions in crude or refined imports in March.

Announcements made during the first 6 weeks of 1959 indicate that the natural gas industry is planning very heavy capital expenditures; 11,000 miles of new transmission lines and 16,000 miles of feeder pipelines and mains are scheduled for completion this year. Preliminary drilling indicates a possible new major field bordering the Eleventh District along the Canadian and Arkansas Rivers. However, the number of gas wells discovered in the District during the first 6 weeks of 1959 was 41 percent below the same period last year.



Nonagricultural employment in the District states during January reflected an approximately normal seasonal decline of 107,000 workers from December, and the 4,217,700 total was 0.4 percent higher than the depressed level of January 1958, representing the first year-to-year gain in 11 months. Most of the seasonal decline from December resulted from readjustments in trade and government employment following the Christmas season.

Unemployment in Texas rose 29,300, or about seasonally, from December to reach 191,300, which is 5.6 percent of the civilian labor force. Available data on unemployment covered by jobless insurance programs show that this type of unemployment in the District states during mid-January ranged from slightly more than 3 percent of the covered labor force in New Mexico and Texas to nearly 6 percent in Louisiana, compared with a national rate of 6 percent.

Industrial production in Texas held steady in January, with the seasonally adjusted index remaining at 167. Preventing a rise in the January index were the weakness in petroleum production and the worker layoffs at aircraft plants in the Dallas-Fort Worth area.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	Jan. 1959 ^p	Dec. 1958	Nov. 1958	Jan. 1958
TEXAS				
Total industrial production.....	167	167	165	161 ^r
Total manufactures.....	201	197 ^r	197 ^r	194 ^r
Durable manufactures.....	230	228 ^r	232 ^r	234 ^r
Nondurable manufactures.....	187	183 ^r	181 ^r	176 ^r
Minerals.....	135	138 ^r	134 ^r	129 ^r
UNITED STATES				
Total industrial production.....	143	142	141	133
Total manufactures.....	145	144	143 ^r	135
Durable manufactures.....	154	152	151 ^r	142
Nondurable manufactures.....	137	135 ^r	135	127
Minerals.....	122	123	123	121

^p — Preliminary.

^r — Revised.

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

A work stoppage by about 4,500 workers which began in late January at a large Port Arthur oil refinery was a depressing influence on February production.

Construction contract awards in the District states during December rose 4 percent over November, but the total for the month was 11 percent below the level of December 1957 — the first year-to-year reduction since March 1958. Accounting for this weakness was a 32-percent decline in nonresidential construction. Residential awards were 30 percent above December 1957. For 1958 as a whole, total construction awards reflected a gain of 15 percent.

Regarding the prospects for industrial construction in the Southwest, a survey of manufacturers' plans by the Louisiana Department of Commerce and Industry shows that investment in new plants and additions to plants in Louisiana during 1959 may total nearly \$213 million, or 8 percent higher than in 1958.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Jan. 1959 from	
	January 1959 ^e	December 1958	January 1958 ^r	Dec. 1958	Jan. 1958
Total nonagricultural wage and salary workers..	4,217,700	4,324,700	4,200,100	-2.5	0.4
Manufacturing.....	749,500	760,600	769,800	-1.5	-2.6
Nonmanufacturing.....	3,468,200	3,564,100	3,430,300	-2.7	1.1
Mining.....	245,800	248,500	264,300	-1.1	-7.0
Construction.....	304,600	311,900	285,400	-2.3	6.7
Transportation and public utilities.....	395,200	396,500	406,100	-.3	-2.7
Trade.....	1,035,100	1,102,200	1,030,200	-6.1	.5
Finance.....	185,600	186,200	181,700	-.3	2.1
Service.....	499,100	504,000	493,000	-1.0	1.2
Government.....	802,800	814,800	769,600	-1.5	4.3

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			
	January 1959	Percentage change from		January 31, 1959	Annual rate of turnover		
		Dec. 1958	Jan. 1958		Jan. 1959	Dec. 1958	Jan. 1958
ARIZONA							
Tucson.....	\$ 231,912	2	21	\$ 122,735	22.7	22.9	21.7
LOUISIANA							
Monroe.....	80,393	-4	7	52,596	18.4	19.7	16.9
Shreveport.....	328,076	4	8	178,953	21.6	20.6	18.8
NEW MEXICO							
Roswell.....	38,584	-6	11	31,660	14.5	15.7	14.6
TEXAS							
Abilene.....	97,857	-6	1	64,428	18.1	19.7	19.2
Amarillo.....	221,767	0	15	122,708	21.5	21.7	21.0
Austin.....	196,965	2	10	147,866	16.1	16.7	16.8
Beaumont.....	163,026	-6	-4	106,266	18.1	18.6	17.8
Corpus Christi.....	205,576	6	4	115,051	20.9	19.4	20.4
Corsicana.....	19,983	4	-3	20,625	11.0	10.2	11.2
Dallas.....	2,730,484	-9	3	1,140,732	27.1	30.0	30.8
El Paso.....	377,624	-1	13	181,321	25.3	26.5	26.2
Fort Worth.....	823,505	-7	7	376,547	25.8	27.6	25.9
Galveston.....	85,505	-15	-10	66,233	15.8	18.8	16.0
Houston.....	2,575,551	-8	1	1,249,988	24.0	25.9	25.3
Laredo.....	26,995	-7	-2	21,796	14.6	15.6	15.5
Lubbock.....	243,654	6	15	128,998	22.3	22.2	22.1
Port Arthur.....	68,463	4	-2	46,105	17.5	16.8	17.8
San Angelo.....	53,723	0	0	45,255	14.4	14.8	15.5
San Antonio.....	586,731	-7	7	387,242	17.9	19.2	18.8
Texarkana.....	21,877	1	6	17,379	15.2	15.4	15.1
Tyler.....	93,304	-1	-1	62,003	17.5	17.8	18.1
Waco.....	109,116	2	9	71,039	17.9	17.6	17.9
Wichita Falls.....	120,046	-2	9	110,084	12.5	12.7	12.2
Total—24 cities.....	\$9,500,717	-6	4	\$4,867,610	22.8	24.4	23.8

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 \$46,773,000 for the month of January 1959.

r — Revised.

NATURAL GAS: MARKETED PRODUCTION

(In millions of cubic feet)

Area	Third quarter 1958	Second quarter 1958	Third quarter 1957
Louisiana.....	475,500	480,200	424,000
New Mexico.....	154,000	168,800	178,600
Oklahoma.....	158,100	176,600	143,500
Texas.....	1,292,300	1,256,200	1,268,300
Total.....	2,079,900	2,081,800	2,014,400

SOURCE: United States Bureau of Mines.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	Change from				
	January 1959 ¹	December 1958 ¹	January 1958 ²	December 1958	January 1958
ELEVENTH DISTRICT.....	3,212.0	3,198.5	3,097.7	13.5	114.3
Texas.....	2,848.0	2,834.1	2,728.2	13.9	119.8
Gulf Coast.....	546.2	543.7	529.6	2.5	16.6
West Texas.....	1,271.6	1,259.0	1,195.6	12.6	76.0
East Texas (proper).....	161.0	159.6	157.6	1.4	3.4
Panhandle.....	105.0	103.8	108.5	1.2	-3.5
Rest of State.....	764.2	767.9	736.9	-3.7	27.3
Southeastern New Mexico.....	248.6	250.3	255.0	-1.7	-6.4
Northern Louisiana.....	115.4	114.2	114.5	1.2	.9
OUTSIDE ELEVENTH DISTRICT.....	3,902.1	3,904.9	3,767.1	-2.8	135.0
UNITED STATES.....	7,114.1	7,103.5	6,864.8	10.6	249.3

SOURCES: ¹ Estimated from American Petroleum Institute weekly reports.

² United States Bureau of Mines.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 28, 1959	Dec. 31, 1958	Jan. 29, 1958
ASSETS			
Loans and discounts.....	\$ 4,532	\$ 4,604	\$ 4,090
United States Government obligations.....	2,759	2,716	2,359
Other securities.....	816	827	675
Reserves with Federal Reserve Bank.....	985	965	984
Cash in vault.....	144	151	148
Balances with banks in the United States.....	1,029	1,321	1,031
Balances with banks in foreign countries.....	2	3	2
Cash items in process of collection.....	492	666	434
Other assets.....	289	302	275
TOTAL ASSETS.....	11,048	11,555	9,998
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,120	1,428	1,070
Other demand deposits.....	6,780	7,044	6,286
Time deposits.....	2,108	2,088	1,693
Total deposits.....	10,008	10,560	9,049
Borrowings.....	53	1	15
Other liabilities.....	114	125	121
Total capital accounts.....	873	869	813
TOTAL LIABILITIES AND CAPITAL.....	11,048	11,555	9,998

e — Estimated.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER	Percentage change		
		January 1959	December 1958	January 1958
ARIZONA				
Tucson.....	320	\$ 1,103	-20	-33
LOUISIANA				
Shreveport.....	362	2,012	4	-32
TEXAS				
Abilene.....	293	2,425	-11	86
Amarillo.....	331	5,507	276	192
Austin.....	268	4,269	-20	22
Beaumont.....	271	1,288	-25	41
Corpus Christi.....	84	1,863	53	48
Dallas.....	1,773	12,094	22	21
El Paso.....	507	4,412	-32	17
Fort Worth.....	588	3,067	-16	-42
Galveston.....	87	237	-54	50
Houston.....	1,470	18,910	0	27
Lubbock.....	319	3,537	22	77
Port Arthur.....	112	474	-29	-43
San Antonio.....	1,229	4,788	65	56
Waco.....	199	1,536	14	49
Wichita Falls.....	159	1,218	155	432
Total—17 cities.....	8,372	\$68,740	8	25

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	January—December				
	December 1958	November 1958	December 1957	1958	1957
FIVE SOUTHWESTERN STATES ¹	\$ 249,502	\$ 240,992	\$ 278,992	\$ 3,939,728	\$ 3,425,472
Residential.....	124,843	124,535	96,134	1,691,041	1,314,783
All other.....	124,659	116,457	182,858	2,248,687	2,110,689
UNITED STATES.....	2,281,881	2,593,855	1,982,342	35,089,703	32,173,412
Residential.....	981,012	1,205,712	758,580	14,695,531	13,039,005
All other.....	1,300,869	1,388,143	1,223,762	20,394,172	19,134,407

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

SOURCE: F. W. Dodge Corporation.