



# BUSINESS REVIEW

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## THE NATION'S ECONOMY AT MIDYEAR

The Nation's economy was at a high level during the first half of 1960, though there were a substantial number of crosscurrents within its various segments. The important broad forces supporting and stimulating this near-record level of operation were partly born out of the developments of late 1959. Of particular significance was the impact of the steel strike — with all of its ramifications — in terms of imports and exports of steel, the slowdown in the Nation's productive operations, the eventual decline in jobs and personal income toward the end of the strike, and the marked shifts between inventory accumulation and liquidation. Also significant was the shifting Treasury position, which moved from a substantial deficit in late 1958 and early 1959 to the prospect of a minor surplus in fiscal 1960 and a larger surplus in fiscal 1961. Finally, concomitant with these changes has been the influence of monetary policy, which shifted as the tone of the economy changed from one of strongly rising and inflationary prospects to one of stability with a virtual absence of inflationary pressures. To a great extent, the above developments can be isolated as the principal changes affecting the economic and financial pattern in early 1960, but other factors, such as the weather, seemed to be of even greater importance this year than in previous winter seasons.

Tracing the pattern emerging from all of these forces, the first-quarter developments showed a mixed reaction. Production rose sharply, stimulated by the resurgence of inventory accumulation in steel and the restocking of the Nation's automobile pipelines.

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

Other forces affecting the pattern of industrial production could be seen in the continuation of the late fourth-quarter strength in nondurable goods output, which offset the decline in mining activity. Consumer goods output rose sharply with the strong automobile production, and equipment output showed remarkable stability. Fabricated metal products, machinery, textiles and apparel, paper and printing, and chemicals and petroleum products also showed great strength at very high levels of operation. However, there were still contrasting movements elsewhere, including sharp dips in crude oil, appliance, and television production.

Perhaps one of the major areas of strength relative to the fourth-quarter level was the production of new automobiles, which was slightly above 2 million units in the first quarter of 1960. Steel output also rose substantially in the first 3 months of the year, with the operating rate maintained above 90 percent of capacity until late March. As a result of these factors, the industrial production index reached a new record of 111 in January and averaged 110 for the first quarter, compared with 105 in the last quarter of 1959. These production developments exceeded even the growing level of sales; and with a fairly steady level of incoming orders, the backlog of unfilled orders dropped sharply and inventories accumulated.

In another area of the economy, the total value of new construction advanced in the first quarter of 1960 to an average of \$54.2 billion, but only because a steady decline in the private residential field was offset by a gain in private nonresidential construction and by

a rising level of public construction. New nonfarm housing starts in the first quarter averaged 1,227,600 units, compared with 1,361,000 units in the final quarter of 1959 and 1,542,000 units in the January-March period of the past year. Highway and heavy engineering construction contributed to the satisfactory level of total construction activity.

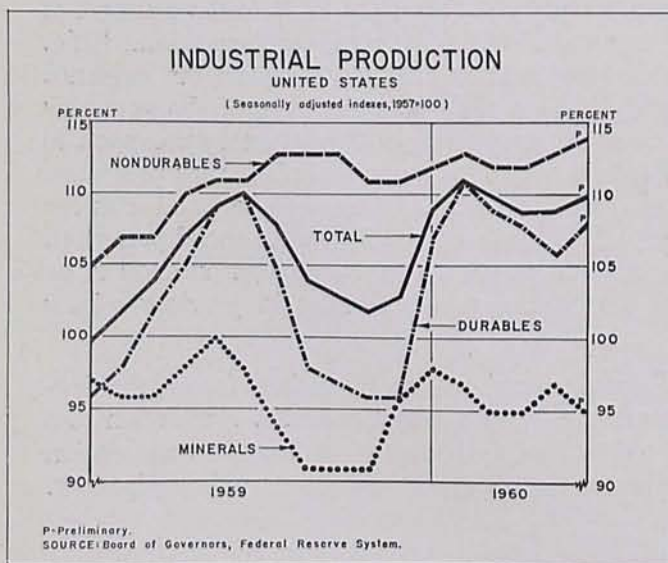
Of perhaps equal importance to the level of construction was the apparently steady rise in plant and equipment expenditures, although a large portion of such expenditures was expected to be devoted to equipment rather than new plant construction. The rate of such capital investment expenditures rose only 1 percent above the fourth quarter of 1959, led by a substantial gain in outlays of durable goods producers. The only significant categories reflecting lower outlays were mining and transportation other than railroads.

The combination of these developments in production and construction was important in the erratic, but generally rising, level of employment in the first quarter of 1960. Unemployment, remaining at a high level and averaging 5.1 percent of the labor force in the first quarter, was a problem, especially in certain areas where structural unemployment has developed.

With the high level of employment, personal income rose slowly to a March level of \$394.0 billion, or nearly \$19 billion over a year earlier but only \$2 billion above the December 1959 total. Advances in labor income more than accounted for the first-quarter gain since farm income declined. Personal interest income showed the only other major improvement.

Consumer credit changes during the first quarter reflected the relatively slow start in sales of appliances and new automobiles. After the usual seasonal dip in the first 2 months, however, the total began another upward thrust. Increased earnings and more consumer credit supported a modest rise in consumer expenditures, with more than half of the \$4 billion advance occurring in service expenditures. The influence of extremely bad weather in February and March brought retail trade to a lower than expected level and was at least partly responsible for the rapid accumulation of automobiles in dealers' hands until their inventories reached more than 1 million units by the end of March.

Price changes in the first quarter of 1960 showed a small advance at the wholesale level; the index rose to 120.0 in March, mainly on the basis of higher food and



farm product prices. The consumer price index advanced nominally to 125.7 in March. Steady increases in medical care and housing costs were offset by declines in transportation and stability elsewhere.

The general pattern of the first quarter reflected, first, the strongly optimistic outlook at the start of the year and, soon afterward, the realization that the earlier forecasts were unrealistic. Consequently, production was brought closer in line with actual developments and prospects for the near-term future. Nevertheless, inventory accumulation at a rate of \$11.4 billion and the modest gain in personal consumption brought the gross national product to a level of \$501.3 billion for an advance of almost \$15 billion over the fourth quarter of 1959.

Bank loan demands, together with the substantially loaned-up positions of banks (especially in larger cities), caused substantial pressure on bank reserve positions and created a feeling of tightness. Member bank borrowings rose to more than \$1 billion on many days. In March, total loans of all commercial banks were over \$10 billion higher than a year earlier. Soon after the year-end adjustments were completed, the Federal Reserve permitted the market to ease somewhat; net borrowed reserves declined from an average of \$361 million in January and February to \$219 million in March, and borrowings fell from a January average of \$905 million to a March level of \$635 million.

In the foreign sphere, the trade balance of the United States reflected substantial improvement during the first quarter of 1960, with exports rising to an annual rate of over \$19 billion. The deficit in the United States balance of payments was reduced to an annual rate of \$2.7 billion, compared with about \$4 billion in the first quarter of 1959. The outflow of gold was reduced also to about \$48 million this year, contrasted with \$500 million in the January-March period of 1959.

A significant change in the financial picture was the shift in the Treasury fiscal posture. As usual in the spring of the year, the Treasury's position moved toward repayment, but in early 1960 this move was accentuated by higher than expected receipts and lower than expected expenditures. Throughout most of the first quarter, inflationary forces were suppressed. Businessmen and consumers recognized that the high expectations at the beginning of the year were not to be realized and adjusted their operations accordingly.

The second quarter started with a strong advance in most major economic indicators. Rising employment and retail sales quieted many fears of decline and brought, instead, a feeling of stability and greater confidence in the business outlook. With the weather moderating, outdoor work in both agriculture and construction increased rather sharply, and retail buying appeared to spurt ahead, making up, to some extent, the losses in the earlier months of the year. Industrial production, however, had begun to edge downward, principally as a result of the declining rate of steel operations. Steel mills operated at steadily lower levels in each succeeding month of the second quarter, with the rate of operations only slightly above 50 percent of capacity by the end of June and averaging around 61 percent for the month. New orders to steel producers were especially disappointing as consumers moved toward partial liquidation of their sharply advanced inventory levels. Ready availability from the mills, together with the economies involved in financing smaller inventories, contributed to the manufacturers' reluctance to carry enlarged stocks. Despite continued high levels of automobile output, the increased emphasis upon compact cars somewhat reduced the demand for steel from the automobile industry.

With automobiles selling at a rapid pace, producers maintained output at levels perhaps higher than had been expected at the end of the first quarter. Total production in the second quarter reached over 1.8 million units. This strength, together with improvements in other areas of consumer goods production and some gains in building materials output, offset the steel output decline. Consequently, the total production index slipped only 2 points to a level of 109 in both March and April, recovered slightly to 110 in May, and then edged back down to 109 in June.

This stability extended to the level of new orders to manufacturers, but machine tool orders were well below expectations, giving rise to substantial comment that the anticipated business capital investment program was not proceeding on schedule. However, though substantiated to a minor extent by the second-quarter survey, these fears generally have not been fulfilled; and recent evidence on capital appropriations tends to indicate a continued but more slowly rising level of plant and equipment expenditures which may reflect an increase of 13 percent for the year.

Second-quarter developments also included a further shift in the construction mix, with downward pressures

on residential construction easing as mortgage money became more readily available. Nevertheless, total construction activities showed a minor loss in the second quarter since new residential building was slow in developing. A rising level of apartment vacancies, continued relatively higher mortgage interest rates, and a developing overhang of unsold older houses restrained the growth of new housing construction. On the other hand, highway construction was maintained at a rapid pace; and the release, toward the end of the quarter, of an additional \$718 million in Federal funds for highway construction was expected to spur further contract lettings in the third quarter.

Of perhaps greater significance to the future and to the level of development in the second quarter was the reduced rate of inventory accumulation, which slowed from \$11.4 billion in the first quarter to approximately \$6 billion in the second quarter. Concealed within this continued inventory accumulation were the beginnings of the liquidation of steel inventories, coupled with the accumulation of finished goods at various retail outlets. Uncertainties in the level of final demand for some consumer durables have led to selective price cutting, involuntary inventory accumulation, and a modest amount of production cutbacks. In fact, there may still be a larger than needed accumulation of inventories under way which may require correction in the future.

Developments in total employment in the second quarter indicated a new record in each month; but continued gains in the labor force, especially in June, kept the rate of unemployment near the 5-percent level and, in fact, resulted in a sharp rise in unemployment in the final month of the quarter. After moving steadily downward during the first quarter, the length of the average workweek in manufacturing turned slightly upward in both May and June; and with the rising level of employment and moderate wage increases, total personal income made some substantial advances in the second quarter, reaching a new record of \$405.8 billion in June — or \$1.1 billion above the annual rate in May. Consumer credit increases, though at a somewhat slower pace in the last 2 months of the quarter, supported a higher level of consumer purchasing. The gross national product, reflecting these several developments, advanced to approximately \$503 billion. Wholesale prices moved downward from an index level of 120.0 in March to about 119.6 in June. Consumer prices advanced moderately in the second quarter from an index of 125.7 in March to 126.3 in May. However, the over-all price stability demonstrated that the gain

in the gross national product was mostly real, rather than inflationary, and further emphasized the "liquidation of inflationary psychology."

Consistent with these changes in the general economic pattern, the Federal Reserve adjusted the degree of restraint upon bank reserves; as a result, net borrowed reserves were steadily reduced, and free reserves appeared by late May. Substantial purchases of Government securities by the Federal Open Market Account were necessary to achieve this move, with the System's total holdings rising \$1,260 million between March 31 and June 30 — contrasted with an advance of only \$547 million in the same period of 1959.

As another step in this central banking policy, the Federal Reserve banks lowered their discount rates from 4 percent to 3½ percent in early June. Treasury bill yields moved downward irregularly, and prices on long-term Government securities made substantial gains during the second quarter of the year. Continued improvement in the Treasury budget position, fostered by a higher than expected level of receipts and a lower than expected level of spending, permitted a substantial reduction in the national debt during the first half of 1960. Total demands for credit continued on the modest side, thus failing to replace this continued absorption of funds by the Treasury's payoff, and total credit requirements in the first part of 1960 were substantially lower than in the first half of the previous year.

The influence of all of these various factors resulted in a fairly stable, high-level economy throughout the first half of 1960, and, at midyear, this same situation prevailed. Industrial production was within 2 points of the January record, but the summer doldrums may prevent a clear picture of production developments and trends for some time. Compared with a year earlier, many of the major industrial production segments were at markedly higher levels, but these, in turn, were offset by the substantially lower output levels of a few principal units. On a broad basis, total manufacturing was apparently the same as a year ago, with durables slightly lower and nondurables moderately higher. The same offsetting pattern existed between mining and utilities; mining was down slightly, but utilities showed a reasonably strong advance.

Steel output in the first part of 1960 reached 60,743,000 tons for an average of 70.2 percent of capacity, but a nearly 50-percent rate prevailed at midyear. Estimates indicate a range of 50 to 60 percent of capacity for July and August operations, but some

improvement is expected for the fall months. An early model shutdown and near-record automobile inventories forecast a marked reduction in automobile output in July. Other consumer durables, particularly appliances, were also feeling the effect of some lag in sales. Only a few major household appliances could point to gains in first-half sales over a year earlier, and the average was down nearly 9 percent.

The midyear economic position also presented an interesting pattern in construction. The total value of new construction put in place in the first half of 1960, at \$24.5 billion, was just 3 percent below the corresponding period in 1959, but this relative comparability concealed the decrease in private residential construction, down nearly 10 percent, and the relative strength in nonresidential construction, which advanced an almost equal amount. Further evidence of a slackening rate of growth in capital investment at midyear also concealed the rather marked 13-percent advance in total plant and equipment expenditures from the first half of 1959 to the first half of 1960.

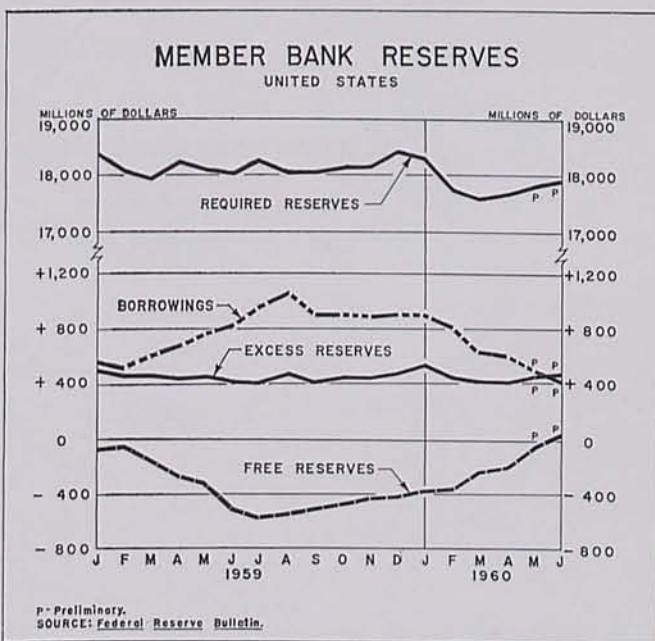
The midyear employment and unemployment pattern showed little change from earlier months, with substantial gains in the size of the civilian labor force largely accounting for the increases in employment and unemployment. Total employment for June 1960, at 68.6 million, was more than 1,300,000 above the year-earlier level, but unemployment, at 4.4 million, was 500,000 above the June 1959 total. Of perhaps greater significance is the fact that the June level of unemployment, seasonally adjusted, was 5.5 percent of the civilian labor force, contrasted with 5.1 percent a year ago. It seems that the improvement in productivity — estimated at 4 percent during the past year — and the increase in expenditures for plant and equipment are steadily providing a greater production capacity without a corresponding rise in employment. Manufacturing employment is an excellent example; total manufacturing employment in June was down nearly 100,000 from a year earlier, while the broad total of manufacturing output was at the same level.

Advances in total employment have been accompanied by increases in wage rates and total average weekly earnings. Additional pay increases have been granted in recent weeks, especially the 7.5-percent boost to all classified Government employees. This alone will occasion a further sizable gain in total personal income, which amounted to \$405.8 billion in June — about \$19 billion, or 5 percent, above a year

earlier. The principal increases in other than labor income during the past year occurred in business proprietors' income, personal interest income, and transfer payments. Personal consumption in the latter part of the first half of 1960 continued to advance, supplying additional support for the current level of the economy. On the other hand, business inventory accumulation rates are slowing and are currently estimated at an annual rate of less than \$3 billion, with some liquidation of steel inventories. Total inventories, however, are reaching toward a fairly high level relative to current sales; new orders to manufacturers have not shown the growth needed to support a substantial increase in production, and order backlogs have been reduced.

On the financial side, the midyear picture was one of less restraint in the money market and some substantial improvement in prices of both Government and municipal bonds. Bank credit demands remained substantial; but with increased reserves and lower borrowings, the banks were beginning to show improvement in their capacity to handle the loan demand. Corporate and municipal capital requirements continued on the easy side compared with a year earlier, further reducing the strain upon the market.

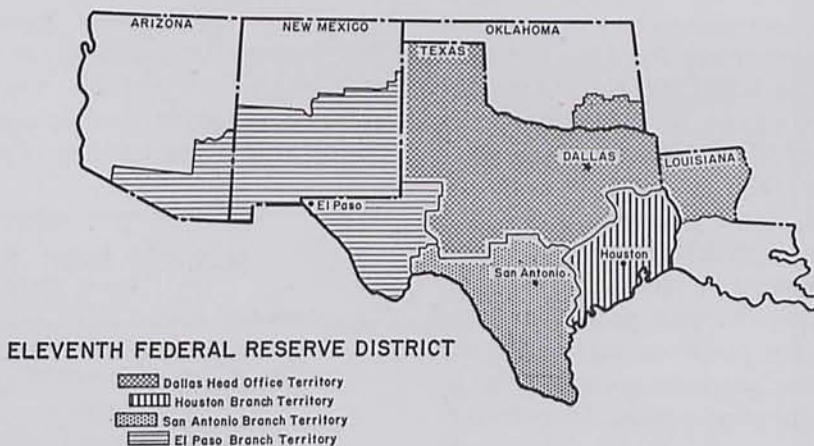
Adjusting continuously through the first half of 1960, Federal Reserve policy at midyear was in a relatively neutral position but was supplying additional reserves to support economic operations. The Treasury position at midyear was one of strength, with substan-



tial cash balances offering the possibility of reduced borrowings by the Treasury and encouraging hopes of a satisfying surplus in the current fiscal year.

The turnover of deposits at the Nation's member banks was substantially higher than the midyear figure in 1959, though not quite as high as in the late winter. The Nation's money supply on June 29 amounted to \$138.2 billion, or \$1.8 billion below the level on December 31, 1959, and \$2.1 billion under the June 24, 1959, figure. However, deposit turnover at the end of June was 6.5 percent above a year ago, reflecting a more intensive utilization of deposit money.

In general, as indicated above, the inflationary pressures in the Nation have subsided, although it should also be pointed out that there could be a resumption of such pressures if a marked upsurge in economic conditions from the currently high level of operations were to occur. The margin of capacity, which seems very large when measured against the current rate of operations in certain industries, could be narrowed quite rapidly if a further stimulant developed. With wage increases and other costs continuing to mount, pressures for higher prices to cover the increased costs and provide a better rate of return on invested capital could reappear.



# BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Widespread moisture in the Eleventh District during July further boosted prospects for a favorable crop year. This year's acreage of cotton is greater

than the 1959 figure, but that of grain sorghums is smaller. It is expected that rice output will be unchanged from last year but that summer vegetable and melon outturn will be larger. Range conditions have improved as a result of the rains.

District department store sales in June declined less than seasonally from May but were lower than in June 1959. Seasonally adjusted department store inventories reached a record level at the end of the month. New car registrations in the four most populous areas in the District during June were below both a month ago and a year ago.

District crude oil production decreased in July, and little change is expected in August as existing allowances have been continued. Nationally, a moderate increase over June in crude runs to stills, together with relatively steady production, caused a decline in crude stocks. The demand for refined products,

especially gasoline, improved, but product stocks rose.

Construction contracts awarded in the District states during May declined significantly from April but were considerably above May 1959. A very sharp decrease in nonresidential awards accounted for all of the decline in May, offsetting a slight increase in residential contracts awarded.

Nonagricultural employment in the District states increased moderately during June. In Texas, unemployment rose to 5.1 percent of the labor force. Although nondurables manufacturing remained steady during June, durables manufacturing advanced to bring the Texas industrial production index to 173, or 2 points above June last year.

The District's weekly reporting member banks extended their deposit gains between June 15 and July 20. Investment holdings showed a strong rise, especially Treasury bills, but loan demand slackened, particularly for real-estate and consumer-type loans. Reserve positions of all member banks eased moderately in June and early July as borrowings declined.



June department store sales in the Eleventh District declined less than seasonally from May but were 2 percent lower than in June 1959. Though rising from

159 in May to 170 in June, the seasonally adjusted index was still 4 points below the year-earlier level. Cumulative sales for the first half of 1960 were 1 percent less than in the same period last year.

Preliminary data indicate that the District's seasonally adjusted department store inventories at the end of June were at a record level. The adjusted stock index was 191 percent of the 1947-49 average, compared with 185 in May and 181 a year ago. The previous high was 188 in November 1959. Orders outstanding at the end of June and new orders placed during the month registered substantial, but mostly seasonal, in-

creases over May. New orders were slightly below a year earlier, while orders outstanding were 4 percent higher than at the end of June 1959.

Accounts receivable at District department stores in June were less than at the end of May but were still

## DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	June 1960 from		6 months, 1960 from 1959
	May 1960	June 1959	
Total Eleventh District	-2	-2	-1
Corpus Christi	5	-5	-4
Dallas	-8	-2	2
El Paso	5	-15	-12
Fort Worth	-9	-3	-4
Houston	-4	-5	2
San Antonio	0	-1	-4
Shreveport, La.	5	0	-3
Waco	-1	1	-4
Other cities	5	4	2

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
1959: June.....	160	174r	169	181
1960: April.....	172	181	189	181
May.....	159	159	183r	185r
June.....	156	170	178p	191p

r — Revised.  
p — Preliminary.

moderately above the year-earlier levels. Collections during the month were also higher than in June 1959, but the collection ratios on both 30-day charge accounts and instalment accounts were slightly lower than a year ago, indicating slower payouts by credit customers.

New car registrations during June in the four most populous areas in the District were 11 percent lower than in the same month of 1959, with each area reporting a decline, and were down 6 percent from the preceding month. Compared with May, Houston registrations, showing the only month-to-month increase, were up 5 percent, but registrations declined 5 percent in San Antonio and 14 percent in both Dallas and Fort Worth. Cumulative registrations in the four areas for the first 6 months of this year were 1 percent above those in the first half of 1959.



Agricultural developments in July continued to emphasize favorable prospects for crops this year. Fairly good rains occurred in most parts of the District sometime during July, especially in many portions of the Edwards Plateau and eastern Trans-Pecos area which had received only scant moisture in June.

Cotton harvest is increasing rapidly in the Lower Valley of Texas, where many farmers are defoliating the crop. In the Coastal Bend, the first bale was ginned on July 12, and picking in the south-central counties of the State will begin shortly. In most of the eastern half of Texas and in Louisiana, cotton insects have been a problem; frequent showers have made it difficult to maintain insect control measures. The cotton crop is making fairly good progress in the later sections of the District. Cotton is blooming and squaring in the High Plains of Texas; and in the Trans-Pecos region, the crop is above knee-high. In Arizona and New Mexico, crop conditions remain quite favorable.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES <sup>1</sup>		
	1960, estimated July 1	1959	Average 1949-58	1960, estimated July 1	1959	Average 1949-58
Winter wheat....	89,677	59,850	36,751	216,222	157,687	107,189
Corn.....	29,876	42,728	41,318	55,441	72,139	69,317
Oats.....	26,520	26,473	28,388	40,466	42,764	43,937
Barley.....	8,763	5,752	3,045	34,978	29,598	16,278
Rice <sup>2</sup> .....	13,136	13,136	13,050	25,960	26,046	25,356
Hay <sup>3</sup> .....	1,772	2,340	1,846	5,799	6,463	5,349
Flaxseed.....	1,160	357	655	1,185	435	821
Irish potatoes <sup>4</sup> ...	2,547	2,562	1,591	6,286	5,565	3,708
Sweet potatoes <sup>4</sup> ..	1,320	1,495	1,337	4,648	6,615	6,341

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

<sup>2</sup> In thousands of bags, containing 100 pounds each.

<sup>3</sup> In thousands of tons.

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

SOURCE: United States Department of Agriculture.

CROP ACREAGE

(In thousands of acres)

Crop	TEXAS			FIVE SOUTHWESTERN STATES <sup>1</sup>		
	For harvest 1960	Harvested 1959	Average 1949-58	For harvest 1960	Harvested 1959	Average 1949-58
Cotton.....	6,950	6,775	8,988	8,790	8,547	11,437
Winter wheat....	3,899	3,420	2,905	8,930	8,368	7,862
Corn.....	1,358	1,526	2,080	2,202	2,423	3,418
Oats.....	1,105	1,151	1,237	1,551	1,759	1,921
Barley.....	381	295	164	1,199	1,086	533
Rye.....	18	20	28	104	113	117
Rice.....	417	417	496	875	870	1,041
Sorghums.....	7,797	8,475	7,076	9,392	10,195	9,206
Hay.....	1,651	1,703	1,694	3,840	3,866	4,036
Peanuts (alone)...	307	313	422	430	445	582
Flaxseed.....	116	34	99	117	37	106
Irish potatoes....	21	20	21	45	42	44
Sweet potatoes...	22	23	29	88	106	120

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

SOURCE: United States Department of Agriculture.

The cotton acreage planted in the District states this year is estimated, as of July 1, at almost 8.8 million acres, or 3 percent above the 1959 figure but 23 percent less than the 10-year (1949-58) average. Part of the year-to-year gain resulted from increased plantings under the "Choice B" option. All of the District states showed increases over the year-earlier levels, ranging from a 1-percent gain in Louisiana to a 12-percent advance in Arizona. As in the District states, the July 1 cotton acreages in Texas (almost 7 million acres) and the Nation (16.3 million acres) also were up 3 percent from a year ago and were around 23 percent less than the average.

Combining of grain sorghums is virtually complete in the Lower Valley and Coastal Bend and is under way in the Blacklands. July rains boosted sorghum prospects in the dry-land areas of the High Plains of Texas and New Mexico. The acreage of sorghums for all purposes for harvest in the District states this year is placed at 9.4 million acres, or 8 percent below that harvested in 1959. Rain in the northern Blacklands



and in northeastern Texas was beneficial to corn. However, corn acreage for harvest in the District, at 2.2 million acres, is indicated at 9 percent under last year, and output is estimated to be 23 percent smaller. Improved moisture was quite helpful to peanuts in the Cross Timbers and Plateau areas of Texas; the early crop in south Texas continues to make good growth. Rice is heading in the upper coastal area of Texas. Rice acreage in the District is 1 percent larger than in 1959, but indicated production is 86,000 bags smaller.

Marketing of commercial vegetables in Texas has been concentrated primarily in moving onions, potatoes, watermelons, and cantaloupes. In east Texas, okra, peas, squash, corn, and green beans are being shipped in volume. Carrot and tomato planting is under way in south Texas, and field work is active in preparing seedbeds for fall and winter vegetables. Production of summer vegetables and melons in Texas is estimated to be 14 percent above last year, with larger acreages of cantaloupes, onions, and watermelons contributing to the gain.

Range feed conditions in Texas, as of July 1, were the lowest for the State since the drought year of 1956, but subsequent rains increased forage supplies in most sections of the District. The Edwards Plateau area was especially benefited. The condition of cattle and sheep is improving as forage supplies increase.

Weekly reporting member banks in the Eleventh District showed some marked changes between June 15 and July 20. Deposits rose, and loan demand moderated; however, investments increased at a rapid rate. Cash accounts were reduced, and total assets declined. A number of forces were responsible for these changes in District banking statistics, including substantial Treasury financings, in which District banks participated heavily.

The slower rate of loan demand was caused principally by declines in real-estate loans and consumer-type loans. Gross loans (excluding interbank loans) decreased \$13,155,000, with the above-mentioned declines being offset partly by an advance of \$5,358,000 in commercial and industrial loans.

Investment portfolios of the weekly reporting banks rose \$108.9 million; most of the increase occurred in holdings of Treasury bills, primarily as a result of the banks' participation in the new Treasury bill offerings during July. Holdings of Treasury certificates and

## CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	July 20, 1960	June 15, 1960	July 22, 1959
<b>ASSETS</b>			
Commercial and industrial loans.....	1,474,707	1,469,349	1,502,274
Agricultural loans.....	30,789	31,199	32,482
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	274	1,736	19,178
Other securities.....	18,486	16,224	14,710
Other loans for purchasing or carrying:			
U. S. Government securities.....	10,231	10,241	10,108
Other securities.....	179,502	177,771	188,803
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	121,479	129,535	134,801
Savings banks, mtge. cos., ins. cos., etc.....	137,200	125,143	110,738
Loans to foreign banks.....	347	403	10,033
Loans to domestic commercial banks.....	80,892	57,759	11,925
Real-estate loans.....	203,883	208,641	222,512
All other loans.....	756,327	776,154	716,186
Gross loans.....	3,014,117	3,004,155	2,973,750
Less reserves and unallocated charge-offs..	55,285	54,446	50,831
Net loans.....	2,958,832	2,949,709	2,922,919
Treasury bills.....	147,362	46,181	60,191
Treasury certificates of indebtedness.....	24,418	23,418	65,743
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	61,817	68,198	40,346
After 1 but within 5 years.....	840,724	820,377	842,668
After 5 years.....	281,374	293,738	300,726
Other securities.....	346,525	341,433	341,759
Total investments.....	1,702,220	1,593,345	1,651,433
Cash items in process of collection.....	472,555	536,591	476,098
Balances with banks in the United States.....	454,497	520,283	463,845
Balances with banks in foreign countries.....	1,772	1,977	1,719
Currency and coin.....	51,794	50,451	51,613
Reserves with Federal Reserve Bank.....	560,260	557,463	552,768
Other assets.....	172,947	181,858	166,070
<b>TOTAL ASSETS.....</b>	<b>6,374,877</b>	<b>6,391,677</b>	<b>6,286,465</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
<b>Demand deposits</b>			
Individuals, partnerships, and corporations....	2,898,613	2,902,354	2,948,196
United States Government.....	231,129	140,577	157,418
States and political subdivisions.....	210,182	208,354	226,753
Banks in the United States.....	895,847	980,036	884,264
Banks in foreign countries.....	13,295	14,962	16,732
Certified and officers' checks, etc.....	43,856	48,639	80,289
Total demand deposits.....	4,292,922	4,294,922	4,313,652
<b>Time deposits</b>			
Individuals, partnerships, and corporations....	1,050,381	1,037,170	1,089,648
United States Government.....	8,455	8,655	7,045
Postal savings.....	394	394	421
States and political subdivisions.....	225,584	222,916	181,798
Banks in the U. S. and foreign countries.....	3,678	3,943	2,866
Total time deposits.....	1,288,492	1,273,078	1,281,778
Total deposits.....	5,581,414	5,568,000	5,595,430
Bills payable, rediscounts, etc.....	154,601	170,864	102,734
All other liabilities.....	83,331	100,185	57,484
Capital accounts.....	555,531	552,628	530,817
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....</b>	<b>6,374,877</b>	<b>6,391,677</b>	<b>6,286,465</b>

Treasury notes and bonds due after 1 year but within 5 years also increased, but holdings of notes and bonds maturing within 1 year and after 5 years showed declines.

Total deposits of the weekly reporting banks rose modestly during the 5-week period, extending the advance made in the preceding 4 weeks. Demand deposits, however, declined in the recent period, led by reductions in interbank balances. Demand balances of



## RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended July 6, 1960	4 weeks ended June 1, 1960	Month of June 1959
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	531,872	527,819	545,670
With Federal Reserve Bank....	529,821	525,448	—
Cash allowed as reserves.....	2,051	2,371	—
Required reserves.....	525,436	521,225	539,486
Excess reserves.....	6,436	6,594	6,184
Borrowings.....	11,489	16,656	32,879
Free reserves.....	-5,053	-10,062	-26,695
<b>COUNTRY BANKS</b>			
Total reserves held.....	441,179	442,106	448,330
With Federal Reserve Bank....	434,415	435,115	—
Cash allowed as reserves.....	6,764	6,991	—
Required reserves.....	395,843	416,790	405,964
Excess reserves.....	45,336	25,316	42,366
Borrowings.....	17,864	21,362	9,532
Free reserves.....	27,472	3,954	32,834
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	973,051	969,925	994,000
With Federal Reserve Bank....	964,236	960,563	—
Cash allowed as reserves.....	8,815	9,362	—
Required reserves.....	921,279	938,015	945,450
Excess reserves.....	51,772	31,910	48,550
Borrowings.....	29,353	38,018	42,411
Free reserves.....	22,419	-6,108	6,139

NOTE.— Regulations permitting member banks to count part of their vault cash in meeting reserve requirements became effective in December 1959, and on January 1, 1960, the reserve computation period for country member banks was changed to a biweekly basis. Therefore, monthly data comparable to year-earlier material are not available.

the United States Government contributed the major offset to the reduction in interbank deposits, as Tax and Loan Account privileges were used by the banks to pay for some of the new Treasury bills. On the other hand, time deposits showed a further gain, with the improvement centered in balances of individuals, partnerships, and corporations.

Reserve positions of District member banks eased moderately during the 5 weeks ended July 6, with total reserves advancing and required reserves and borrowings declining. The result was a shift to net free reserves for the member banks. Most of the improvement in free reserves occurred at country banks, where a slight decline in required reserves and a small decrease in borrowings combined to boost average free reserves from \$3,954,000 in the 4 weeks ended June 1 to \$27,472,000 in the more recent period. Reserve city banks showed small gains in total reserves and required reserves and a similarly small decline in borrowings.

## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 20, 1960	June 15, 1960	July 22, 1959
Total gold certificate reserves.....	675,180	663,843	696,292
Discounts for member banks.....	33,342	21,039	20,610
Other discounts and advances.....	0	0	884
U. S. Government securities.....	1,063,673	1,054,056	1,054,047
Total earning assets.....	1,097,015	1,075,095	1,075,541
Member bank reserve deposits.....	948,604	929,101	941,632
Federal Reserve notes in actual circulation.....	795,704	784,206	786,307

The statement of condition of the Federal Reserve Bank of Dallas reflects a moderate gain in total earning assets from June 15 to July 20 and small increases in both discounts for member banks and holdings of United States Government securities. Member bank reserve deposits rose \$19.5 million. Federal Reserve notes in circulation reached \$795.7 million on July 20 and were \$11.5 million above the June 15 level.

## NEW PAR BANK

The Peoples State Bank, Clyde, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, July 9, 1960. The officers are: Weldon Edwards, Chairman of the Board (Inactive); Lee Loper, President; and Truman Hornsby, Cashier.



Crude petroleum production in the Eleventh District during early July declined, contra-seasonally, about 1 percent from the June level and was 2 percent lower than a year ago. In contrast, national crude oil output advanced slightly over both June and a year earlier, with the month-to-month gain attributable to a 2-percent rise in production outside the District. Production in the District is scheduled to remain about the same in August, as the 8-day allowable has been continued in Texas. Despite increased nominations, Oklahoma will hold production allowables steady in August, and little change in output is anticipated in Louisiana and southeast New Mexico.

Crude oil imports decreased 4 percent during the 5 weeks ended July 15 but increased 7 percent over the year-earlier period. In early July, crude oil stocks in the United States totaled 249,120,000 barrels and those of District origin, 115,218,000 barrels, with both reflecting significant declines from late June and the same time last year. The reduction in crude oil stocks occurred because of the decline in domestic production and imports and an increase in crude oil runs to refinery stills.

Crude runs to stills in the United States showed a contraseasonal increase of about 4 percent during the first half of July and were 5 percent greater than a year ago. Within the District, refineries processed an average of 2,372,000 barrels daily, which is 1 percent

more than in June and 12 percent higher than in July 1959. Imports of refined products in the 5 weeks ended July 15 averaged 590,000 barrels daily, or 19 percent above the year-earlier period.

Demand for the four major refined products in the 5 weeks ended July 15 rose 2 percent and averaged 4 percent greater than a year earlier. Gasoline demand, influenced by the seasonal increase in automobile travel, advanced 3 percent and was 4 percent over a year ago. The demand for kerosene was also strong; however, distillate fuel oil demand weakened slightly. The demand for residual fuel oil was unchanged at a level 5 percent lower than in the same period in 1959.

The more than seasonal increases in the demand for petroleum products modified the usual stock changes but did not totally offset the expansion in product supplies. Stocks of the four major petroleum products rose 2 percent during the first half of July, reflecting increased crude oil runs and a substantial gain in refined product imports. However, these stocks, amounting to 390,838,000 barrels on July 15, were 3 percent lower than a year earlier. Gasoline stocks declined 2 percent from the end of June; stocks of distillate fuel oil, residual fuel oil, and kerosene increased significantly.

Eleventh District well completions in June totaled 1,479, which is virtually equal to the previous month's level but is 15 percent less than in the same month last year. Total footage drilled in June showed a similar pattern.



The total value of construction contracts awarded in the District states during May declined 21 percent from the preceding month but was 6 percent above

a year ago. The very sharp month-to-month decrease of 32 percent in nonresidential awards more than offset a minor increase in residential awards. The cumulative value of contracts awarded in the District states in the first 5 months of this year was 4 percent lower than in the same period in 1959.

The index of Texas industrial production during June increased to 173, which is 1 point above the May level and 2 points above June 1959. Total manufacturing activities rose slightly above the May figure, with durable goods manufacturing moderately higher and nondurable goods output steady. June mining activity also edged upward but was about 4 percent below the year-earlier level.

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	June 1960P	May 1960	April 1960	June 1959
<b>TEXAS</b>				
Total industrial production....	173	172	174	171
Total manufactures.....	218	217 <sup>r</sup>	220	209
Durable manufactures.....	254	252	252	250
Nondurable manufactures....	202	202	206	189
Mining.....	129	128	129	135
<b>UNITED STATES</b>				
Total industrial production....	166	167	165	166 <sup>r</sup>
Total manufactures.....	165	166	164	166 <sup>r</sup>
Durable manufactures.....	172	174 <sup>r</sup>	172	179 <sup>r</sup>
Nondurable manufactures....	162	161	159	156 <sup>r</sup>
Mining.....	127	127 <sup>r</sup>	128 <sup>r</sup>	129 <sup>r</sup>
Utilities.....	288	287 <sup>r</sup>	288 <sup>r</sup>	271

p — Preliminary.

r — Revised.

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

## NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change June 1960 from	
	June 1960 <sup>e</sup>	May 1960	June 1959 <sup>r</sup>	May 1960	June 1959
Total nonagricultural					
wage and salary workers..	4,429,700	4,413,200	4,374,300	0.4	1.3
Manufacturing.....	791,100	786,100	793,200	.6	-.3
Nonmanufacturing.....	3,638,600	3,627,100	3,581,100	.3	1.6
Mining.....	249,800	246,900	263,500	1.2	-5.2
Construction.....	312,000	305,800	322,000	2.0	-3.1
Transportation and public utilities.....	409,100	404,500	408,000	1.1	.3
Trade.....	1,094,400	1,090,000	1,065,500	.4	2.7
Finance.....	200,400	197,900	195,000	1.3	2.8
Service.....	544,400	541,000	529,300	.6	2.9
Government.....	828,500	841,000	797,800	-1.5	3.8

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

e — Estimated.

r — Revised.

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

Nonagricultural employment in the District states increased seasonally in June to a level of 4,429,700, or 1.3 percent above a year earlier. Both manufacturing and nonmanufacturing employment advanced slightly, and nonmanufacturing employment also was higher than a year ago. Among the principal sectors of nonmanufacturing employment, construction was 2.0 percent more than in May and mining rose 1.2 percent, but government employment declined somewhat. All other nonmanufacturing sectors showed continued increases over the preceding month. With the exception of manufacturing, construction, and mining, employment in all nonfarm sectors was above the June 1959 levels.

Unemployment in Texas showed a sharp seasonal increase during June to reach a level of 188,000, or 5.1 percent of the nonfarm labor force. A marked expansion in the labor force was primarily responsible as teachers and students sought summer employment.

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

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts <sup>1</sup>			Demand deposits <sup>1</sup>			
	June 1960	Percent change from		June 30, 1960	Annual rate of turnover		
		May 1960	June 1959		June 1960	May 1960	June 1959
<b>ARIZONA</b>							
Tucson.....	\$ 258,484	11	13	\$ 129,604	22.7	20.0	21.1
<b>LOUISIANA</b>							
Monroe.....	79,990	-5	4	52,941	18.6	19.9	16.4
Shreveport.....	337,233	6	8	178,516	22.6	21.0	19.1
<b>NEW MEXICO</b>							
Roswell.....	40,751	2	9	30,427	16.1	16.1	14.3
<b>TEXAS</b>							
Abilene.....	98,234	-2	-1	61,555	19.0	19.9	18.4
Amarillo.....	224,335	6	0	111,962	24.2	22.8	22.7
Austin.....	203,468	-12	3	139,165	17.8	19.7	15.4
Beaumont.....	163,358	-2	3	95,238	20.6	20.6	18.5
Corpus Christi.....	189,430	6	2	101,535	22.0	20.2	20.3
Corsicana.....	16,029	5	0	18,823	10.1	9.5	9.5
Dallas.....	2,857,114	-4	6	1,149,186	30.6	32.3	28.4
El Paso.....	331,072	-1	1	157,526	24.7	24.2	24.5
Fort Worth.....	825,245	7	-1	358,992	27.5	25.7	26.4
Galveston.....	83,682	-10	-5	62,421	16.3	17.9	16.2
Houston.....	2,599,780	1	-1	1,221,592	25.4	24.8	25.3
Laredo.....	27,682	-10	2	22,175	15.0	16.6	14.5
Lubbock.....	176,403	-9	-3	106,287	19.6	20.6	19.9
Port Arthur.....	63,072	1	2	42,502	17.8	17.8	17.0
San Angelo.....	54,172	0	-3	46,022	14.3	14.9	14.6
San Antonio.....	626,079	2	-1	366,690	20.5	20.0	19.2
Texarkana <sup>2</sup> .....	24,810	7	13	16,567	18.1	16.7	16.6
Tyler.....	84,862	-4	-9	58,406	17.5	18.2	18.4
Waco.....	106,058	3	-3	66,918	19.1	18.6	19.1
Wichita Falls.....	123,311	5	-1	98,785	14.9	14.3	14.3
Total—24 cities.....	\$9,594,654	0	2	\$4,693,835	24.6	24.5	23.4

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

<sup>2</sup> These figures include only two banks in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including one bank located in the Eighth District, amounted to \$54,351,000 for the month of June 1960.

### VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	May 1960	April 1960	May 1959	January—May	
				1960	1959
<b>FIVE SOUTHWESTERN STATES<sup>1</sup></b>					
Residential.....	339,153	428,305	321,555	1,629,019	1,700,461
All other.....	147,535	144,766	165,410	686,969	832,065
All other.....	191,618	283,539	156,145	942,050	868,396
<b>UNITED STATES.....</b>	<b>3,336,723</b>	<b>3,339,792</b>	<b>3,541,858</b>	<b>14,122,786</b>	<b>15,230,334</b>
Residential.....	1,452,872	1,470,637	1,677,324	6,120,524	7,126,054
All other.....	1,883,851	1,869,155	1,864,534	8,002,262	8,104,280

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

### DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	June 1960 <sup>1</sup>	May 1960 <sup>1</sup>	June 1959 <sup>2</sup>	Change from	
				May 1960	June 1959
<b>ELEVENTH DISTRICT.....</b>	<b>2,826.9</b>	<b>2,795.1</b>	<b>3,072.3</b>	<b>1.1</b>	<b>-8.0</b>
Texas.....	2,458.3	2,416.5	2,705.5	1.7	-9.1
Gulf Coast.....	457.9	450.4	512.6	1.7	-10.7
West Texas.....	1,083.4	1,067.8	1,203.5	1.5	-10.0
East Texas (proper).....	122.8	120.2	147.2	2.2	-16.6
Panhandle.....	107.9	107.9	107.0	0.0	.8
Rest of State.....	686.3	670.2	735.2	2.4	-6.7
Southeastern New Mexico.....	255.2	265.5	248.0	-3.8	3.0
Northern Louisiana.....	113.4	113.1	118.8	.3	-4.6
<b>OUTSIDE ELEVENTH DISTRICT.....</b>	<b>3,980.7</b>	<b>4,013.2</b>	<b>4,010.8</b>	<b>-8.8</b>	<b>-8.8</b>
<b>UNITED STATES.....</b>	<b>6,807.6</b>	<b>6,808.3</b>	<b>7,083.1</b>	<b>.0</b>	<b>-3.8</b>

SOURCES: <sup>1</sup> Estimated from American Petroleum Institute weekly reports.  
<sup>2</sup> United States Bureau of Mines.

### CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	June 29, 1960	May 25, 1960	June 24, 1959
<b>ASSETS</b>			
Loans and discounts.....	4,895	4,805	4,685
United States Government obligations.....	2,362	2,408	2,541
Other securities.....	815	823	823
Reserves with Federal Reserve Bank.....	906	906	935
Cash in vault.....	147	142	143
Balances with banks in the United States.....	1,000	891	995
Balances with banks in foreign countries.....	2	2	2
Cash items in process of collection.....	518	490	544
Other assets.....	265	277	254
<b>TOTAL ASSETS.....</b>	<b>10,910</b>	<b>10,744</b>	<b>10,922</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,075	910	1,081
Other demand deposits.....	6,358	6,425	6,553
Time deposits.....	2,215	2,175	2,180
Total deposits.....	9,648	9,510	9,814
Borrowings.....	183	142	113
Other liabilities.....	137	152	91
Total capital accounts.....	942	940	904
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....</b>	<b>10,910</b>	<b>10,744</b>	<b>10,922</b>

e — Estimated.

### 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
1958: June.....	7,523	3,764	3,759	2,048	1,122	926
1959: June.....	7,678	3,771	3,907	2,177	1,135	1,042
1960: February..	7,620	3,640	3,980	2,145	1,089	1,056
March.....	7,539	3,661	3,878	2,171	1,097	1,074
April.....	7,503	3,640	3,863	2,190	1,105	1,085
May.....	7,364	3,623	3,741	2,178	1,094	1,084
June.....	7,473	3,726	3,747	2,191	1,098	1,093

### BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percent change		
	June 1960	6 mos. 1960	June 1960	6 mos. 1960	June 1960 from		6 months, 1960 from 1959
					May 1960	June 1959	
<b>ARIZONA</b>							
Tucson.....	902	5,261	\$ 4,400	\$ 20,177	45	-10	28
<b>LOUISIANA</b>							
Shreveport....	459	2,947	3,312	14,592	16	29	0
<b>TEXAS</b>							
Abilene.....	162	933	2,297	10,541	47	-29	-29
Amarillo.....	361	1,960	3,022	18,405	18	-9	-8
Austin.....	325	1,808	3,551	23,983	-31	-44	-20
Beaumont.....	358	1,648	1,753	7,292	54	-15	-20
Corpus Christi..	60	370	1,109	6,453	8	-2	-31
Dallas.....	2,512	12,969	11,239	68,771	13	-6	-25
El Paso.....	616	3,684	3,996	23,552	-2	-26	-22
Fort Worth.....	674	4,040	3,763	26,532	-32	-30	3
Galveston.....	185	747	263	4,082	-91	6	137
Houston.....	1,364	7,527	33,548	118,652	137	88	10
Lubbock.....	169	1,452	2,709	22,740	-25	-55	-30
Port Arthur.....	213	1,085	762	5,788	-16	-68	1
San Antonio.....	1,268	6,849	4,615	28,729	-7	-11	-10
Waco.....	283	1,479	1,205	9,767	-10	7	2
Wichita Falls..	162	1,601	2,057	12,845	-31	-34	42
Total—17 cities..	10,073	56,360	\$83,601	\$422,901	23	2	-8