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SEASONALLY ADJUSTED INDEXES OF PETROLEUM ACTIVITY

Policy makers use statistical data as a beginning point to determine future action. A substantial amount of statistical information is collected and distributed regularly, varying in scope from balance sheets of individual firms to aggregate measures of economic activity. Although raw data are helpful for scientific analysis, data which have been adjusted to eliminate known recurring developments and, hence, reveal only basic trends are more useful.

One basic statistical method used to determine changes in economic behavior is time-series analysis. The four measures included in time-series analysis are secular trends, cyclical fluctuations, seasonal changes, and irregular movements. Secular trends are the result of underlying forces that continue over an extended time and cause a long-term upward or downward movement. For example, total energy consumption has trended upward as a result of growth in industrialization and other factors.

Cyclical fluctuations cover a shorter time span than secular trends and reflect more or less regularly recurring increases and decreases in the activity measured. In the post-World War II period, there have been four identifiable business cycles.

Seasonal changes are the variations that occur within a year, and the magnitude of the changes usually is fairly consistent from one year to the next. The seasonal pattern remains unaltered as long as the determinants of the variation do not change. A marked rise in heating oil demand occurs each winter season.

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

EXPECTED SEASONAL PERCENTAGE CHANGES IN NATIONAL PETROLEUM ACTIVITY INDICATORS, BY MONTHS

Indicator	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CRUDE OIL RUNS TO REFINERY												
STILLS (daily average).....	2.3	-2.9	-0.1	-3.4	0.7	1.6	-0.5	3.0	-2.3	-2.4	2.5	1.7
DEMAND (daily average)												
Gasoline.....	-6.1	-2.9	5.5	9.6	-5	5.6	.5	-2.9	-7	-6.5	-3.9	3.7
Kerosene.....	7.3	-9.1	-31.9	-41.0	-33.0	5.3	24.9	-14.6	47.6	22.2	30.2	44.2
Distillate fuel oil.....	5.1	-5.1	-23.5	-24.9	-21.8	-6.4	-3.9	-5.0	26.9	11.9	34.6	36.3
Residual fuel oil.....	2.1	-1.1	-13.3	-9.6	-13.7	2.5	-2.8	-1.3	3.5	6.7	16.7	15.7
Four refined products.....	.3	-3.4	-9.8	-6.5	-8.4	2.0	.3	-3.6	4.6	2.0	8.5	17.0
STOCKS (end of month)												
Gasoline.....	6.8	4.9	2.7	-4.5	-3.8	-4.2	-4.5	-1.3	-2.9	-6	4.5	3.7
Kerosene.....	-21.3	-12.7	-4.4	12.5	16.0	12.3	5.2	11.9	5.0	2.3	-2.8	-15.5
Distillate fuel oil.....	-25.3	-17.2	-8.5	4.1	17.7	17.9	15.0	17.1	8.3	5.0	-4.5	-16.3
Residual fuel oil.....	-5.1	-3.3	-2	2.0	4.3	4.9	1.7	5.0	2.8	-4	-1.3	-9.4
Four refined products.....	-6.3	-4.3	.0	-1.5	3.3	4.1	2.6	6.4	2.5	1.7	-6	-7.0

SOURCES: American Petroleum Institute.
United States Bureau of Mines.
Federal Reserve Bank of Dallas.

Finally, irregular movements in data are caused by unexpected or unforeseen influences. Strikes or abnormal weather conditions could cause irregular movements. Thus, an exceptionally cold winter would accentuate the seasonal increase in heating oil demand.

Adjustment for Seasonality

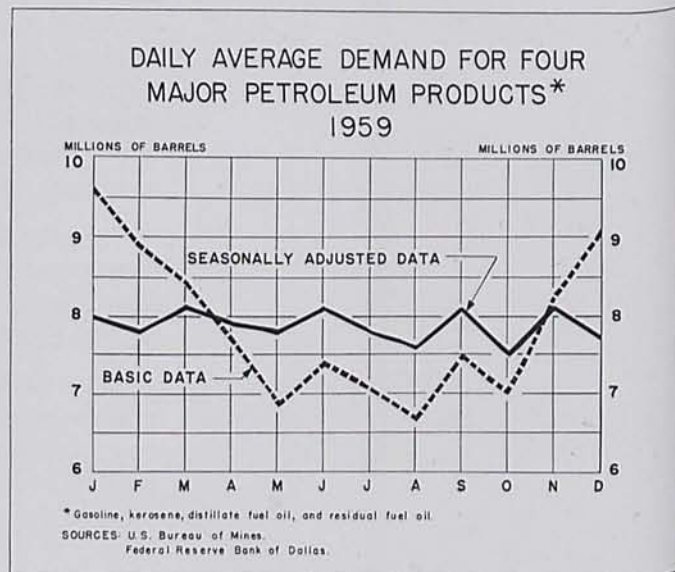
Knowledge of secular trends and cyclical fluctuations is particularly valuable for intermediate- and long-term prediction, and comprehension of seasonal changes is most useful for month-to-month forecasting. In addition, an understanding of probable seasonal influences aids businessmen in making prudent decisions concerning production, storage, and pricing. Seasonal patterns may vary among firms in an industry, but seasonally adjusted data on an industry-wide basis permit performance comparisons for each firm relative to the entire industry.

Two major elements of seasonality are developed in an analysis intended to remove seasonal influences from raw data. One of the elements is the measure of seasonality — that is, seasonal adjustment factors, and the other is the seasonally adjusted series derived from the adjustment factors. To illustrate the effect of seasonal adjustment, both adjusted and unadjusted demand data for the four major petroleum products (gasoline, kerosene, distillate fuel oil, and residual fuel oil) are shown in the accompanying chart. If only seasonal factors had been affecting the month-to-month demand for the four major products, the line portraying the adjusted series would be a smooth one. Since seasonal changes were removed from the data in the computation process, it is apparent that petroleum demand was influenced by the other time-series components. As a consequence of these influences, supra-seasonal change occurred in certain months and subseasonal deviation, in other months.

Seasonal adjustment factors, therefore, indicate the magnitude and direction of variations that would occur normally if other influences were nonexistent. Expected monthly changes for the major indicators of petroleum activity have been derived from the adjustment factors and are presented in the above table. Daily average demand for the four major refined products, as an example, should increase 2 percent during June, based on the seasonal pattern established by the industry between 1950 and 1959.

Petroleum Activity Indicators

Seasonal adjustment factors for barometers indicating petroleum activity were developed from data assembled by the Federal Reserve Bank of Dallas for processing by a computer at the Board of Governors of the Federal Reserve System. Seasonally adjusted indexes of major petroleum series were then calculated by using these adjustment factors. The indexes for



NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	April 1961p	March 1961p	February 1961	January 1961	April 1960
CRUDE OIL RUNS TO REFINERY					
STILLS (daily average).....	102	102	107	103	104
DEMAND (daily average)					
Gasoline.....	102	103	106	101	105
Kerosene.....	164	104	104	102	122
Distillate fuel oil.....	112	96	95	105	95
Residual fuel oil.....	97	107	98	97	103
Four refined products.....	105	102	100	102	103
STOCKS (end of month)					
Gasoline.....	106	105	105	105	105
Kerosene.....	128	143	128	125	100
Distillate fuel oil.....	102	113	113	103	99
Residual fuel oil.....	81	85	85	83	77
Four refined products.....	103	105	105	102	99

p — Preliminary.
 SOURCES: American Petroleum Institute.
 United States Bureau of Mines.
 Federal Reserve Bank of Dallas.

January through April 1961 and for April 1960 are given in the accompanying table; and current, month-earlier, and year-earlier index numbers for the indicators will appear regularly in the *Business Review*.

The seasonal adjustment factors were computed from the raw data for the 10 years 1950-59. In developing the indexes, the base period 1957-59 has been used. The unadjusted data for current and month-earlier index numbers have been estimated from weekly American Petroleum Institute statistics. As monthly

data become available from the United States Bureau of Mines, the preliminary indexes are revised. This method is necessary because of the lag in Bureau of Mines statistics.

Current and month-earlier estimates of daily average demand have been based on weekly production, inventory, and import data. In addition to this type of information, the Bureau of Mines statistics reflect the inclusion of data on fuel oils transferred from gasoline plants, as well as various other items. Because of the somewhat broader coverage of the Bureau of Mines monthly data, year-to-year comparisons tend to understate actual demand by about 2 or 3 percent. Interpretations of year-to-year changes in demand, therefore, should be made with caution.

The refinement of the statistics related to these measures of petroleum activity should provide the reader with a better estimate and more realistic evaluation of changing conditions in the industry. Moreover, seasonally adjusted data should be an aid to more accurate monthly forecasting of petroleum activity.

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 General Economist

Seasonally adjusted monthly indexes for January 1950 through December 1960 have been computed for the indicators of petroleum activity. A technical note concerning the method of calculation and the scope and limitations of the data is also available. This material may be obtained by addressing a request to:

Research Department
Federal Reserve Bank of Dallas
400 South Akard Street, Dallas 2, Texas

UNEMPLOYMENT IN THE SOUTHWEST DURING THE EARLY 1960's

Unemployment is presently recognized as one of the principal domestic economic issues of the day and one for which the solutions are complex and highly debatable. The rate of unemployment, seasonally adjusted, stayed near 6.8 percent of the labor force throughout the first quarter of 1961. Even in April, those persons in the labor force who were not working but were employable and seeking work numbered 5.0 million, or 6.8 percent of the labor force — compared with 5.2 percent in the spring of 1960.

Although civilian employment has been increasing on a month-to-month basis and amounted to 65.7 million in April, there were 500,000 fewer people at work than a year earlier. The year-to-year changes in employment and unemployment for April partly reflected the addition of 900,000 new workers to the civilian labor force. Since employment opportunities have not been expanding fast enough to absorb this growth, unemployment has risen.

The Nation's labor force, employment, and unemployment trends are at least partly reflected in the Southwest. However, in this younger section of the Nation, with its more rapid growth rate, some of the characteristics and tendencies of the unemployment problem which are evident in older areas have not yet appeared. Nevertheless, the Southwest has shown an increase in unemployment, and this study of the recent changes in employment and unemployment may provide a fuller appreciation of southwestern economic strengths and weaknesses.

Before recent southwestern unemployment shifts are reviewed, some explanation of the types of unemployment is necessary. Unemployment can take many forms; it may be seasonal, frictional, cyclical, or structural. At times, there is no clear distinction between these various forms of unemployment, although the duration is usually a differentiating factor. Seasonal unemployment is short-term, resulting from variations in economic activities that normally take place at certain times of the year. Frictional unemployment is also short-term unemployment, occasioned by workers changing jobs, occupations, industries, or areas of employment. Cyclical unemployment is related to the periodic, widespread swings in economic activities. Thus, much of the unemployment which developed over the past 9 months in the steel industry could be called cyclical, as it was caused by the recession in the economy.

Structural, or chronic, unemployment is of fairly long duration and results from shifts in consumer demands, industries, plant location, and technology; foreign competition; or other factors. Chronic unemployment may occur and persist in an otherwise prosperous economy if other employment possibilities are limited for the displaced worker because of his lack of the skills, education, or training required in expanding activities. Total unemployment during any given period usually consists of a combination of these different kinds of unemployment, although the proportion of each kind of unemployment may vary substantially from place to place and from time to time.

A great deal of information about the current features of the labor force is collected on a direct and recurring basis. Other data, such as insured unemployment information, are indirect by nature, being a by-product of the process of administering the separate state and Federal unemployment insurance laws. Both direct and indirect data reveal some aspects of the incidence and significance of unemployment in the Southwest during the fourth post-World War II recession.

Southwestern Unemployment

The postwar peak in the amount and rate of total unemployment in the five Eleventh District states of Arizona, Louisiana, New Mexico, Oklahoma, and Texas occurred during February 1961, when an estimated 448,000 persons were unemployed. The coincidence of highs in seasonal and cyclical unemployment and a small amount of chronic unemployment pushed the unadjusted unemployment rate to around 6.8 percent of the total southwestern civilian labor force, compared with 8.1 percent at the national level. Southwestern nonfarm wage and salary employment in February 1961 was slightly above a year earlier and was down only seasonally from the all-time peak of 4.5 million in December 1960. During the first quarter of 1961, such employment averaged 4,395,700, or 0.5 percent above the average in the first quarter of 1960. National employment declined in this period.

Regional insured unemployment also rose to a postwar high in mid-February to reach 187,100, which is about 5.3 percent of the total insured labor force in the five states — compared with an 8.4-percent rate for the Nation. Although the workers covered by unemployment insurance constitute only one-third to one-half of the civilian labor force and about two-thirds of

**RATES OF INSURED UNEMPLOYMENT IN SELECTED
NONAGRICULTURAL INDUSTRIES
FEBRUARY, 1961 AND 1960**

Four Southwestern States and United States

(Insured unemployment as percentage of insured employment)

Industry	Four southwestern states ¹			United States		
	February		Percent increase	February		Percent increase
	1961	1960		1961	1960	
Manufacturing . . .	6.3	4.4	43	9.7	5.4	80
Construction . . .	19.2	14.6	32	27.5	21.5	28
Trade	3.6	2.4	50	4.6	3.3	39
Service	5.0	3.5	43	5.5	4.2	31
Total	6.5	4.7	38	9.1	5.9	54

¹ Arizona, Louisiana, Oklahoma, and Texas.
SOURCES: State employment agencies.
United States Department of Labor.

the nonfarm wage and salary workers in any southwestern state, information on the industrial and occupational background of such workers and the duration and other characteristics of their unemployment yields a fairly comprehensive picture of recent labor market developments in the Southwest and permits valid comparisons with the Nation.

Insured unemployment in the Southwest reached a cyclical low of 97,400 in March-April 1960 to account for 6.2 percent of the Nation's total insured unemployment. About 40 percent of these workers in the Southwest had been out of work for less than 1 month, nearly 45 percent had been unemployed for 5 to 14 weeks, and approximately 15 percent had not worked in 15 weeks or more. By February 1961, the Southwest's insured unemployment had increased sharply to a peak of 187,100; but the Nation had experienced a considerably faster rise in insured unemployment, owing partly to the higher percentage of workers covered and partly to the higher proportion of durables manufacturing employment, which was particularly affected in this recession. The Southwest's share of total national insured unemployment, therefore, declined from 6.2 percent to 5.5 percent.

Of considerable importance to the Southwest were the shifts in duration of unemployment at the February 1961 peak as compared with the previous cyclical low. From March 1960 to February 1961, the largest increase in insured unemployment in the Southwest occurred in the 5- to 14-week category. In three of the states, the rise in 15-week unemployment was less than 60 percent, while the rise in Arizona was sharply higher, partly because of the smaller number involved. Proportionately, Texas had the lowest rate of insured unemployment advance and accounted for only 45 percent of the Southwest's total insured unemployment

in February 1961, compared with 49 percent in March 1960. Such comparisons must be made with caution because of the variations in coverage among states, the length of time the insured worker draws compensation, and reporting procedures.

For the Southwest as a whole, though, the changes between March 1960 and February 1961 provide valid comparisons. In inspecting these changes, it is clear that the principal forces in the rise in southwestern unemployment have been seasonal and cyclical. In percentage terms, more of the Southwest's insured unemployed had been out of work for a generally shorter period of time than the Nation's unemployed. There were considerable differences in the impact of the recession on various southwestern industrial activities.

Eighty percent of the February peak in southwestern insured unemployment was distributed among the construction, manufacturing, trade, and service industries, with one-third of the total in each of the first two. Other nonfarm employment sectors accounted for the remaining 20 percent of insured unemployment. There was very little difference between the Southwest and the Nation as to the extent to which workers in these selected industries were covered by unemployment insurance. The accompanying table reflects the rates of unemployment in these industries in both the Nation and the four southwestern states which report the industrial breakdown of insured unemployment. A broader picture of quarter-to-quarter changes in all major southwestern and national nonfarm wage and salary employment sectors is also provided in tabular form. Together, these tables point up important differences in recent patterns of employment and unemployment.

**NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
FIRST-QUARTER AVERAGES, 1961 AND 1960**

Five Southwestern States and United States

(In thousands of persons)

Type of employment	Five southwestern states ¹			United States		
	First-quarter average		Percent change	First-quarter average		Percent change
	1961	1960		1961	1960	
Manufacturing . . .	760.3	778.6	-2.4	15,503.2	16,486.8	-6.0
Mining	242.1	238.1	1.7	624.7	663.3	-5.8
Construction	288.6	289.4	-.3	2,368.3	2,371.6	-.1
Transportation and public utilities	392.7	404.5	-2.9	3,756.0	3,890.0	-3.5
Trade	1,081.4	1,084.9	-.3	11,368.9	11,338.9	.3
Finance	208.5	199.8	4.4	2,499.3	2,435.6	2.6
Service	562.8	544.2	3.4	6,539.3	6,483.6	.9
Government	859.3	832.2	3.3	8,668.2	8,398.9	3.2
Total	4,395.7	4,371.7	.5	51,327.9	52,068.7	-1.4

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
SOURCES: State employment agencies.
United States Department of Labor.

The principal fact indicated in these two tables is that, on balance, the levels of activity in the major nonfarm wage and salary employment sectors have been considerably better maintained in the Southwest than in the Nation. On a quarterly basis, southwestern employment increases have been greater and declines smaller than nationally, with the exception of construction and trade. Even in these cases, however, the rates of unemployment among insured workers have been lower in the Southwest than in the Nation.

Although 51,000 of the Southwest's insured unemployed in February had formerly worked in regional manufacturing, factory employment was considerably steadier than in the Nation, partly as a result of different seasonal patterns and variations in the composition of manufacturing activities. The net regional performance in terms of lower rates of unemployment in basic industries (especially manufacturing and construction), plus employment growth in other nonfarm sectors, reflects strength in comparison to the Nation.

Other data on the occupational impact of insured unemployment seem to indicate that insured semi-skilled workers in the Southwest have fared as well as those in the Nation. However, there is some evidence that the region's skilled occupations have experienced a somewhat greater amount of employment variation than similar covered occupations in the Nation, probably as a result of cutbacks in the Southwest's oil field equipment industry, the decline in mining employment, and the cutbacks in the aircraft industry.

The location of the unemployed may be deduced from a brief inspection of recent changes in employment and unemployment trends in the 20 major District labor markets. The 10 largest of these markets are Austin, Beaumont-Port Arthur-Orange, Corpus Christi, Dallas, El Paso, Fort Worth, Houston-Baytown, and San Antonio, Texas; Shreveport, Louisiana; and Tucson, Arizona. The eight major Texas markets accounted for an average of 48 percent of total unemployment in the State, 55 percent of the Texas total insured unemployment, and 70 percent of the State's total nonfarm employment during the March 1960-February 1961 period. The District's major labor markets, while experiencing large year-to-year increases in unemployment, also experienced rather marked declines in unemployment between February and March.

Of the District's major markets, only Beaumont-Port Arthur-Orange, Corpus Christi, and the two smaller markets of Laredo and Texarkana, Texas, had rates of

unemployment in excess of 5.9 percent during the downturn. Although their unemployment rates were above 6.0 percent, these four markets accounted for less than one-tenth of the recent peak level of total Texas unemployment.

Labor Force Growth and Outlook

It is important that a short-run analysis be related to the longer-run trends being experienced in the region and in the Nation. There is ample evidence that the creation of adequate employment opportunities for the large number of World War II babies now coming of age and entering the labor force will be one of the major domestic tasks of the 1960's. The United States Department of Labor estimates that, by 1970, there will be a net increase of 13.5 million workers in the Nation's labor force. This increase would be the largest for any 10-year period in the country's history — 50 percent greater than during the 1950's. It is estimated that the 1970 labor force will reach around 86.6 million, compared with 73.1 million in 1960.

If the capital investment and productive capabilities these workers represent can be economically employed on a sustained basis, the real growth of the Nation should easily surpass that in any previous comparable period. Not all regions of the Nation, however, are likely to participate equally in this growth. Many states and areas may continue to experience substantial and chronic unemployment, while other regions are likely to grow rapidly, providing increasing employment opportunities for local inhabitants and in-migrating workers.

Recent capital expenditure trends indicate that the Southwest will continue on the forefront of regions which are growing rapidly. The Southwest is making large additions to its productive capacity, especially in petrochemicals, electrical machinery, and energy sources. Industrial building expenditures in the five southwestern states increased to a record figure of over \$500 million to account for one-fifth of the national amount spent for new industrial building during 1960. First-quarter 1961 data indicate that this trend is continuing. To the extent that the demand for regional products and services increases and the possibilities for even greater capital commitments in basic southwestern economic activities expand, employment opportunities should improve, and unemployment should decrease.

BERNARD GOSS
Industrial Economist

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



The Texas industrial production index in April showed no change from a month earlier, as increases in manufacturing activities offset a decline in

mining. Nonfarm employment in the Eleventh District states increased during April in all sectors except mining and transportation and public utilities. Unemployment in Texas during the month declined 8 percent from the March level.

Total construction contracts in the District states during March rose from both a month earlier and a year ago. Increases in residential building and public works and utilities offset a month-to-month decline in nonresidential building.

Department store sales in the District in April declined 5 percent from the previous month and 11 percent from April 1960. The declines reflected both the earlier date of Easter this year and the fewer number of business days. The dollar volume of March and April sales combined was 2 percent under a year ago. However, when adjusted for seasonal variations and for differences in the number of trading days, March-April sales were fractionally above the comparable period in both 1959 and 1960.



Eleventh District department store sales in April declined 5 percent from March and 11 percent from April 1960. The declines were due partly to the

early date of Easter this year and partly to the fact that April had two less business days than March and one less business day than April 1960. Spanning the Easter period, combined sales for March and April, with one less business day this year, were 2 percent less than in the same 2 months in 1960. Sales during the first 4 months of 1961, which had two less business days than in 1960, also trailed January-April last year by 2 percent. However, when adjusted for seasonal variations and for differences in the number

New car registrations in the four major Texas markets in April decreased 14 percent from March and were 27 percent below April 1960.

In the 4 weeks ended May 17, loans, investments, and demand deposits at the weekly reporting member banks in the District decreased. Time deposits, on the other hand, moved moderately higher. Reserve positions of the District member banks showed little change during April and remained comfortable.

Daily average crude oil production in the District declined moderately in April and early May, but drilling activity advanced. In the Nation, both crude oil production and crude oil runs to refinery stills were reduced. The demand for the four major refined products declined less than seasonally; however, product markets were generally weak.

Dry soils over a major portion of the District have delayed crop seedings and retarded plant growth. Wheat output in the Southwest is estimated to be below both a month earlier and a year ago. Although livestock remain in good condition, supplemental feeding has been stepped up in some areas; and pastures throughout many sections of the District are suffering from lack of moisture.

of trading days, sales for the first 4 months of 1961, as well as for March-April, were fractionally above the comparable period in both 1959 and 1960.

DEPARTMENT STORE SALES
(Percentage change in retail value)

Area	April 1961 from		4 months, 1961 from 1960
	March 1961	April 1960	
Total Eleventh District.....	-5	-11	-2
Corpus Christi.....	-10	-17	-8
Dallas.....	-2	-10	-2
El Paso.....	-6	-13	-9
Fort Worth.....	2	-13	-3
Houston.....	-7	-10	0
San Antonio.....	-18	-10	1
Shreveport, La.....	-5	-12	0
Waco.....	-7	-16	-3
Other cities.....	0	-10	-1

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
1960: April.....	172	181	189	182r
1961: February.....	127	170	172	178
March.....	155	168	183	174
April.....	159	177	186p	179p

r — Revised.
p — Preliminary.

In 1960, District department store sales declined below the year-earlier level in May and remained under the 1959 figures until December, when sales rallied to reach a new peak for that month. This year, unadjusted sales in the first 2 weeks of May were 3 percent above the corresponding weeks in 1960, and sales for all of May will benefit in the year-to-year comparison as a result of one more business day.

Seasonally adjusted department store inventories in the District in the first 3 months of 1961 averaged 3 percent less than in the same period in 1960 but 6 percent more than in 1959. At the end of April, the adjusted index of stocks was 179 percent of the 1947-49 average, compared with 174 for March and 182 for April 1960.

New car registrations in the four major Texas markets in April decreased 14 percent from March and were 27 percent below April 1960. Declines from both a month ago and a year ago occurred in each of the major markets. The March-April registration declines ranged from 8 percent in Houston to 29 percent in Fort Worth; the decreases in Dallas and San Antonio were 14 percent and 11 percent, respectively. Compared with a year ago, registrations in April were down 22 percent in Dallas, 24 percent in San Antonio, 26 percent in Houston, and 42 percent in Fort Worth. In the first 4 months of 1961, total new car registrations in the four major markets were 24 percent less than in the comparable period in 1960.



Strong winds, warmer daytime temperatures, and cool nights were characteristic of the District's weather conditions during May. Hail in some western sections resulted in crop damage. General rains are needed throughout much of the District in order to replenish seedbed moisture and promote plant growth. Precipitation during the last half of May was particu-

larly beneficial in portions of central and western Texas and eastern New Mexico.

Seedings of the major crops in the Southwest are about on schedule with those of a year ago. Cotton planting has made rapid progress in Arizona, Louisiana, and New Mexico, as well as in the Blacklands, along the upper coast, and in irrigated fields of the Texas High Plains. Lack of moisture has delayed seedings in some areas of Texas. Cotton in the Lower Valley is fruiting and is making good development. The crop is well advanced as far north as Austin.

Sorghum drilling has been slowed in the High Plains to wait for rain, equipment being used for cotton planting, and final decisions on participation in the 1961 feed grain program. Most sorghums in the Lower Valley of Texas are fully headed, and the crop is in the boot stage as far north as about San Antonio. In south-central and south Texas, sorghums need rain.

Dry, hot weather during May rapidly matured the developing wheat. The irrigated crop in the High Plains has been given the final watering for the season. Prospects for dry-land wheat were boosted in late May, and above-average yields are expected. Winter wheat output in the District states, as of May 1, is placed at 208 million bushels, or 3 percent below the month-earlier estimate and 2 percent less than the 1960 crop. April-May decreases were reported for all of the District states except New Mexico, which showed a 7-percent gain. Texas production is now estimated at 85.3 million bushels. A crop of this size would be 6 percent below the outturn indicated a month ago but would be exceeded only by the bumper wheat harvests of 1947 and 1949.

Baling and combining of oats are under way, with most of the crop being baled. The bulk of the Louisiana and Texas rice crop has been planted, and corn seeding is virtually complete. Harvesting of south Texas flax is well advanced.

WINTER WHEAT PRODUCTION

(In thousands of bushels)

Area	1961, indicated May 1	1960	Average 1950-59
Arizona.....	952	858	1,522
Louisiana.....	1,272	1,218	1,858
New Mexico.....	5,187	4,480	1,525
Oklahoma.....	115,296	121,278	67,192
Texas.....	85,250	84,645	33,752
Total.....	207,957	212,479	104,849

1 Short-time average.
SOURCE: United States Department of Agriculture.

CONDITION STATISTICS OF WEEKLY REPORTING
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	May 17, 1961	April 19, 1961	May 18, 1960
ASSETS			
Commercial and industrial loans.....	1,505,036	1,539,829	1,468,643
Agricultural loans.....	37,146	36,379	32,031
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	16,169	22,274	286
Other securities.....	36,381	32,305	18,691
Other loans for purchasing or carrying:			
U. S. Government securities.....	6,069	7,190	9,405
Other securities.....	203,730	203,870	180,694
Loans to domestic commercial banks.....	61,676	36,182	11,674
Loans to foreign banks.....	10	25	453
Loans to other financial institutions:			
Sales finance, personal finance, etc.....	89,242	84,927	127,503
Savings banks, mtg. cos., ins. cos., etc.....	139,914	139,632	122,855
Real-estate loans.....	218,755	217,712	208,616
All other loans.....	784,522	811,456	754,657
Gross loans.....	3,098,650	3,131,781	2,935,508
Less reserves and unallocated charge-offs..	56,806	57,724	54,427
Net loans.....	3,041,844	3,074,057	2,881,081
Treasury bills.....	110,751	136,125	36,043
Treasury certificates of indebtedness.....	72,152	29,666	21,590
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	197,030	200,108	70,251
After 1 but within 5 years.....	632,309	615,446	819,433
After 5 years.....	480,467	498,154	295,503
Other securities.....	398,250	414,646	346,017
Total investments.....	1,890,959	1,894,145	1,588,837
Cash items in process of collection.....	524,612	549,062	467,826
Balances with banks in the United States.....	483,705	541,742	481,896
Balances with banks in foreign countries.....	2,239	2,197	2,016
Currency and coin.....	55,522	53,324	49,952
Reserves with Federal Reserve Bank.....	525,591	572,162	536,726
Other assets.....	183,919	186,496	184,728
TOTAL ASSETS.....	6,708,391	6,873,185	6,193,062
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations....	2,869,481		
Foreign governments and official institutions, central banks, and international institutions.	9,235	2,995,924	2,799,817
United States Government.....	136,375	52,468	160,058
States and political subdivisions.....	247,014	259,343	252,101
Banks in the United States, including mutual savings banks.....	1,008,443	1,109,503	824,507
Banks in foreign countries.....	11,776	15,632	19,224
Certified and officers' checks, etc.....	46,160	61,233	44,762
Total demand deposits.....	4,328,484	4,494,103	4,100,469
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits.....	766,397		
Other time deposits.....	538,437	1,316,431	1,025,558
Foreign governments and official institutions, central banks, and international institutions..	6		
U. S. Government, including postal savings...	7,162	14,907	12,649
States and political subdivisions.....	308,622	284,249	242,340
Banks in the United States, including mutual savings banks.....	8,499	9,560	3,893
Banks in foreign countries.....	900		
Total time and savings deposits.....	1,630,023	1,625,147	1,284,440
Total deposits.....	5,958,507	6,119,250	5,384,909
Bills payable, rediscounts, etc.....	60,600	79,350	147,197
All other liabilities.....	105,597	96,416	109,293
Capital accounts.....	583,687	578,169	551,663
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	6,708,391	6,873,185	6,193,062

NOTE. — As a result of changes in call report instructions, additional information is available, effective April 26, 1961, on the deposit structure of member banks. Comparable year-earlier figures will be shown when they become available.

investments declined \$34.8 million, as holdings of both Government and non-Government securities moved to lower levels.

Spring vegetable harvest is active in south Texas. Carrots, sweet corn, cucumbers, onions, potatoes, and tomatoes are moving in good volume from the Lower Valley. Gathering of honeydew melons, cantaloupes, and watermelons is under way in the Lower Valley and the Falfurrias-Hebbronville area. Onions are making favorable progress in north Texas and the Panhandle. In the latter area, potatoes are making good growth; and planting of carrots, tomatoes, and cucumbers continues active.

Rain is needed to start summer grasses over most of the District except along the Red River and in eastern and coastal areas. Livestock remain in good condition; however, in the Edwards Plateau and in parts of south Texas, supplemental feeding has been necessary to curb weight losses. Sheep shearing is virtually complete in the District.



Loans, investments, and demand deposits decreased at the District's weekly reporting member banks during the 4 weeks ended May 17. Time deposits moved

moderately higher, while cash accounts and total assets declined.

Gross loans (excluding interbank loans) fell \$58.6 million, largely as a result of a \$34.8 million reduction in commercial and industrial loans and a \$26.9 million decline in consumer-type loans. Loans to "other financial institutions" rose \$4.6 million, and real-estate loans advanced \$1.0 million. In the corresponding period of 1960, gross loans declined \$5.6 million.

Total investments at the weekly reporting banks declined \$3.2 million in the 4 weeks ended May 17, as an increase in Government security holdings failed to compensate for a reduction in non-Government investments. Government security holdings rose \$13.2 million, with decreases of \$25.4 million in Treasury bills, \$17.7 million in Treasury notes and Government bonds maturing after 5 years, and \$3.1 million in Treasury notes and Government bonds due within 1 year being more than offset by increases of \$42.5 million in Treasury certificates and \$16.9 million in Treasury notes and Government bonds maturing in 1 to 5 years. A large part of the expansion in holdings of Treasury certificates and of Treasury notes and Government bonds due in 1 to 5 years reflects the participation of District banks in the recent Treasury cash financing. In the comparable period last year, total

Between April 19 and May 17, demand deposits at the District weekly reporting member banks fell \$165.6 million. An \$83.9 million expansion in demand deposits of the United States Government was more than offset by decreases of \$117.2 million in deposits of individuals, partnerships, and corporations; \$101.1 million in deposits of domestic banks; \$15.1 million in deposits of certified and officers' checks, etc.; \$12.3 million in deposits of states and political subdivisions; and \$3.9 million in deposits of banks in foreign countries. On the other hand, time deposits rose \$4.9 million, as a \$24.4 million increase in deposits of states and political subdivisions more than offset reductions of \$11.6 million in deposits of individuals, partnerships, and corporations and \$7.7 million in deposits of the United States Government.

Total reserves of the District member banks declined moderately in the 4 weeks ended May 3. Borrowings rose somewhat at country banks but were reduced at reserve city banks. Excess reserves fell slightly at both reserve city banks and country banks. These changes left free reserves at both types of banks virtually unchanged from the comfortable levels which prevailed in the 5 weeks ended April 5.

From April 19 to May 17, total earning assets of the Federal Reserve Bank of Dallas rose \$23.6 million. United States Government security holdings expanded, as did discounts and advances for member banks. Federal Reserve notes in circulation increased \$6.0 million

to a level \$43.3 million higher than a year earlier. Gold certificate reserves declined \$34.8 million during the period and were \$37.4 million below a year ago.



Trends in petroleum activity in the Eleventh Federal Reserve District were mixed during April and early May. District drilling operations continued to advance, but crude oil production and crude runs to refinery stills declined. The average number of rotary rigs active in the District rose moderately during the period, and both total well completions and total footage drilled increased significantly.

After several consecutive monthly advances, District crude oil production, averaging 3,011,200 barrels daily, decreased 4 percent in April; and the decline continued in early May. Texas and New Mexico have retained their May allowables for June; however, daily average output in the District is expected to increase slightly during the month.

In the Nation, new supplies of both domestic and foreign crude oil were smaller during April and early May. Well-sustained production outside the District helped moderate the decline in national output, but crude oil imports decreased substantially. The demand for crude oil also declined in April, resulting in a moderate increase in crude oil inventories. Crude oil runs to refinery stills during the month declined about 3 percent on an unadjusted basis, but the seasonally adjusted index showed no change. In early May, refinery activity increased, with refineries in the Nation operating at approximately 80 percent of rated capacity.

Although total demand for the four major refined products in April declined less than had been anticipated, product markets were generally weak. Gasoline consumption rose less than seasonally during the month, and demand during the first 2 weeks of May was below a month earlier as subnormal temperatures and heavy rains reduced motoring in certain areas of the country. Gasoline stocks, seasonally adjusted, rose in April, and wholesale motor fuel prices failed to increase as expected. Retail price cutting was widespread, especially in the Middle West.

On a seasonally adjusted basis, the demand for light heating oils advanced in April, and stocks declined. Nevertheless, prices in interior markets were easy, partially because of the relatively heavy inventory posi-

RESERVE POSITIONS OF MEMBER BANKS

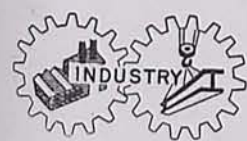
Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended May 3, 1961	5 weeks ended April 5, 1961	4 weeks ended May 4, 1960
RESERVE CITY BANKS			
Total reserves held.....	566,102	568,412	524,678
With Federal Reserve Bank....	528,252	529,945	522,423
Currency and coin.....	37,850	38,467	2,255
Required reserves.....	558,829	560,667	519,809
Excess reserves.....	7,273	7,745	4,869
Borrowings.....	259	543	14,389
Free reserves.....	7,014	7,202	-9,520
COUNTRY BANKS			
Total reserves held.....	517,748	516,437	448,779
With Federal Reserve Bank....	419,013	420,388	441,759
Currency and coin.....	98,735	96,049	7,020
Required reserves.....	449,006	447,576	406,938
Excess reserves.....	68,742	68,861	41,841
Borrowings.....	244	173	8,469
Free reserves.....	68,498	68,688	33,372
ALL MEMBER BANKS			
Total reserves held.....	1,083,850	1,084,849	973,457
With Federal Reserve Bank....	947,265	950,333	964,182
Currency and coin.....	136,585	134,516	9,275
Required reserves.....	1,007,835	1,008,243	926,747
Excess reserves.....	76,015	76,606	46,710
Borrowings.....	503	716	22,858
Free reserves.....	75,512	75,890	23,852

NOTE. — Beginning November 24, 1960, all currency and coin held by member banks allowed as reserves; during the period December 1, 1959–November 23, 1960, only part of such holdings was allowed.

tions. Kerosene stocks were about one-third higher than a year ago, and distillate fuel oil inventories were moderately higher. On the other hand, residual fuel oil prices firmed somewhat on the East and Gulf Coasts, but interior markets failed to improve materially. The adjusted index of residual fuel oil demand declined significantly in April, and this trend appears to have continued in early May.



The seasonally adjusted Texas industrial production index held steady at 175 in April but was 1 point above a year earlier.

A marked gain in durables output and a small rise in nondurables production offset a decline in mining during the month. In durable goods manufacturing, output of primary metals, fabricated metals, machinery, lumber, furniture, transportation equipment, and cement products increased, but production of electrical machinery declined slightly. In nondurables manufacturing, a sharp output advance in chemicals and small production increases in textiles and apparel, together with steadiness in the outturn of petroleum products, counterbalanced declines in several other nondurable activities.

Nonfarm employment in the District states increased 27,500 during April to reach 4,429,100, as employment rose in all sectors except mining and transportation and public utilities. Compared with a year earlier, employment was lower in all sectors except finance, services, and government. In Texas the number of workers making initial claims for unemployment insurance benefits continued to decline through April. However, the number of persons exhausting their unemployment benefits increased, and there was a gain in the number of claims filed for temporary extended

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	April 1961p	March 1961	February 1961	April 1960
TEXAS				
Total industrial production.....	175	175	170	174
Total manufactures.....	220	217	213	220
Durable manufactures.....	258	252	248	252
Nondurable manufactures.....	202	201	196	206
Mining.....	132	135	129	129
UNITED STATES				
Total industrial production.....	159	155	155	165
Total manufactures.....	157	153	152	164
Durable manufactures.....	160	154	153	172
Nondurable manufactures.....	159	156	156r	159
Mining.....	127	124	127r	129r
Utilities.....	298	293	291r	287r

p — Preliminary.
r — Revised.
SOURCES: Board of Governors of the Federal Reserve System.
Federal Reserve Bank of Dallas.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change April 1961 from	
	April 1961e	March 1961	April 1960r	March 1961	April 1960
Total nonagricultural wage and salary workers..	4,429,100	4,401,600	4,438,400	0.6	-0.2
Manufacturing.....	764,500	761,900	785,900	.3	-2.7
Nonmanufacturing.....	3,664,600	3,639,700	3,652,500	.7	.3
Mining.....	241,000	241,800	249,300	-.3	-3.3
Construction.....	298,900	293,900	304,500	1.7	-1.8
Transportation and public utilities.....	389,600	390,800	405,400	-.3	-3.9
Trade.....	1,089,900	1,079,600	1,096,500	1.0	-.6
Finance.....	210,500	209,000	200,700	.7	4.9
Service.....	571,900	564,100	547,500	1.4	4.5
Government.....	862,800	860,500	848,600	.3	1.7

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

e — Estimated.

r — Revised.

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

unemployment compensation. Texas total unemployment decreased 8 percent from the March level to 196,000, which is 5.4 percent of the State's civilian labor force. In April 1960, unemployment in Texas totaled 160,700, or 4.4 percent of the civilian labor force.

The value of March construction contracts in the District states was \$357 million, or 22 percent above a month earlier and 8 percent larger than in March 1960. Residential contracts amounted to \$149 million, which is one-fourth above the preceding month and is the highest level in 12 months. Public works and utilities contracts advanced sharply over February, but nonresidential building declined one-fifth. The total value of construction contracts in the District states during the first quarter of 1961 was 16 percent greater than in the first quarter of 1960, reflecting a 30-percent increase in public works and utilities and a 28-percent rise in nonresidential building. Residential building contracts were 1 percent below the comparable quarter in 1960.

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	March 1961p	February 1961	March 1960	January—March	
				1961p	1960
FIVE SOUTHWESTERN STATES¹					
Residential building.....	357	292	330	997	862
Nonresidential building....	149	119	157	392	395
Public works and utilities... 92	115	89	298	232	232
	116	58	84	307	236
UNITED STATES.....					
Residential building.....	3,166	2,235	3,046	7,871	7,458
Nonresidential building....	1,371	870	1,294	3,208	3,200
Public works and utilities... 1,027	804	1,067	2,639	2,558	2,558
	768	561	685	2,024	1,700

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

p — Preliminary.

NOTE: — Details may not add to totals because of rounding.

SOURCE: F. W. Dodge Corporation.

