



BUSINESS REVIEW

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RECENT TRENDS IN SOUTHWESTERN PERSONAL INCOME

To some extent, the economic well-being of an individual can be measured by the amount of personal income he receives during a given period of time and the rate of increase in his income. Such income measurements are an indicator of the end result of economic activity and the profitability of that result to the individuals concerned. Similarly, personal income statistics can be used as a means of measuring general economic conditions of a nation or a region; and even though some changes in income are disassociated from the general level of economic activity, it is still possible to obtain a reasonably accurate picture of the pattern of economic development by use of aggregate personal income statistics.

Each year, the United States Department of Commerce publishes estimates of the personal income of individuals, by states, both on a total-dollar and on a per capita basis. The data, recently released for 1959, reflect the shifting pattern of economic conditions and the specific forces affecting personal income, such as wage increases, interest movements, and the profitability of business establishments. The personal income reports encompass all business, government, household, and foreign outlays to labor, management, and the owners of land and capital for their productive activities. The concept of personal income reported by the Department of Commerce excludes corporate income tax payments and retained earnings but includes both government and business transfer payments. Government transfer payments are composed of social security payments, unemployment compensa-

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

INCOME PAYMENTS TO INDIVIDUALS, 1954-59

Five Southwestern States and United States

(Dollar amounts in millions)

Year	ARIZONA		LOUISIANA		NEW MEXICO		OKLAHOMA		TEXAS		SOUTHWEST		UNITED STATES	
	Dollar amount	Percent increase	Dollar amount	Percent increase	Dollar amount	Percent increase	Dollar amount	Percent increase	Dollar amount	Percent increase	Dollar amount	Percent increase	Dollar amount	Percent increase
1954.....	1,495	3.8	3,756	1.0	1,088	3.1	3,162	0.0	13,391	2.9	22,892	2.2	285,339	0.8
1955.....	1,633	9.2	3,985	6.1	1,159	6.5	3,341	5.7	14,380	7.4	24,498	7.0	306,598	7.5
1956.....	1,854	13.5	4,424	11.0	1,257	8.5	3,572	6.9	15,422	7.2	26,529	8.3	330,380	7.8
1957.....	2,010	8.4	4,884	10.4	1,401	11.5	3,730	4.4	16,556	7.4	28,581	7.7	348,724	5.6
1958.....	2,202	9.6	4,933	1.0	1,554	10.9	3,954	6.0	17,129	3.5	29,772	4.2	357,542	2.5
1959.....	2,388	8.4	5,169	4.8	1,681	8.2	4,138	4.7	18,041	5.3	31,417	5.5	380,664	6.5

SOURCE: United States Department of Commerce.

tion, government aid to veterans, and similar disbursements; while business transfer payments comprise business donations to nonprofit institutions, cash and merchandise prizes, merchandise losses due to theft, and consumer bad debts.

The year 1959 was one of economic recovery for both the Nation and the Southwest, but the rate of economic advance was slower in the Southwest because the region had not been as severely affected as the Nation by the recession in 1958. Over a longer period of comparison, from 1954 to 1959, the marked changes in personal income also reflected some elements of this same problem; the 1954 pattern was governed by an economic recession, while, as mentioned earlier, 1959 was highlighted by economic recovery. Thus, a comparison of the rates of increase in personal income payments in the United States and the Southwest is somewhat distorted for both 1958-59 and 1954-59. Even with this reservation in mind, however, one may still obtain a broad picture of the developing economic pattern in the Southwest and its relationship to the similarly changing pattern in the Nation.

Southwesterners received 8 percent of all personal income distributed in the United States during 1959. Income receipts of individuals in the Southwest (composed of the Eleventh District states of Arizona, Louisiana, New Mexico, Oklahoma, and Texas), totaling \$31.4 billion in 1959, were 5.5 percent above the 1958 level, but the Nation's personal income rose 6.5 percent. Cost-of-living increases, however, limited the advance of real personal income. On a per capita basis, personal income in the District states advanced from \$1,769 to \$1,828 during 1959 but, even at this latter level, was still well below the national per capita personal income figure of \$2,166.

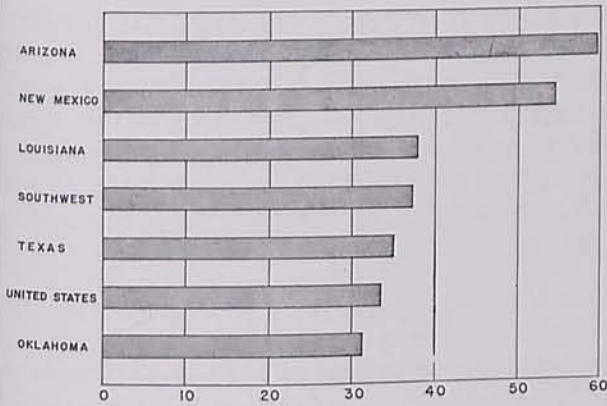
Individual income grew most rapidly in the westernmost District states during the past year, with an increase of over 8 percent in both Arizona and New Mexico. Nevertheless, income payments received by Texans advanced \$912 million, or 5 percent, in 1959 and, as in the past, were more than one-half of the southwestern total. Moreover, per capita income payments in Texas rose 5 percent to a level of \$1,908 in 1959, reflecting a significantly greater rate of gain than in the Nation. Per capita personal income increased only slightly in Arizona and Oklahoma and was unchanged in Louisiana and New Mexico.

Although the per capita personal income increases for 1954-59 — a more extended time period — were virtually the same for the Southwest and the United States, total southwestern income payments to individuals rose 37 percent, compared with 33 percent in the Nation. In addition, during the past decade, personal income in the District states grew at an average rate of 6.6 percent annually, or one-eighth times greater than the corresponding rate for the United States. Partly because of the relatively smaller figures, the 1950-59 personal income growth rate for each District state except Oklahoma averaged substantially greater than the rate for the United States.

Population increases modified the rise of income receipts per person throughout the United States during the 1950-59 decade. Per capita personal income in the Nation grew 3.9 percent annually, thus increasing at a significantly slower rate than the average for the Southwest. However, within the region, the annual rates of gain in personal income differed. Although income payments to individuals in Arizona during the 10-year period advanced at a rate one-eighth times greater than in New Mexico, the rate of population change was even larger in Arizona; as a result, per capita personal in-

PERCENTAGE INCREASE IN PERSONAL INCOME

1954 - 1959



SOURCE: U.S. Department of Commerce.

come in this State rose 12 percent less than in New Mexico. Total personal income in Oklahoma grew at an annual rate of 5.7 percent during this decade, and per capita income receipts advanced 5.3 percent, reflecting a relatively insignificant rate of population change. Per capita personal income increases for the 1950-59 period averaged about 4 percent annually for both Texas and Louisiana.

One striking feature of these relative rates of change between the 1954-59 and 1950-59 periods is the slower advance in the Southwest during the past few years as compared with the early part of the decade. Thus, the per capita personal income advance in the Southwest greatly exceeded the increase in the Nation during the decade but has approximated the national rate of gain since 1954. This pattern is clearly evident not only in comparing the rates of economic advance in the District and the Nation, particularly the relative contributions of petroleum and defense industries, but also in analyzing the rates of gain in the broader economic developments within the District.

Sources of Personal Income

The absolute and relative increases in the major components of an economy can be identified by analyzing personal income data according to the source of payment. The five major sources are nonagricultural income, agricultural income, government payments, property income, and other individual income.

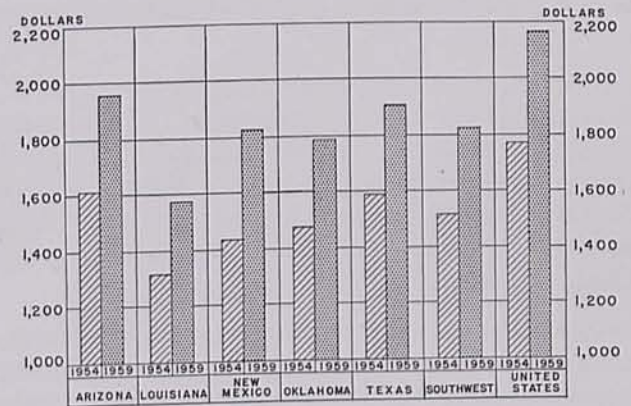
The steel strike restricted the advance in personal income generated by nonagricultural industries in the

Nation last year. More important to the Southwest, however, were the economic problems faced by the petroleum industry, the copper strikes, the cancellation of large Government aircraft contracts, and a slowdown in federally sponsored highway construction. In addition, average hourly earnings and the average workweek of manufacturing employees rose less in the Southwest than in the Nation. These factors were prominent in limiting the 1959 increase in southwestern personal income from nonagricultural sources to less than the national figure of 7 percent. Personal income paid by nonagricultural industries in the Southwest during 1959 totaled \$19.8 billion, or 67 percent of all income paid to southwesterners. The importance of nonagricultural activity in the District states was roughly the same as in the Nation in 1959, but residents of Texas and Louisiana received a larger share from that income source than the other southwestern states.

Measured by the 1959 personal income statistics, petroleum extraction and other mining activities were over four times as important in the Southwest as in the United States, and the region accounted for about one-third of the Nation's income from all mining ventures. Personal income paid to employees of the extractive industries in the District states increased 4.3 percent during 1959, despite the low level of petroleum operations and the extended copper strikes.

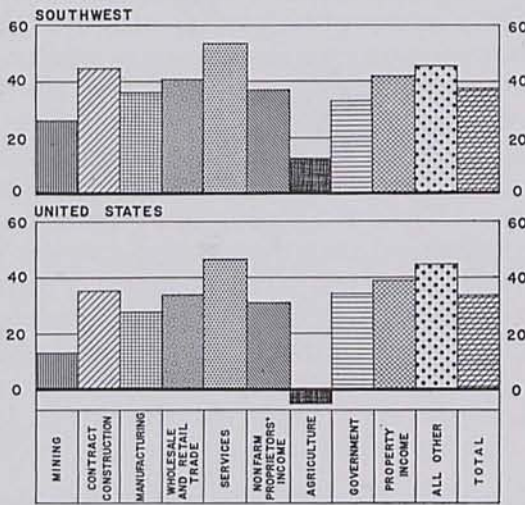
District crude oil production last year advanced 5 percent over 1958; however, the increase is less significant when compared with prior years because crude oil output in 1958 was at an 8-year low. Crude oil produc-

PER CAPITA PERSONAL INCOME



SOURCE: U.S. Department of Commerce.

PERCENTAGE CHANGE IN PERSONAL INCOME
BY MAJOR SOURCE - 1954-1959



SOURCE: U. S. Department of Commerce.

tion in 1959 was only 1 percent more than in 1954. As a result of reduced crude oil production activity in the District and the growth of other industries, the share of southwestern personal income generated by the petroleum industry declined from 4.3 percent in 1954 to 3.9 percent in 1959. Texas accounted for much of the decline as the State's petroleum industry was held in close check by continuously restricted allowables. Nevertheless, total Texas mining activity in 1959 provided one-half of all income paid to mining employees in the Southwest, although furnishing only 4 percent of all income received by Texans. Only in Louisiana did petroleum activity increase its contribution to individual income, partly because of greater offshore drilling and recovery activity.

Personal income payments from Arizona's mining interests declined almost 4 percent in 1959, primarily as a result of a copper strike that affected 15,000 southwestern workers. However, mining activity in New Mexico increased because of substantial gains in the production of uranium ore, natural gas liquids, perlite, potash, and stone.

As was the case with mining, contract construction was a more significant income source for the District states than for the Nation; the southwest total amounted to \$1.4 billion in 1959, or about one-twentieth of the region's total personal income. The value of construc-

tion awards increased slightly last year in the Southwest, with residential building awards 7 percent greater than in 1958. Although the slowdown in Federal interstate highway construction dampened the growth of public construction, the Southwest showed a rising trend in commercial and industrial building. Contract construction was especially important in the rapidly expanding westernmost District states, with more than 6.5 percent of total personal income in both Arizona and New Mexico in 1959 coming from construction activity.

Diversification marks the trend in southwestern manufacturing activity. A decline of 8,000 in aircraft manufacturing employment in 1959 resulted from the cancellation of major Government aircraft contracts but was offset by production and employment increases in electronics, petrochemicals, metals, machinery, automobile assembly, building materials, and furniture industries. Manufacturing employment grew moderately in 1959, and the Texas industrial production index increased about 7 percent. As a result of these developments, personal income originating in manufacturing rose 6.6 percent last year in the District states. Texas accounted for about two-thirds of total southwestern manufacturing wages and salaries and slightly less than this proportion of total proprietors' income in the region. Louisiana ranked second for the two income sources, with 22 percent of total personal income payments in this State being derived therefrom.

The percentages of total southwestern personal income received from wholesale and retail trade and transportation were roughly comparable with those for the Nation. Texas, the foremost commercial and transportation center of the Southwest, derived one-eighth of its total personal income from trade and more than 4 percent from transportation in 1959; the portions of income generated by trade and transportation in other District states were slightly less. Southwestern trade income, totaling \$3.9 billion last year, increased 41 percent between 1954 and 1959 and one-twelfth during 1959. Increased trade activity closely parallels an expanding population, as is reflected by substantial increases in both factors in Arizona and New Mexico. A less rapid population expansion in the eastern portion of the Southwest partially explains the more moderate trade income gains in that area. Other factors fostering retail trade activity — and, consequently, wholesale sales — included the continued suburban movement of population and the convenience of resulting shop-

ping centers, as well as the expansion of consumer credit facilities.

Retail sales of nondurables in Texas, generally indicative of the Southwest as a whole, advanced slightly in both 1958 and 1959, cushioning the economic decline of late 1957 and early 1958 and enhancing the recovery in the subsequent period. Although durable goods purchases declined during 1958, sales of automobiles and other fairly permanent consumer items increased late in the year and rose 16 percent in 1959.

Increased transportation activity and, hence, higher personal income from that source are closely correlated with an expanding population, greater wholesale and retail trade activity, and improved transport facilities. The continued gains in gulf port transportation, as an example, have aided the greater than national expansion in Texas in individual income from transportation, which increased 8 percent from 1958 to 1959 by rising from \$735 million to \$793 million. However, personal income of transportation origin in the five southwestern states and the United States was unable to maintain its share of total personal income during the 1954-59 period, relative to the more rapidly advancing income from other sources.

The percentage contributions of total income from both finance, insurance, and real estate and communications and public utilities in the Nation and the Southwest were about the same last year, but the 1958-59 rates of gain were slightly higher in the Southwest. In the region, personal income from these sources in 1959 amounted to \$1.6 billion, or \$109 million above 1958. A marked expansion in the number and size of banks, savings and loan associations, and insurance companies has accompanied the rising urban population of the Southwest. The growth in income from communications and public utilities has followed the population trend too, though improvements in living standards have also accelerated the demand for utility services, and, consequently, additional energy requirements.

Although Arizona and New Mexico showed stronger signs of industrial development than the other southwestern states last year, the easternmost District states did not stop growing but, rather, showed an alteration of the source apportionment of income paid to individuals. A primary example of this shifting economic structure in the Southwest is the growing relative importance of the service industries in all District states. Personal income generated by services totaled \$2.1 bil-

PERCENTAGE DISTRIBUTION OF PERSONAL INCOME,
BY MAJOR SOURCES, 1959

Five Southwestern States and United States

Source	Arizona	Louisiana	New Mexico	Oklahoma	Texas	SOUTH-WEST	United States
Nonagriculture.....	61.6	64.9	58.6	59.6	63.6	62.9	66.9
Mining.....	3.4	5.1	5.8	6.4	4.0	4.5	1.0
Contract construction.....	7.4	5.0	6.5	3.8	4.0	4.5	4.0
Manufacturing.....	10.0	12.6	5.0	9.6	13.2	12.0	22.3
Wholesale and retail trade..	12.7	12.3	10.6	11.3	12.8	12.4	12.2
Finance, insurance, and real estate.....	2.9	2.7	2.4	2.4	2.8	2.7	3.1
Transportation.....	2.6	4.9	3.3	3.6	4.4	4.2	3.7
Communications and public utilities.....	2.7	2.4	2.9	2.3	2.2	2.3	2.0
Services.....	7.2	7.0	9.6	5.5	6.3	6.5	6.7
Other.....	2.2	3.2	2.1	2.6	2.8	2.8	2.8
Proprietors' income.....	10.5	9.7	10.4	12.1	11.1	11.0	9.1
Agriculture.....	8.0	4.6	7.0	6.8	6.6	6.4	3.9
Wages and salaries.....	3.2	1.0	1.9	.9	1.6	1.6	.8
Proprietors' income.....	4.8	3.6	5.1	5.9	5.0	4.8	3.1
Government.....	15.8	12.3	21.7	14.9	12.9	13.8	11.2
Property income.....	10.1	11.7	8.9	12.1	12.8	12.1	12.9
Transfer payments less personal contributions for social insurance.....	4.5	6.5	3.8	6.6	4.1	4.8	5.1
TOTAL PERSONAL INCOME.	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: United States Department of Commerce.

lion in the region last year to reflect an increase of \$151 million over the 1958 level, with more than one-half of the southwestern total originating in Texas. The share of total individual income attributable to service industries rose in the Nation and in the five southwestern states partially because of additional recreational facilities and increased leisure time to take advantage of them.

Agricultural income payments, including the receipts of farm and ranch proprietors, decreased 13 percent in the United States during 1959, and the percentage of total personal income from agricultural production similarly declined. However, the reduction in the relative importance of agricultural income payments was less pronounced in the Southwest last year, with personal income received from agriculture declining 8 percent. The failure of this income source to maintain its position as a generator of personal income, nevertheless, does not necessarily indicate any absolute decline in agriculture. In a developed economy, as an example, the substitution of agricultural equipment for agricultural labor reduces total income receipts from the latter source. Indicative of advancement, the index of agricultural production in the Southwest grew at an annual rate of 3.4 percent for the 1955-59 period to average 105 (1947-49 = 100) for the past 5 years. During the 1954-59 period, agricultural personal income in the District states increased \$222 million, or 12 percent, although recovery from a drought was a major factor in this gain.

Wages paid to agricultural workers rose in all District states last year except Oklahoma and New Mexico as a result of an increase in the number of hired workers and generally higher wage rates; however, a substantial reduction in farm proprietors' income in all but two of the District states caused a general decrease in agricultural personal income payments in the Southwest. The decline in farm proprietors' income in 1959 was partly accounted for by the reduced value of the crop yield.

Agricultural income in Arizona and New Mexico in 1959 was a larger percentage of total personal income than in all the other District states. However, as is the usual case for a rapidly growing economy, the relative importance of agriculture had declined sharply for these westernmost District states in the recent past, especially for Arizona.

During 1959, property income in the Southwest totaled \$3.8 billion and accounted for one-twelfth to one-eighth of total personal income among the District states. Enhanced by rising rental payments and higher land values during the year, property income increased more than nationally in all five southwestern states. More importantly, the 1959 rise in interest rates brought a higher yield on securities and loans, thus improving the portion of personal income from this source.

Payments to government employees in 1959 constituted more than one-tenth of all income received by individuals in the United States. The share of personal income provided by government income in the Southwest, exclusive of transfer payments, was 23 percent more than the national percentage. Large outlays to government employees in the western portion of the Southwest partly resulted from a heavy concentration of defense installations. Last year, more than one-fifth of total New Mexico individual income was attributable to government employee compensation, and government employees in Arizona acquired 15 percent of the State's total income. From 1954 to 1959, the relative importance of government payments to total personal income in Texas declined more than in all the other District states, whereas government's role as a generator of income in Oklahoma was heightened.

"Other individual income"—transfer payments less personal contributions for social insurance—provided about one-twentieth of personal income in 1959 in both the United States and the Southwest. The relative share for the District states rose less than the Nation's share

from 1954 through 1959. Last year, transfer payments increased in relative importance in all the District states but decreased nationally. Within the area, the portion of personal income attributable to transfer payments less personal contributions for social insurance in both Texas and New Mexico was less than in the Southwest but in Oklahoma and Louisiana was above the regional share of about 5 percent.

In terms of absolute dollar increments, transfer payments in the Southwest rose 63 percent, compared with 67 percent in the Nation, during the 1954-59 period. One reason for the increase in funds made available to individuals through transfers, nationally and regionally, is the improvement in welfare programs, including the liberalization of social security benefits. Last year, however, the increase was significantly greater in the region than in the United States. A partial explanation is that, in 1959, average weekly payments to insured unemployed workers were unchanged in the Nation but increased in all the District states except Texas. In addition, the number of workers drawing unemployment compensation did not decline as rapidly in the southwestern states as in the Nation. Despite this fact, the total unemployment rate in Texas was less than in the United States in both 1958 and 1959.

Concluding Statement

Personal income comparisons for 1959 and early 1960 indicate that the southwestern states have not participated as fully as others in the rapid recovery of this period. Even though a comparable recovery would not be required of the southwestern economy because the prior decline was less pronounced, one cannot escape the impression of a generally slower rate of growth in the Southwest. Preliminary indications for early 1960 reflect a continuation of this pattern, with personal income gains held down to an even lower rate than that of the 1954-59 period. Explanations for this slower rate are not hard to find in reduced petroleum activity, the lower level of farm income, the decline in construction activity, and the less exuberant tone of business. Over the long run, though, there may be little reason for pessimism concerning the slower recent rates of increase in personal income in the Southwest. The recent past and, indeed, the present might be regarded as periods during which the economic seeds of diversity and expansion have been planted and nurtured for future economic growth.

SANFORD R. SINGER
General Economist

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



District weekly reporting member banks showed a marked increase in loan demand during the 4 weeks ended September 14, with commercial and industrial loans reflecting the strongest gain. The banks' securities holdings were reduced slightly, but deposits rose substantially. Reserve positions of all District member banks eased further during August and early September.


Harvesting made relatively good progress during the past month as a result of improved weather. Favorable moisture conditions in late areas boosted crop prospects, particularly for cotton and grain sorghums, and total production of all crops may be slightly more than in 1959. Native grasses in most range areas have set a fair seed crop, and forage supplies are relatively good.

District crude oil production was unchanged during August and early September, but crude runs to District refinery stills increased in early September and were significantly greater than a year ago. Crude oil stocks in the Nation declined moderately

from mid-August to mid-September; Texas crude inventories were at the lowest level since 1942. District drilling activity remained well below the year-earlier rate.

District department store sales in August rose less than seasonally from July; and although there were some small year-to-year gains in wearing apparel sales, sharp declines in sales of consumer durables held total sales below August 1959. The usual fall build-up of department store inventories continued in August, but orders for additional merchandise were well below a year earlier.

Construction contracts awarded in the Eleventh District states during July declined from June and were 8 percent below a year ago. Nonagricultural employment in the District states held virtually steady during August. In Texas, unemployment declined to 176,700, which is 4.8 percent of the nonfarm labor force. The Texas industrial production index decreased to 172 during August, or 1 point below the revised July figure. Total manufacturing declined as a result of lower nondurables output. August mining activity rose slightly.



August department store sales in the District topped the July total by 14 percent, but most of the gain was due to the fact that there were two more business

days in August. Relative to a year earlier, sales declined 2 percent, even though there was one more trading day in the 1960 month. The seasonally adjusted sales index slipped to 169 in August from 175 in July and 179 in August 1959. These trends continued in early September as sales during the first 2 weeks were 3 percent lower than in the comparable period last year. Cumulative sales through August were 1 percent below a year ago.

Weakness in sales of durable goods at the District's department stores was the primary cause of the year-to-year decline in August sales. Sales of radios, tele-

vision sets, and musical equipment and major household appliances were 16 percent lower than in August last year, and sales of floor coverings were down 18 percent. On the other hand, the major wearing apparel departments registered small year-to-year gains as consumers began to buy fall clothing. Thus, men's clothing

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: August.....	176	179r	182	182
1960: June.....	156	170	179	192
July.....	156	175	180	190
August.....	165	169	191p	191p

r — Revised.
p — Preliminary.

BUSINESS REVIEW

10:1960

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DEPARTMENT STORE SALES
(Percentage change in retail value)

Area	August 1960 from		8 months, 1960 from 1959
	July 1960	August 1959	
Total Eleventh District.....	14	-2	-1
Corpus Christi.....	14	-10	-5
Dallas.....	18	2	2
El Paso.....	23	-13	-13
Fort Worth.....	12	-4	-4
Houston.....	8	-3	0
San Antonio.....	18	-3	-4
Shreveport, La.....	15	-1	-3
Waco.....	19	-7	-6
Other cities.....	15	0	2

sales rose 4 percent over a year earlier, and women's and misses' dresses and women's and misses' coats and suits gained 2 percent and 1 percent, respectively.

Department store inventories in the District increased about seasonally during August as Christmas-season stocks of goods began to accumulate. The seasonally adjusted stock index was 191 percent of the 1947-49 average at the end of August, or up slightly from 190 a month ago and above the 182 recorded a year ago. With inventories at a higher level relative to last year, department store merchants began restricting orders of additional merchandise. New orders placed during August were 16 percent below those placed at the same time in 1959, and orders outstanding at the end of the month were down 7 percent from the year-earlier level.



Harvesting of crops accelerated during the past month as a result of generally dry, open weather in most sections of the District. Rains in early September replenished soil moisture in sections of the Northern High Plains, and additional acreages of wheat have been seeded. In south Texas and lower coastal areas, wet fields continued to delay the completion of cotton harvesting and the preparation of soils for next year's crop. Moisture would be beneficial to sections of the Southern High Plains of Texas and New Mexico and in the Texas Cross Timbers area.

Excellent progress is being made in harvesting the District's cotton crop. Over one-half of the crop in upper coastal and south-central Texas areas has been baled, and gins in some Blacklands counties are operating around the clock. In the Southern Low Plains, large acreages have been defoliated in preparation for mechanical harvesting. In the High Plains section of

Texas and in Arizona and New Mexico, prospects remain favorable, and some harvesting has begun.

The cotton crop in the District states showed improvement during August, according to official estimates. Output is placed, as of September 1, at 6,530,000 bales, or 90,000 bales higher than a month earlier and 3 percent larger than in 1959. All of the month-to-month gain occurred in the late-producing cotton areas of Oklahoma and in western sections of Texas. The Texas crop is placed at 4,425,000 bales, which is up slightly from both a month ago and 1959. The gain in prospective production in western regions of the State more than offset the reduced prospects from the central Blacklands of Texas eastward.

Late dry-land sorghums in the western High Plains of Texas and New Mexico received much-needed moisture during the first part of September. Virtually all of the crop in the Blacklands and south-central Texas has now been combined. Harvesting has passed the peak in the Low Rolling Plains, and combining is gradually moving northwesterly. During August, indicated production of grain sorghums in the District states was boosted to a level of 310 million bushels, or only slightly below last year's large outturn.

Gathering of other crops is making fair progress. Corn picking is more than one-half complete, and some progress has been made in harvesting the much-delayed rice crop. The losses from lodging have reduced indicated production of rice slightly, but forecasts still place District output at about the same level as a year earlier.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	1960, estimated Sept. 1	1959	Average 1949-58	1960, estimated Sept. 1	1959	Average 1949-58
Cotton ²	4,425	4,416	4,072	6,530	6,327	6,072
Corn.....	31,234	42,728	41,318	55,491	72,139	69,317
Winter wheat....	87,728	59,850	36,751	214,090	157,687	107,189
Oats.....	28,730	26,473	28,388	42,716	42,764	43,937
Barley.....	8,572	5,752	3,045	35,115	29,598	16,278
Rye.....	198	190	236	1,322	1,188	968
Rice ³	12,927	13,136	13,050	25,980	26,046	25,356
Sorghum grain... ⁴	276,432	277,666	133,416	310,079	311,098	154,380
Flaxseed.....	1,160	357	655	1,185	435	821
Hay ⁵	2,098	2,340	1,846	6,212	6,463	5,349
Peanuts ⁶	213,125	206,635	185,392	356,075	351,435	288,687
Irish potatoes ⁶ ...	2,547	2,562	1,591	6,286	5,565	3,708
Sweet potatoes ⁶ ...	1,320	1,495	1,337	4,654	6,615	6,341
Pecans ⁶	40,000	32,000	31,970	94,500	66,400	69,827

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

² In thousands of bales.

³ In thousands of bags containing 100 pounds each.

⁴ In thousands of tons.

⁵ In thousands of pounds.

⁶ In thousands of hundredweight.

SOURCE: United States Department of Agriculture.

Although rains in the Lower Valley of Texas hampered work in vegetable fields in the early part of September and created additional weed problems, the moisture was beneficial to citrus fruits. Conditions remain good in the High Plains commercial vegetable areas; and in east Texas, digging has begun on the below-average sweet potato crop.

Fall grazing was further boosted by rains in some areas, and District-wide grazing conditions are relatively favorable. Pastures are poorest in sections of the Southern High Plains and Cross Timbers, in north-eastern areas of Texas, and in western New Mexico. Forage in east Texas has been damaged by army worms.

The index of prices received by Texas farmers and ranchers for all farm products declined 1 percent during the month ended August 15, 1960. At 250 percent of the 1910-14 average, the mid-August index was 7 percent below the year-earlier level.



Bank credit extended by the weekly reporting member banks in the Eleventh District during the 4 weeks ended September 14, 1960, reflected a marked ex-

pansion in loans but a slight reduction in investment holdings. Gross loans (excluding interbank loans) rose \$25.5 million, compared with a \$13.0 million advance in the corresponding period of 1959. The strongest gains in the recent period occurred in the commercial and industrial and "all other" loan categories. The strengthening loan demand may have stemmed partly from the needs of business for funds to pay taxes since no Tax Anticipation bills matured in September this year. However, loan demand has been continuously strong since early July and, thus, probably reflects such additional factors requiring credit as inventory financing in the petroleum industry and at retail trade outlets.

Investment holdings of the weekly reporting banks showed considerable internal shifting but a net decline of only \$7.2 million during the 4 weeks, compared with a \$105.2 million decrease in the corresponding period last year. Treasury bill holdings were reduced most heavily in the recent period. Bond and note holdings reflected offsetting changes, with net purchases of bonds and notes which will mature either within 1 year or after 5 years but net sales of those in the intermediate range.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Sept. 14, 1960	Aug. 17, 1960	Sept. 16, 1959
ASSETS			
Commercial and industrial loans.....	1,498,297	1,471,897	1,507,386
Agricultural loans.....	31,730	30,391	34,930
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	25,274	13,604	738
Other securities.....	20,283	21,965	12,085
Other loans for purchasing or carrying:			
U. S. Government securities.....	10,607	9,585	10,892
Other securities.....	176,672	178,424	179,929
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	107,185	128,428	136,293
Savings banks, mtge. cos., ins. cos., etc.....	123,106	125,740	125,067
Loans to foreign banks.....	326	347	59
Loans to domestic commercial banks.....	106,773	64,713	29,480
Real-estate loans.....	204,319	204,498	219,344
All other loans.....	761,306	748,753	715,330
Gross loans.....	3,065,878	2,998,345	2,971,533
Less reserves and unallocated charge-offs..	55,305	55,346	51,031
Net loans.....	3,010,573	2,942,999	2,920,502
Treasury bills.....	77,540	95,599	54,836
Treasury certificates of indebtedness.....	33,163	33,332	50,696
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	93,457	74,806	41,313
After 1 but within 5 years.....	816,615	825,834	845,532
After 5 years.....	304,817	297,461	296,859
Other securities.....	346,832	352,612	333,712
Total investments.....	1,672,424	1,679,644	1,622,948
Cash items in process of collection.....	530,120	505,145	548,464
Balances with banks in the United States.....	528,762	465,699	519,544
Balances with banks in foreign countries.....	2,214	1,660	1,816
Currency and coin.....	53,592	51,908	50,877
Reserves with Federal Reserve Bank.....	527,073	568,031	591,286
Other assets.....	172,216	167,918	167,528
TOTAL ASSETS.....	6,496,974	6,383,004	6,422,965
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations....	2,954,616	2,878,107	3,007,607
United States Government.....	76,891	144,256	137,875
States and political subdivisions.....	207,724	224,071	169,180
Banks in the United States.....	1,080,205	948,685	1,042,977
Banks in foreign countries.....	15,786	19,156	16,634
Certified and officers' checks, etc.....	45,920	42,760	79,547
Total demand deposits.....	4,381,142	4,257,035	4,453,820
Time deposits			
Individuals, partnerships, and corporations....	1,118,565	1,092,677	1,059,366
United States Government.....	9,845	8,455	7,035
Postal savings.....	394	394	421
States and political subdivisions.....	222,577	237,729	166,517
Banks in the U. S. and foreign countries.....	7,790	4,794	7,774
Total time deposits.....	1,359,171	1,344,049	1,241,113
Total deposits.....	5,740,313	5,601,084	5,694,933
Bills payable, rediscounts, etc.....	109,844	127,709	128,956
All other liabilities.....	86,057	94,272	65,555
Capital accounts.....	560,760	559,939	533,521
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	6,496,974	6,383,004	6,422,965

Deposit liabilities of the banks rose sharply, \$139.2 million, in the 4 weeks ended September 14. Demand deposits increased \$124.1 million, with the accounts of individuals, partnerships, and corporations and interbank deposits providing most of the strength; however, government balances declined. Time deposits advanced \$15.1 million, led by a strong rise in the balances of individuals, partnerships, and corporations.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Sept. 7, 1960	4 weeks ended Aug. 3, 1960	Month of Aug. 1959
RESERVE CITY BANKS			
Total reserves held.....	550,086	550,220	554,607
With Federal Reserve Bank...	546,065	548,112	—
Cash allowed as reserves....	4,021	2,108	—
Required reserves.....	542,873	544,366	546,277
Excess reserves.....	7,213	5,854	8,330
Borrowings.....	0	4,577	21,128
Free reserves.....	7,213	1,277	-12,798
COUNTRY BANKS			
Total reserves held.....	446,639	445,333	445,604
With Federal Reserve Bank...	430,324	436,466	—
Cash allowed as reserves....	16,315	8,867	—
Required reserves.....	394,217	396,671	404,443
Excess reserves.....	52,422	48,662	41,161
Borrowings.....	12,647	15,163	22,446
Free reserves.....	39,775	33,499	18,715
ALL MEMBER BANKS			
Total reserves held.....	996,725	995,553	1,000,211
With Federal Reserve Bank...	976,389	984,578	—
Cash allowed as reserves....	20,336	10,975	—
Required reserves.....	937,090	941,037	950,720
Excess reserves.....	59,635	54,516	49,491
Borrowings.....	12,647	19,740	43,574
Free reserves.....	46,988	34,776	5,917

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 bi-weekly basis. Therefore, monthly data comparable to year-earlier material are not available.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Sept. 14, 1960	Aug. 17, 1960	Sept. 16, 1959
Total gold certificate reserves.....	663,623	725,545	736,948
Discounts for member banks.....	12,763	11,806	20,810
Other discounts and advances.....	116	0	36
U. S. Government securities.....	1,071,036	1,081,363	1,063,419
Total earning assets.....	1,083,915	1,093,169	1,084,265
Member bank reserve deposits.....	904,803	962,524	983,307
Federal Reserve notes in actual circulation....	812,601	806,253	804,072

Total reserves of all District member banks during the 5 weeks ended September 7 showed very little change from the daily average of the previous 4 weeks. There was a \$9.4 million rise in cash allowed as reserves, but reserves held with the Federal Reserve Bank declined \$8.2 million. With required reserve positions easing somewhat, excess reserves increased \$5.1 million. A further decline in average borrowings, coupled with the improvement in excess reserves, brought a \$12.2 million gain in free reserves. For the two classes of District banks, the reserve gains were nearly the same. Reserve city banks showed no borrowings during this 5-week period.

Between August 17 and September 14, 1960, total earning assets of the Federal Reserve Bank of Dallas were reduced \$9.3 million. Gold certificate reserves declined \$61.9 million, and member bank reserve deposits were \$57.7 million lower. Currency in circulation moved up seasonally.

Effective September 9, the Federal Reserve Bank of Dallas reduced its discount rate from 3½ percent to 3 percent. This move completed the discount rate reductions at all Reserve banks.



The Texas Railroad Commission has restricted prorated Texas oil wells to an 8-day flow during October for the sixth consecutive month. The average calendar-day allowable has been established at 2,630,576 barrels, or 47,644 barrels less than in September, merely because October is a longer month. The continued output restriction has resulted in the reduction of crude oil stocks in Texas to a level of 96,604,000 barrels, the lowest total since May 1942. On September 17, crude oil stocks of Eleventh District origin were 1 percent less than a month earlier and one-eleventh lower than a year earlier. Moreover, national crude oil stocks declined 8.3 million barrels from mid-August through mid-September to a total of 229,943,000 barrels.

District crude oil production failed to change during August and the first half of September, averaging 2,825,000 barrels daily for the first 16 days of the latter month. Compared with a year ago, District output was 2 percent lower. National crude oil production during August and early September was unchanged from both the month-earlier and the year-earlier level. In addition to the sustained low domestic output level, reduced imports were partly responsible for the currently existing low crude oil inventories. Imports of crude oil in the United States during the 5 weeks ended September 16 declined 6 percent and were 2 percent less than in the comparable period last year.

In the District, daily average crude runs to refinery stills in early September advanced 3 percent to 2,394,000 barrels daily. Although declining slightly during August because of limited amounts of spot crude oil, District and national crude runs to stills were significantly greater both in August and in early September than a year ago. Texas Gulf Coast refineries operated at around 86 percent of capacity during the week ended September 16.

Reduced demand for the major petroleum products resulted in increased product inventories, despite a 10-percent decline in imports of refined products during the 5 weeks ended September 16. The demand for gasoline decreased about 4 percent as a result of season-

ally reduced post-Labor Day pleasure motoring and, at an average of 4,301,000 barrels for the 5-week period, was 10,000 barrels less than in the corresponding period last year. Gasoline stocks, totaling 189,345,000 barrels on September 16, declined slightly during late August and the first half of September but were 5 percent above a year earlier.

In the 5 weeks ended September 16, distillate fuel oil demand, slightly higher than a year ago, showed a less than seasonal increase of 5 percent, while stocks advanced one-seventh. The demand for residual fuel oil reflected a contraseasonal decline of 8 percent; stocks of the product advanced significantly but were almost one-fifth less than in early September last year.

Total demand for the four major petroleum products during the 5 weeks declined more than 4 percent, and inventories increased significantly. Nevertheless, major product stocks were 2 percent less than in the comparable period last year, while demand was unchanged.



The total value of construction contracts awarded in the District states during July decreased 12 percent from the preceding month and was 8 percent below

the year-earlier figure. The month-to-month reduction of 21 percent in residential awards was accompanied by a minor decline in "all other" awards. The cumulative value of contracts awarded in the District states in the first 7 months of this year was 6 percent lower than in the same period in 1959. The decrease centered in residential awards, which were down 18 percent; "all other" awards were about 6 percent higher than in the first 7 months of last year.

NONAGRICULTURAL EMPLOYMENT Five Southwestern States¹

Type of employment	Number of persons		Percent change Aug. 1960 from		
	August 1960e	July 1960	August 1959r	July 1960	Aug. 1959
Total nonagricultural					
wage and salary workers..	4,410,100	4,410,300	4,365,100	0.0	1.0
Manufacturing	784,900	786,600	784,900	-2	.0
Nonmanufacturing	3,625,200	3,623,700	3,580,200	.0	1.3
Mining	247,900	248,400	262,000	-2	-5.4
Construction	318,900	315,200	320,400	1.2	-5
Transportation and public					
utilities	403,900	407,200	410,400	-8	-1.6
Trade	1,096,100	1,094,600	1,072,000	.1	2.2
Finance	201,200	201,200	195,200	.0	3.1
Service	546,200	544,000	533,000	.4	2.5
Government	811,000	813,100	787,200	-3	3.0

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

e — Estimated.

r — Revised.

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

The index of Texas industrial production decreased during August to 172, or 1 point below the revised July level but 2 points above the August 1959 figure. Total manufacturing was slightly under the July 1960 figure but was considerably above a year ago. Durable goods manufacturing increased slightly because of greater activity in primary metals, fabricated metal products, and electrical machinery industries. Non-durable goods output declined during August as the manufacture of chemicals, food, petroleum, and other products was reduced. August mining activity remained steady on a month-to-month basis but was moderately under the year-earlier level.

Nonagricultural employment in the five southwestern states held virtually steady during August at an estimated 4,410,100, which is 1 percent higher than a year earlier. Nonmanufacturing employment was relatively unchanged from July, while manufacturing decreased fractionally. Both manufacturing and nonmanufacturing employment was higher than a year ago. Among the principal sectors of nonmanufacturing employment, construction rose 1.2 percent above July and compared favorably with the year-earlier level. Mining employment declined very slightly in August and was 5 percent below the August 1959 figure. Government and transportation and public utilities employment decreased; however, all the other nonmanufacturing sectors showed minor gains over the preceding month and a year ago.

Unemployment in Texas declined during August to 176,700, or 4.8 percent of the nonfarm labor force. Between the last 2 weeks of August and the first 2 weeks of September, insured unemployment decreased about 5 percent, indicating further improvement in the overall unemployment picture.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	August 1960p	July 1960	June 1960	August 1959
TEXAS				
Total industrial production....	172	173	172r	170
Total manufactures	216	219	215	210
Durable manufactures	249	247	247	248
Nondurable manufactures....	202	206	201	192
Mining	129	129	129	131
UNITED STATES				
Total industrial production....	165	166	166	157r
Total manufactures	164	165	165	157r
Durable manufactures	170	172	171	159r
Nondurable manufactures....	162	163	163r	159r
Mining	130	129	128r	120r
Utilities	291	291	289r	269

p — Preliminary.

r — Revised.

SOURCES: Board of Governors of the Federal Reserve System.
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			
	August 1960	Percent change from		August 31, 1960	Annual rate of turnover		
		July 1960	Aug. 1959		Aug. 1960	July 1960	Aug. 1959
ARIZONA							
Tucson	\$ 217,495	0	10	\$ 131,571	20.2	20.5	18.6
LOUISIANA							
Monroe	84,159	8	13	50,770	19.9	18.1	17.0
Shreveport	315,499	0	2	181,098	21.0	21.2	19.2
NEW MEXICO							
Roswell	43,065	6	20	28,741	17.9	16.4	14.8
TEXAS							
Abilene	97,941	7	7	66,003	18.6	18.0	17.2
Amarillo	219,043	-3	-6	111,933	23.0	23.8	23.6
Austin	226,993	15	3	146,837	18.8	16.8	17.0
Beaumont	160,066	6	7	96,176	20.0	19.0	18.1
Corpus Christi	208,365	8	6	109,302	23.3	22.4	20.8
Corsicana	16,043	-3	-6	18,579	10.4	10.7	10.1
Dallas	2,885,760	10	13	1,127,762	30.2	27.2	27.4
El Paso	346,123	5	9	163,233	25.1	24.4	22.8
Fort Worth	761,516	2	1	367,939	24.8	24.7	24.1
Galveston	92,046	11	13	59,096	18.4	16.1	15.2
Houston	2,626,637	12	9	1,238,955	25.0	22.3	23.5
Laredo	26,234	-3	8	21,541	14.6	14.8	13.2
Lubbock	179,533	4	6	106,011	20.4	19.7	18.7
Port Arthur	64,308	0	4	42,166	18.5	18.5	17.3
San Angelo	56,335	7	8	47,609	14.3	13.4	13.8
San Antonio	636,782	14	7	362,800	20.9	18.4	18.0
Texarkana ²	23,609	1	9	16,596	17.2	17.0	16.7
Tyler	88,402	13	5	56,083	18.7	16.2	16.7
Waco	108,748	6	3	68,631	19.1	18.1	19.1
Wichita Falls	121,748	11	2	95,965	15.0	13.3	13.8
Total—24 cities	\$9,606,390	9	8	\$4,715,397	24.2	22.4	22.2

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

² 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 \$50,916,000 for the month of August 1960.

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	January—June		Percent change
	1960	1959	
Arizona	\$ 203,021	\$ 203,121	0
Louisiana	107,343	118,198	-9
New Mexico	62,853	79,841	-21
Oklahoma	289,343	289,806	0
Texas	776,830	866,970	-10
Total	\$ 1,439,390	\$ 1,557,936	-8
United States	\$13,866,448	\$14,039,838	-1

SOURCE: United States Department of Agriculture.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Change from		
	August 1960 ¹	July 1960 ¹	August 1959 ²
ELEVENTH DISTRICT	2,805.7	2,800.8	2,849.2
Texas	2,439.9	2,436.1	2,480.7
Gulf Coast	447.7	451.1	466.4
West Texas	1,071.4	1,074.5	1,092.3
East Texas (proper)	122.1	122.0	131.8
Panhandle	108.1	107.9	106.8
Rest of State	690.6	680.6	683.4
Southeastern New Mexico	254.5	252.2	243.0
Northern Louisiana	111.3	112.5	125.5
OUTSIDE ELEVENTH DISTRICT	4,031.8	4,033.4	3,916.4
UNITED STATES	6,837.5	6,834.2	6,765.6

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	Aug. 31, 1960	July 27, 1960	Aug. 26, 1959
ASSETS			
Loans and discounts	4,934	4,890	4,765
United States Government obligations	2,445	2,483	2,585
Other securities	818	818	815
Reserves with Federal Reserve Bank	918	957	939
Cash in vault	150	152	146
Balances with banks in the United States	970	966	954
Balances with banks in foreign countries	2	2	2
Cash items in process of collection	490	487	502
Other assets	371	254	268
TOTAL ASSETS	11,098	11,009	10,976
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,061	1,021	1,062
Other demand deposits	6,336	6,531	6,678
Time deposits	2,905	2,235	2,124
Total deposits	9,702	9,787	9,864
Borrowings	306	141	112
Other liabilities	130	125	86
Total capital accounts	960	956	914
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	11,098	11,009	10,976

e — Estimated.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	July 1960	June 1960	July 1959	January—July	
				1960	1959
FIVE SOUTHWESTERN STATES ¹	329,238	372,470	357,580	2,330,185	2,470,884
Residential	113,955	143,501	164,854	944,425	1,156,982
All other	215,283	228,969	192,726	1,385,760	1,313,902
UNITED STATES	3,596,909	3,449,586	3,656,537	21,148,047	22,511,353
Residential	1,329,243	1,475,237	1,689,833	8,922,251	10,569,533
All other	2,267,666	1,974,349	1,966,704	12,225,796	11,941,820

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

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percent change		
	Aug. 1960	8 mos. 1960	Aug. 1960	8 mos. 1960	Aug. 1960 from July 1960	Aug. 1960 from July 1959	8 months, 1960 from 1959
ARIZONA							
Tucson	924	7,014	\$ 3,931	\$ 26,546	61	43	9
LOUISIANA							
Shreveport	469	3,769	1,722	17,952	5	-40	-11
TEXAS							
Abilene	127	1,162	1,112	13,391	-36	-52	-36
Amarillo	380	2,592	3,034	24,746	-8	-31	-9
Austin	317	2,378	3,409	31,597	-19	-32	-19
Beaumont	348	2,343	3,348	11,704	215	142	-16
Corpus Christi	56	482	974	8,201	26	-10	-46
Dallas	2,178	17,338	14,769	96,744	12	4	-22
El Paso	507	4,727	3,877	31,528	-5	-46	-27
Fort Worth	550	5,239	2,466	32,401	-28	-45	-23
Galveston	159	1,039	203	4,825	-62	-82	59
Houston	1,235	9,908	26,509	198,448	-50	85	39
Lubbock	258	1,883	3,412	28,518	44	-5	-33
Port Arthur	198	1,458	539	7,284	-44	-36	0
San Antonio	1,468	9,426	7,670	40,079	108	103	-6
Waco	237	1,927	1,192	11,945	21	63	4
Wichita Falls	261	2,034	2,244	20,315	-57	266	89
Total—17 cities	9,672	74,719	\$80,411	\$606,224	-22	14	-4