



BUSINESS REVIEW

JULY 1961
Vol. 46, No. 7

EARNINGS AND EXPENSES OF SOUTHWESTERN TRUST DEPARTMENTS IN 1960

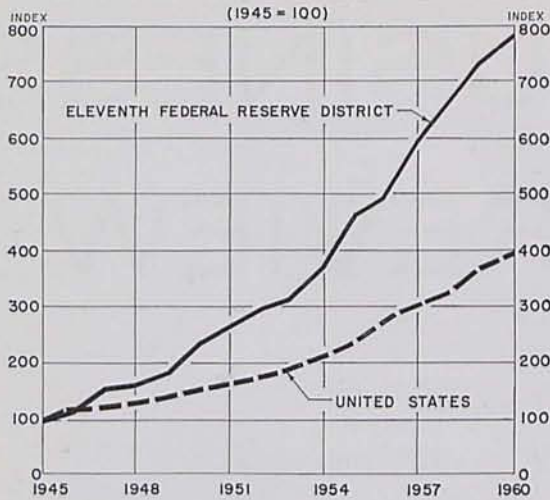
Each year since 1957, the Federal Reserve Bank of Dallas, in cooperation with the Trust Section of the Texas Bankers Association, has conducted a survey on income and expenses of trust departments at selected banks in the Eleventh Federal Reserve District. Of the 112 District member banks which performed trust services during 1960, 42 banks, with trust departments of various sizes, participated in the current survey. The combined income of these trust departments accounted for 90 percent of total trust department earnings at member banks in the District.

Before the results of this survey are utilized, certain limitations in the data should be noted. First, as in any study of this type, there were some inconsistencies in the reporting, though analyses of the broad aggregates are largely unaffected. Secondly, unusual developments on either the income or the expense side may occur in one year and be absent the next, but the effect of such variations is minimized if developments over a period of years are considered. Thirdly, because of the relatively small number of banks included in the survey, the results may sometimes be noticeably influenced by the experiences of a few banks. Finally, a small percentage change in the earnings or expenses of a large bank may have a very significant dollar impact, whereas even a substantial change in these items at a small trust department may not be nearly as influential.

With the above limitations in mind, a number of important characteristics of trust departments in the Southwest become evident from the reported data. Trust activity in the area is centered

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

ANNUAL TRUST DEPARTMENT EARNINGS AT MEMBER BANKS



SOURCE: Federal Reserve Bulletin.

in the large banks, with less than one-fifth of the District member banks accounting for over 80 percent of total bank trust department earnings. Moreover, the degree of concentration in the large trust departments has grown over the years.

Trust activities in the Southwest are dominated by personal accounts, especially personal trusts. Personal accounts provided about 80 percent of total trust department earnings in 1960, while corporate accounts contributed the remaining 20 percent. Personal trusts comprised about one-half of the total income from personal accounts and 45 percent of the income from all accounts.

Corporate trust business of banks in the Southwest is predominantly concerned with agency services for corporations, and the number of such accounts has been growing steadily. The total income from corporate agency accounts—including fees paid to the trust department in its capacity as registrar, depository, transfer agent, coupon- and principal-paying agent, and dividend-dispersing agent—has been increasing in amount and in proportion of total trust income. In addition, southwestern banks are expanding their role as trustees for notes, bonds, and other debenture issues.

Income Developments

Total income from trust department activities at the banks included in the survey totaled \$8,662,718 dur-

ing 1960 to reflect a gain of 8.8 percent, compared with an expansion of 10.7 percent in 1959. Earnings from corporate business rose 26.5 percent, contrasted with a small decline in the previous year. Earnings from personal accounts showed less than one-half the 1959 advance but still increased 5.5 percent. Thus, the smaller gain in total trust income during 1960 was due to the slower rate of expansion in income from the personal account sector.

The volume of trust business, and hence the income derived from this activity, is influenced by the prevailing economic and financial environment. The slower rate of growth in 1960 trust earnings from personal accounts probably resulted, in part, from the adverse psychological impact of the developing business recession upon persons considering the establishment of inter vivos (living) trusts. Moreover, the slower rate of advance in personal income may have reduced the ability of persons to establish such trusts. Consequently, both the number of personal accounts and the earnings from this source failed to show the growth of other recent years. Furthermore, had it not been for the lower business level, earnings from corporate activities would probably have expanded more.

The substantial rise in earnings from corporate accounts was partly the result of a 50-percent expansion in income from corporate trusts. At the same time, however, the number of corporate trusts declined almost 15 percent. This reduction occurred entirely at smaller trust departments, as such accounts increased at the larger trust departments during 1960. (A very substantial increase in earnings from this source at banks with total trust commissions and fees of \$10,000 to \$50,000 reflected the experiences of only a few banks.)

Earnings from corporate agencies, amounting to almost three times the earnings from corporate trusts, are clearly the more important source of bank trust income from corporate business. The income derived from corporate agencies by bank trust departments rose \$215,000, or over one-fifth, during 1960. As in the case of corporate trusts, the number of corporate agencies declined at the smaller banks, but this reduction was more than offset by an expansion in such agencies at the larger banks.

Although not revealed in the aggregate data, there have been some gains in earnings from corporate agency activities at smaller banks and slight losses in such corporate business at larger banks. Some small

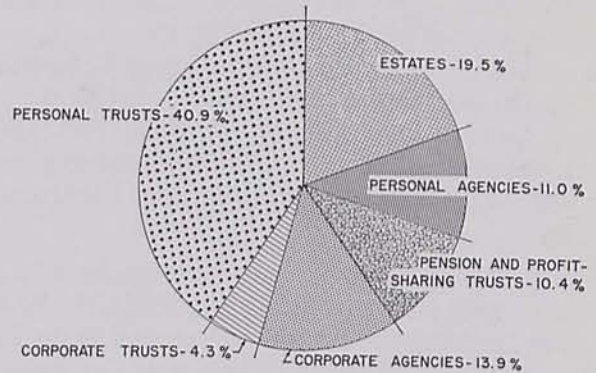
banks have been designated paying agents in the handling of various municipal accounts, with their larger correspondent banks being named co-paying agents. As a result, the fees that formerly went entirely to the larger banks are now shared with the smaller banks.

The over-all expansion in earnings from corporate agency business reflects the continued high level of stock activity, both on the organized exchanges and in over-the-counter trading, and the fact that an increasing amount of this business is being handled by southwestern banks. The ability of banks in the District to handle such business has improved steadily for several years and has become especially noticeable within the past 5 years. The experiences of bank trust departments last year indicate that corporations located in the Southwest which have been assigning their trust business to banks in the East are relying more and more on the services available from southwestern banks.

During 1960, trust income from personal accounts in the District showed less than one-half the growth of 1959. However, with the exception of income from estates (which declined 4.3 percent), income from every type of personal account moved higher. The reduced growth rate of earnings from personal accounts was not simply a result of a lower volume of such accounts but was also caused by a decline in the fees charged. The fees which a trust department charges are based on the market value of the property held in trust. In 1960, as business slowed down, stock prices declined sharply, while bond prices rose but not as

TRUST DEPARTMENT INCOME, BY TYPE OF ACCOUNT, AT 42 COMMERCIAL BANKS, 1960

ELEVENTH FEDERAL RESERVE DISTRICT



rapidly or as high as during previous recessions. On balance, the over-all market value of these investments declined; thus, fees were reduced.

Earnings from estates, the only type of personal account which showed a decline in 1960, tend to be quite volatile. These earnings may be bunched in one year, only to drop substantially the next year. The particular estate paying fees usually is more important than the number of estates in determining the changes in trust department earnings from this source because earnings from one very large estate may have a substantial impact on the income changes. Moreover, some estates are tied up for years, but, in a few instances, the entire fee is paid at one time. Thus, as was the case in 1960, the experiences of only a few banks may result in a substantial change in total earnings.

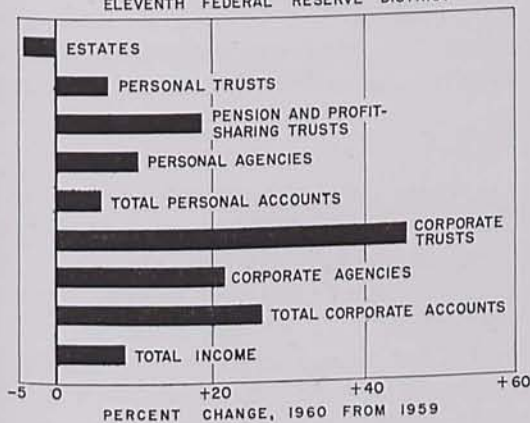
The number of pension and profit-sharing trusts showed a greater rate of growth in 1960 than all other accounts, continuing the trend that has been prevalent for some years. The expansion in pension trusts reflects a shifting of such funds from other forms of pension plans to a trustee-type arrangement. The bank trust departments have vigorously sought this business and have achieved a great deal of success. The expansion in profit-sharing plans reflects the efforts of a growing number of businesses to increase executive compensation or stimulate workers' interest in the company.

Expense Developments

Total trust department expenses in 1960, rising 10.9 percent, showed approximately the same rate of growth as during the preceding 2 years. The smaller banks ex-

TRUST DEPARTMENT INCOME AT 39 COMMERCIAL BANKS*

ELEVENTH FEDERAL RESERVE DISTRICT



*Banks which reported in both 1959 and 1960 surveys.

perienced the largest increase in expenses; in fact, the relative growth in expenses generally became smaller as the volume of trust operations became larger. The greatest relative increase in expenses occurred in the category "other expenses related to salaries" and was largely accounted for by the gain in the trust department's share of the bank's contribution to Federal Social Security and similar payments, as well as the rising rate paid for Social Security coverage. Substantial growth also occurred in expenses for advertising, pensions and retirements, and periodicals and investment services.

Advertising expenses generally account for a larger portion of total trust expenses for banks in the Southwest than for banks in the financial centers in the East because trust activity is a relatively new development in the Southwest. Banks in the Southwest find it necessary to exert more effort and devote more funds to educating the public regarding trust services and their availability at local banks.

The increase in expenditures for periodicals and investment services occurred primarily at the smaller banks. These banks do not have the staff for investment analysis, and a growing number are engaging outside consultants on a full- or part-time basis. Part of the growth in these expenses also reflects an increase in the cost and number of subscriptions to investment services.

As in other years, wages and salaries dominated expenses of the trust departments. Salaries and wages accounted for 61 percent of total expenses during 1960, and, if related expenses are included, the proportion reaches 68 percent. Generally speaking, salaries and wages tend to represent a relatively higher proportion of expenses at the smaller trust departments. In addition, officers' salaries comprise the more important item in salaries and wages in small departments, whereas employees' salaries are the more important element at larger banks. The ratio of employees to officers increases as the volume of trust business at a single bank becomes larger. In 1960 the ratio of employees to officers was about 2 to 1 in the banks with commissions and fees under \$100,000 but approximately 4 to 1 for banks with trust earnings above this amount.

The explanation for the greater number of employees and the lesser importance of officers' salaries as the trust department grows larger is found by examining the data supplied by 22 commercial banks that were able to break down their expense items by personal and corporate accounts. These banks indicated that most

TRUST DEPARTMENT EXPENSES AT 39 COMMERCIAL BANKS 1960 AND 1959¹

Eleventh Federal Reserve District

Item	1960	1959	Percent change
Salaries and wages			
Officers	\$2,394,576	\$2,120,148	12.9
Employees	2,719,620	2,506,533	-8.5
Pensions and retirements	367,530	312,834	17.5
Personnel insurance	65,992	60,216	9.6
Other expenses related to salaries	153,774	100,882	52.4
Occupancy of quarters	498,947	479,398	4.1
Furniture and equipment	171,408	169,479	1.1
Stationery, supplies, and postage	226,378	233,141	-2.9
Telephone and telegraph	75,884	67,211	12.9
Advertising	161,377	121,296	33.0
Directors' and trust committee fees	50,276	46,010	9.3
Legal and professional fees	49,774	47,053	5.8
Periodicals and investment services	56,785	49,657	14.4
Examinations	36,788	49,545	-25.7
Other direct expenses	366,929	363,761	.9
Total direct expenses	\$7,396,038	\$6,727,164	9.9
Overhead	1,046,812	882,749	18.6
Total expenses	\$8,442,850	\$7,609,913	10.9

¹ Data are derived from the reports of 39 trust departments which participated in both the 1959 and the 1960 surveys.

of the expenses in handling personal accounts are not much different from those incurred with corporate accounts with one important exception. Officers' salaries are a much more important expense item in personal accounts, while employees' salaries and wages have greater weight in corporate accounts. This relationship is a reflection of the fact that much of the work in servicing corporate accounts tends to be routine and can be handled by clerks or through mechanized processes. Since the larger bank trust departments have an increasingly higher proportion of corporate accounts, the size of the banks becomes an important indicator of the relative significance of officers' salaries versus employees' salaries.

Direct expenses of trust departments are clearly the more important expenses. For all the survey banks combined, such expenses comprised 88 percent of trust department expenses during 1960, while overhead expenses accounted for only 12 percent. Some difficulty in allocation has been encountered by the banks, but, generally, the overhead item is becoming less important.

Net Income

Total expenses at the 42 banks which participated in the 1960 survey absorbed 98 percent of the income received from commissions and fees. Thus, net earnings, at almost 2 percent of total trust income, were at the lowest level since these surveys began in 1957. The lower level of net income largely reflects the decline in the earnings rate from personal accounts. The substantially higher earnings rate from corporate accounts did not offset the reduced rate of earnings from the much

larger personal sector. Expenses grew at about the same rate as in the previous 2 years, with increases in salaries and wages accounting for most of the rise.

Of the 42 banks in the survey, one-half reported net losses on their trust activities. The smaller banks experienced unprofitable operations more often than the larger banks, but a significant number of large banks also showed losses. Almost two-thirds of the banks receiving \$10,000 to \$50,000 in total trust earnings suffered deficits, while less than one-half of the banks in the over \$300,000 classification experienced losses. The more profitable trust operation of the larger banks is explained, in part, by the fact that they are able to attract corporate accounts, which offer a greater return per dollar expended.

If all reported earnings were adjusted to allow credit for deposits, the picture would be noticeably improved. Only 18 of the survey banks allowed such a credit in 1960, but, after this adjustment, net earnings before income taxes from trust department activities of the 42 banks amounted to 15.2 percent of total commissions and fees plus deposit credits. If the other banks had also permitted such an adjustment, the earnings position would have been even better (this improvement, however, would not be nearly as large as that shown above since most of the larger banks already permit such a credit). The deposit credit is allowed in order to appraise the contribution of the trust department to the profitable operations of the entire bank.

It is interesting to note that, in all but the largest classification of bank trust departments, the average salary of the officers was higher for the banks showing a loss on their trust operations than for the banks showing a profit. In attempting to expand their trust activities, banks probably have paid larger salaries to attract highly qualified officers. However, there may be a lag in the gains from such a personnel policy, and, in the interim, these trust departments show losses. Thus, the fact that officers' salaries are high for banks showing losses may actually be an indication of improved income prospects for the future.

The more profitable trust operations possible through corporate activities is indicated by the detailed breakdown of earnings and expenses by type of account for eight large commercial banks in the Southwest (each with income from commissions and fees in excess of \$350,000). At these banks, corporate trusts required expenditures amounting to only 63 percent of the income received from this activity, and the largest deposit

NET EARNINGS AND RELATED ITEMS FOR COMMERCIAL BANK TRUST DEPARTMENTS, 1960

Eleventh Federal Reserve District

(Percentage of total commissions and fees)

Item	42 banks with total commissions and fees of:				Total
	\$10,000- \$50,000	\$50,000- \$100,000	\$100,000- \$300,000	Over \$300,000	
Number of banks	18	6	7	11	42
Total expenses.....	119.7	98.4	96.5	97.0	98.1
Trust department net earnings (+) or losses (-) before income taxes.....	-19.7	+1.6	+3.5	+3.0	+1.9
Allowed credit for deposits...	8.0	17.3	17.4	12.9	13.3
Trust department net earnings (+) or losses (-), adjusted for deposit credits.....	-11.7	+18.9	+20.9	+15.9	+15.2
Memorandum figures					
Average rate allowed as deposit credit (percent)¹...	1.8	2.5	2.0	2.6	2.2
Number of banks allowing deposit credits.....	4	3	5	6	18
Amount of total commissions and fees (in thousands)....	\$407	\$429	\$929	\$6,898	\$8,663

¹ Based on reported rates only; excludes banks which do not allow a credit for deposits.

credit was for corporate trusts. In addition, corporate activities generally attract more deposits to banks than do personal accounts.

Summary

During 1960, net earnings of trust departments at survey banks in the District failed to match the growth evident in other recent years. A substantial expansion in earnings from corporate accounts could not offset the sharp decline in the rate of income growth in the more important personal account sector. Bank trust activities in the District continued to be dominated by large banks in 1960; in fact, the larger banks gained a greater share of the market last year. It appears that the District bank trust departments have reached sufficient maturity to compete effectively with banks in the East for corporate accounts in the Southwest. Thus, trust departments may be expected to play an increasingly important and profitable role at southwestern banks in the years ahead.

WILLIAM N. GRIGGS
Financial Economist

A group of detailed statistical tables compiled from the survey of 1960 earnings and expenses of commercial bank trust departments in the Eleventh Federal Reserve District may be obtained by addressing a request to:

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

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Department store sales in the Eleventh Federal Reserve District in May were 4 percent above May 1960, mainly because of the larger number of trading days. Cumulative sales in the first 5 months of 1961 equaled those in the same period of 1960 but were 1 percent below the record first 5 months of 1959. The seasonally adjusted index of sales for May was 160 percent of the 1947-49 average, compared with 177 for April and 159 for May 1960. Unadjusted department store stocks were lowered 4 percent during May and at the end of the month were 2 percent below stocks for the same time in 1960.

New car registrations in four major Texas markets in May were 23 percent higher than in April but were 9 percent less than in May last year.

Soaking rains over most of the District during June resulted in unusually favorable soil moisture conditions. The precipitation was generally beneficial to crops and brightened summer range and pasture feed prospects. The first bale of 1961-crop cotton was ginned in the Lower Rio Grande Valley of Texas on June 7. Wheat production in the District states is estimated to be the second largest crop of record.



Department store sales in the Eleventh Federal Reserve District in May rose 9 percent above April and 4 percent above May 1960. As a result, cumulative sales for the first 5 months of 1961 equaled those in the comparable period in 1960; however, these sales were 1 percent below the record first 5 months of 1959.

The dollar-volume increases in May from the previous month and a year ago were accounted for almost entirely by the effect of extra business days. May 1961 had 27 shopping days; April, 25 days; and May last year, 26 days. The seasonally adjusted index of sales,

The Texas industrial production index held steady at 175 during May, as strength in manufacturing offset a slight decline in mining. Nonfarm employment in the five District states increased for the third consecutive month, with manufacturing, mining, construction, and trade employment showing gains. Total unemployment in Texas declined to 5.2 percent of the State's civilian labor force.

Construction contracts in the District states declined slightly during April. However, the total value of construction contracts during the first 4 months of 1961 was 4 percent greater than a year ago.

In the 4 weeks ended June 14, loans, investments, and deposits expanded at the District's weekly reporting member banks. Member bank reserves moved somewhat lower in the 5 weeks ended June 7 but remained at a comfortable level.

Daily average crude oil production in the District declined moderately in May but rose slightly in early June, while trends in drilling activity were mixed in May. Daily average crude oil runs to refinery stills advanced moderately. The demand for gasoline rose more than seasonally in May and continued to trend upward in early June. Gasoline prices firmed at all levels of distribution throughout most of the Nation.

which makes allowances for differences in the number of trading days and other seasonal factors, was 160

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	May 1961 from		5 months, 1961 from 1960
	April 1961	May 1960	
Total Eleventh District.....	9	4	0
Corpus Christi.....	7	-1	-6
Dallas.....	7	4	-1
El Paso.....	6	4	-6
Fort Worth.....	4	-4	-4
Houston.....	12	8	2
San Antonio.....	19	9	3
Shreveport, La.....	10	12	3
Waco.....	18	3	-1
Other cities.....	5	4	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: May.....	159	159	183
1961: March.....	155	168	183	174
April.....	159	177	186	179
May.....	160	160	180p	181p

p — Preliminary.

percent of the 1947-49 average in May. This figure compares with 159 for May 1960 and 177 for April, the latter including a substantial special adjustment for the early date of Easter this year.

After May 20, District department store sales again dipped below the year-earlier level. In the 3 weeks ended June 10, sales declined 4 percent from the corresponding weeks in 1960.

Department store inventories in the District showed a less than seasonal decline of 4 percent during May but at the end of the month were 2 percent less than the year-earlier stocks. The May adjusted index of stocks was 181 percent of the 1947-49 average, compared with 179 for April and 185 for May 1960.

New car registrations in May in four major Texas markets — Dallas, Fort Worth, Houston, and San Antonio — were 23 percent above April but were 9 percent below May 1960. Cumulative registrations in the first 5 months of 1961 totaled 21 percent below the same period in 1960. All the markets showed sharp April-May gains, ranging between 20 percent and 30 percent. However, compared with May last year, registrations were down 1 percent in Houston, 11 percent in San Antonio, 13 percent in Dallas, and 18 percent in Fort Worth. For the first 5 months of this year, the four markets reported cumulative year-to-year losses that ranged from 18 percent to 27 percent.

Despite minor crop damage and delays in field work, soaking rains over a major portion of the District during June resulted in unusually favorable soil moisture

conditions. The rains were beneficial to crops and substantially improved summer range and pasture feed prospects. Ranges continued to furnish ample feed in the Plains, Cross Timbers, Blacklands, and coastal areas of Texas; and the rains revived summer growth of pastures in central, south, and east Texas areas.



COTTON ACREAGE, PRODUCTION, AND VALUE OF PRODUCTION

(In thousands)

Area	Acreage harvested		Bales produced ¹		Value of lint and seed	
	1960	1959	1960	1959	1960	1959
Arizona.....	426	383	849	715	\$ 149,549	\$ 131,512
Louisiana.....	510	495	501	492	85,640	88,777
New Mexico.....	201	198	291	323	51,521	61,759
Oklahoma.....	630	625	458	381	70,567	58,874
Texas.....	6,325	6,350	4,346	4,416	686,488	721,836
Total.....	8,092	8,051	6,445	6,327	\$1,043,765	\$1,062,758
United States..	15,309	15,117	14,272	14,558	\$2,395,493	\$2,536,380

¹ 500 pounds gross weight.

SOURCE: United States Department of Agriculture.

The Nation's first bale of 1961-crop cotton was ginned in the Lower Rio Grande Valley of Texas on June 7, or 2 weeks earlier than last year. Cotton planting in the District is almost complete. The crop has progressed satisfactorily in southern and south-central counties, despite dry spring weather conditions, and has benefited from the June rains. Cotton in the Blacklands is making fair development, and most of the crop in the High Plains is in good condition.

Drilling of sorghums in the District is nearing completion, and combining is under way in the Lower Valley. Corn planting is almost finished in the District, but rains were received too late to be of material benefit to early-maturing corn in south-central areas. Soybean planting is under way in the High Plains and north Texas. Rice in Louisiana and Texas is making excellent growth, and early plantings are heading.

The final report on the 1961 feed grain program for diverting corn and grain sorghum acreage shows that 3.7 million acres on 111,986 farms were signed up in the District states of Arizona, Louisiana, New Mexico, Oklahoma, and Texas this year. About 87 percent of the total acreage diverted had been grain sorghum acreage. The 3.7 million acres signed up under the program represent 32 percent of the total 1959-60 average plantings for these grains.

Widespread showers and rains during the past month delayed wheat harvest in the Plains, and scattered hail damage occurred; however, combining of the District's wheat crop is about one-half complete. The winter wheat crop in the District states, as of June 1, is placed at 215.6 million bushels, or 4 percent above the month-earlier estimate and 1 percent larger than the 1960 output. A crop of this size would be the second largest of record, being exceeded only by the bumper wheat outturn in 1947. Texas production is now estimated at 93 million bushels, or 9 percent greater than the May 1 indication and 10 percent above the 1960 output.

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	January-March		Percent change
	1961	1960	
Arizona.....	\$ 95,578	\$ 95,681	0
Louisiana.....	59,787	55,227	8
New Mexico.....	31,766	32,238	-1
Oklahoma.....	114,338	102,562	11
Texas.....	428,425	375,513	14
Total.....	\$ 729,894	\$ 661,221	10
United States.....	\$7,624,092	\$6,904,521	10

SOURCE: United States Department of Agriculture.

Harvest of cantaloupes, honeydew melons, okra, peppers, and tomatoes is active in the Lower Valley of Texas. Watermelons are moving in good volume from all south Texas areas, and gathering is under way in south-central regions. Tomato harvest in east Texas is under way, and watermelons and sweet potatoes are making satisfactory progress.



Between May 17 and June 14, investments and deposits moved substantially higher at the Nation's weekly reporting member banks, while loans declined. The money market was firm in the last 2 weeks of May but eased considerably during early June. This easier tone resulted from the rising level of reserves and a movement of funds to the money centers, as well as the availability of funds from preparations for tax and dividend payments. The effective rate on Federal funds ranged from 2¼ percent to 3 percent in the first 2 weeks of the period but, after that, was generally below 2 percent.

The Treasury bill market displayed a relatively heavy tone during most of the period, although a strong commercial bank demand developed in the final week. Over the entire period, the market rate for 91-day Treasury bills was virtually unchanged and stood at 2.32 percent on June 14. A heavy atmosphere was present in the market for intermediate- and long-term Government securities until the final week of the period, when the market firmed somewhat and the sharp price declines of the previous weeks were partly reversed.

Loans, investments, and deposits expanded at the District's weekly reporting member banks during the 4 weeks ended June 14. Cash accounts and total assets showed noticeable gains, and the liquidity position of these banks improved.

Gross loans (excluding interbank loans) rose \$47.2 million at the District's weekly reporting banks during

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	June 14, 1961	May 17, 1961	June 15, 1960
ASSETS			
Commercial and industrial loans.....	1,504,581	1,505,036	1,469,349
Agricultural loans.....	34,948	37,146	31,199
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	8,791	16,169	1,736
Other securities.....	43,085	36,381	16,224
Other loans for purchasing or carrying:			
U. S. Government securities.....	4,442	6,069	10,241
Other securities.....	215,639	203,730	177,771
Loans to domestic commercial banks.....	13,076	61,676	57,759
Loans to foreign banks.....	35	10	403
Loans to other financial institutions:			
Sales finance, personal finance, etc.....	92,569	89,242	129,535
Savings banks, mtge. cos., ins. cos., etc.....	146,378	139,914	125,143
Real-estate loans.....	220,967	218,755	208,641
All other loans.....	812,719	784,522	776,154
Gross loans.....	3,097,230	3,098,650	3,004,155
Less reserves and unallocated charge-offs..	56,535	56,806	54,446
Net loans.....	3,040,695	3,041,844	2,949,709
Treasury bills.....	266,141	110,751	46,181
Treasury certificates of indebtedness.....	71,849	72,152	23,418
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	202,341	197,030	68,198
After 1 but within 5 years.....	642,900	632,309	820,377
After 5 years.....	457,352	480,467	293,738
Other securities.....	396,775	398,250	341,433
Total investments.....	2,037,358	1,890,959	1,593,345
Cash items in process of collection.....	534,623	524,612	536,591
Balances with banks in the United States.....	567,103	483,705	520,283
Balances with banks in foreign countries.....	2,227	2,239	1,977
Currency and coin.....	57,206	55,522	50,451
Reserves with Federal Reserve Bank.....	543,624	525,591	557,463
Other assets.....	186,052	183,919	181,858
TOTAL ASSETS.....	6,968,888	6,708,391	6,391,677
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations....	2,970,323	2,869,481	2,902,354
Foreign governments and official institutions, central banks, and international institutions..	2,452	9,235	
United States Government.....	196,308	136,375	140,577
States and political subdivisions.....	214,045	247,014	208,354
Banks in the United States, including mutual savings banks.....	1,120,489	1,008,443	980,036
Banks in foreign countries.....	12,253	11,776	14,962
Certified and officers' checks, etc.....	53,893	46,160	48,639
Total demand deposits.....	4,569,763	4,328,484	4,294,922
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits.....	775,090	766,397	
Other time deposits.....	540,290	538,437	1,037,170
Foreign governments and official institutions, central banks, and international institutions..	6	6	
U. S. Government, including postal savings...	7,102	7,162	9,049
States and political subdivisions.....	299,970	308,622	222,916
Banks in the United States, including mutual savings banks.....	9,324	8,499	3,943
Banks in foreign countries.....	900	900	
Total time and savings deposits.....	1,632,682	1,630,023	1,273,078
Total deposits.....	6,202,445	5,958,507	5,568,000
Bills payable, rediscounts, etc.....	80,800	60,600	170,844
All other liabilities.....	99,279	105,597	100,185
Capital accounts.....	586,364	583,687	552,628
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	6,968,888	6,708,391	6,391,677

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.

the 4-week period, primarily because of increases in consumer-type loans, loans to "other financial institutions," and loans for purchasing or carrying securities.

Commercial and industrial loans declined slightly as a substantial reduction in the "all other loans" category offset sizable gains in loans to petroleum, coal, chemical, and rubber manufacturers; grain and milling firms; and concerns engaged in retail and wholesale trade. In the comparable period a year ago, gross loans advanced \$22.5 million, with the expansion centered in consumer-type loans.

Total investments at the weekly reporting member banks in the District rose \$146.4 million, largely as a result of a \$155.4 million expansion in holdings of Treasury bills. The increase in holdings of Treasury bills primarily reflects the participation of District banks in the recent Treasury financing involving the sale of a "strip" of Treasury bills maturing between August 3 and November 30. The District was third among all Federal Reserve districts in the volume of purchases of these bills. Holdings of other Government securities maturing within 5 years moved moderately higher, while holdings of Government securities due in more than 5 years declined. In the corresponding period of 1960, total investments rose \$4.5 million, with an increase in Government security holdings exceeding a reduction in holdings of non-Government securities.

Demand deposits of the District's weekly reporting banks expanded between May 17 and June 14; the largest gains centered in deposits of individuals, partnerships, and corporations; interbank deposits; and de-

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended June 7, 1961	4 weeks ended May 3, 1961	4 weeks ended June 1, 1960
RESERVE CITY BANKS			
Total reserves held.....	559,129	566,102	527,819
With Federal Reserve Bank....	520,587	528,252	525,448
Currency and coin.....	38,542	37,850	2,371
Required reserves.....	551,149	558,829	521,225
Excess reserves.....	7,980	7,273	6,594
Borrowings.....	1,172	259	16,656
Free reserves.....	6,808	7,014	-10,062
COUNTRY BANKS			
Total reserves held.....	513,811	517,748	442,106
With Federal Reserve Bank....	416,556	419,013	435,115
Currency and coin.....	97,255	98,735	6,991
Required reserves.....	444,882	449,006	400,473
Excess reserves.....	68,929	68,742	41,633
Borrowings.....	798	244	21,362
Free reserves.....	68,131	68,498	20,271
ALL MEMBER BANKS			
Total reserves held.....	1,072,940	1,083,850	969,925
With Federal Reserve Bank....	937,143	947,265	960,563
Currency and coin.....	135,797	136,585	9,362
Required reserves.....	996,031	1,007,835	921,698
Excess reserves.....	76,909	76,015	48,227
Borrowings.....	1,970	503	38,018
Free reserves.....	74,939	75,512	10,209

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.

NEW MEMBER BANK

The First National Bank of Duncanville, Duncanville, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business June 1, 1961, as a member of the Federal Reserve System. The new member bank has capital of \$200,000, surplus of \$200,000, and undivided profits of \$100,000. The officers are: C. L. Brandenburg, Chairman of the Board; Truit Fulgham, President; G. M. Fulgham, Vice President; and Norman L. Callahan, Cashier.

NEW PAR BANK

The Loving State Bank, Loving, New Mexico, an insured nonmember bank located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, June 3, 1961. The officers are: E. W. Parchman, Chairman of the Board; Raymond Morgan, President; Troy Caviness, Vice President; E. E. Hepler, Vice President; J. C. West, Jr., Secretary; and Mrs. Dora Lou Yarbrow, Cashier.

posits of the United States Government. Time and savings deposits also moved to higher levels, as an increase in deposits of individuals, partnerships, and corporations more than offset a reduction in deposits of states and political subdivisions.

Total reserves of the District's member banks moved slightly lower in the 5 weeks ended June 7. Borrowings and excess reserves rose somewhat at both reserve city banks and country banks, but these changes left free reserves at both types of banks only moderately below the comfortable levels that have prevailed for some months.



Conditions in the petroleum industry were generally improved in May and early June, although production of crude oil in the District and the Nation was limited. Gasoline prices have firmed at the retail, tank-wagon, and refinery levels; and price cutting has virtually ceased in most interior markets. The seasonally adjusted index of gasoline demand rose to 106 in May from the 102 level established in April, while seasonally adjusted gasoline stocks at the end of May failed to deviate significantly from a month earlier. On an unadjusted basis, gasoline demand trended upward in early June, and gasoline stocks declined moderately. Prices of heating oils have weakened; however, the de-

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	May 1961p	April 1961p	May 1960
CRUDE OIL RUNS TO REFINERY STILLS (daily average).....	104	102	104
DEMAND (daily average)			
Gasoline.....	106	102	103
Kerosene.....	175	165	143
Distillate fuel oil.....	113	112	106
Residual fuel oil.....	98	97	101
Four refined products.....	107	105	103
STOCKS (end of month)			
Gasoline.....	106	106	106
Kerosene.....	117	128	102
Distillate fuel oil.....	98	102	98
Residual fuel oil.....	84	81	75
Four refined products.....	101	103	99

p — Preliminary.

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

mand for kerosene, distillate fuel oil, and residual fuel oil in May decreased less than had been anticipated.

The demand for crude oil during May failed to offset advances in new supplies; as a result, crude oil stocks in the Nation rose about 2 percent during the month. Daily average crude oil production in the District declined moderately in May but rose somewhat in early June; similar movements were observed for national output. Crude oil imports advanced about 20 percent in May but decreased slightly during early June. Crude oil runs to District and national refinery stills increased moderately in both May and early June.

Statistical measures of drilling activity in the District were mixed during May. The number of active rotary rigs rose about 7 percent, while total well completions and total footage drilled declined moderately.

Attempts have been made by state conservation commissions, as well as the United States Department of the Interior, to limit new supplies of both domestic and foreign crude oil in order to avoid excessively high crude inventories. Daily average crude oil production in the District likely will decline in July, mainly because Louisiana plans to reduce its July-August crude oil production by about 50,000 barrels daily by decreasing its depth-bracket allowable to an all-time low of 30 per-

MARKETED PRODUCTION OF NATURAL GAS

(In millions of cubic feet)

Area	Fourth quarter 1960	Third quarter 1960	Fourth quarter 1959
Louisiana.....	772,000	699,700	667,000
New Mexico.....	228,000	194,800	195,400
Oklahoma.....	204,400	161,400	152,500
Texas.....	1,543,500	1,389,000	1,473,700
Total.....	2,747,900	2,444,900	2,488,600

SOURCE: United States Bureau of Mines.

cent of the March 1953 levels. Both Texas and New Mexico have retained their June allowables, but slight decreases in their daily average production are expected during the longer month. Furthermore, for the second half of 1961, the Department of the Interior has reduced import quotas for crude oil east of California by 23,395 barrels daily. At 670,933 barrels daily, the new quota is the lowest level since the mandatory import program went into effect in mid-1959.

One factor vitally affecting the petroleum industry in early June was labor unrest associated with striking maritime unions, which has caused the temporary shutdown of several refineries on the Gulf Coast. A reduction in crude oil runs to refinery stills may be expected from this development.



The seasonally adjusted Texas industrial production index held steady at 175 during May, as total manufactures moved upward to balance a small decline in the mining sector, but was 3 points above a year ago. Both durable and nondurable goods output increased along a broad front over the month—earlier and year-earlier levels to set new highs for the year. Production in only three major manufacturing sectors—food, electrical machinery, and textiles—declined slightly from April; while metal products, cement, machinery, transportation equipment, chemicals, petroleum products, lumber, furniture, apparel, paper, and publishing industries showed the primary output gains during May.

Nonfarm employment in the District states increased 13,200 during May to 4,475,600, which is 90,000 above the low reached in February 1961, when cyclical and seasonal pressures coincided. The May figure is

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	May 1961p	April 1961	March 1961	May 1960
TEXAS				
Total industrial production.....	175	175	176r	172
Total manufactures.....	223	220	218r	217
Durable manufactures.....	260	255	252	252
Nondurable manufactures.....	205	204	202r	202
Mining.....	129	131	137r	129
UNITED STATES				
Total industrial production.....	164	160	155	167
Total manufactures.....	163	158	153	166
Durable manufactures.....	167	161	154	174
Nondurable manufactures.....	162	159	157r	161r
Mining.....	128	128	127r	127r
Utilities.....	297	294	291r	284r

p — Preliminary.

r — Revised.

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

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	April 1961p	March 1961	April 1960	January—April	
				1961p	1960
FIVE SOUTHWESTERN STATES¹					
Residential building.....	339	357	429	1,336	1,291
Nonresidential building....	137	149	145	530	540
Public works and utilities...	110	92	92	407	324
	92	116	192	399	427
UNITED STATES.....	3,298	3,166	3,360	11,154	10,806
Residential building.....	1,454	1,371	1,480	4,660	4,677
Nonresidential building....	1,050	1,027	1,048	3,683	3,599
Public works and utilities...	794	768	833	2,812	2,531

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.

only 14,100 below the seasonal record established in December 1960 and is almost the same as the year-earlier level. On a month-to-month basis, gains in manufacturing, mining, construction, and trade employment were especially pronounced.

Insured unemployment in Texas continued at rather high levels through May, but total unemployment declined 2 percent from the April level to 192,400, which is 5.2 percent of the State's civilian labor force. In May last year, unemployment in Texas totaled 161,600, or 4.4 percent of the civilian labor force.

The value of April construction contracts in the District states totaled \$339 million, or 5 percent below a month earlier and 21 percent lower than in April 1960.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change May 1961 from	
	May 1961e	April 1961	May 1960r	April 1961	May 1960
Total nonagricultural					
wage and salary workers..	4,475,600	4,462,400	4,476,600	0.3	0.0
Manufacturing.....	767,900	763,000	788,200	.6	-2.6
Nonmanufacturing.....	3,707,700	3,699,400	3,688,400	.2	.5
Mining.....	241,900	241,000	246,600	.4	-1.9
Construction.....	295,400	290,900	309,900	1.5	-4.7
Transportation and public utilities.....	391,000	391,600	403,700	-.2	-3.2
Trade.....	1,097,400	1,093,700	1,097,100	.3	.0
Finance.....	219,500	220,000	211,100	-.2	4.0
Service.....	599,600	599,200	579,800	.1	3.4
Government.....	862,900	863,000	840,200	.0	2.7

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

e — Estimated.

r — Revised.





SOURCES: State employment agencies.

Federal Reserve Bank of Dallas.

Contracts for public works and utilities declined about one-fifth from March to \$92 million, but nonresidential building contracts increased nearly one-fifth to \$110 million. Residential contracts amounted to \$137 million, which is 8 percent less than in the preceding month and 6 percent below the year-earlier level. The total value of construction contracts in the District states during the first 4 months of 1961 was 4 percent greater than in the comparable 1960 period; a 26-percent increase in nonresidential building outlays more than offset slight declines in residential building and public works and utilities contracts.



ELEVENTH FEDERAL RESERVE DISTRICT

 Dallas Head Office Territory
 Houston Branch Territory
 San Antonio Branch Territory
 El Paso Branch Territory

**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			
	May 1961	Percent change from		May 31, 1961	Annual rate of turnover		
		April 1961	May 1960		May 1961	April 1961	May 1960
ARIZONA							
Tucson.....	\$ 259,729	10	12	\$ 137,565	22.6	20.8	20.0
LOUISIANA							
Monroe.....	88,137	16	4	50,137	20.8	17.8	19.9
Shreveport.....	360,351	20	13	178,002	23.6	19.6	21.0
NEW MEXICO							
Roswell.....	47,078	4	18	35,825	16.0	15.6	16.1
TEXAS							
Abilene.....	101,437	5	1	68,847	18.0	17.0	19.9
Amarillo.....	225,724	11	7	112,715	24.0	21.1	22.8
Austin.....	255,550	22	10	151,121	19.8	15.8	19.7
Beaumont.....	167,616	9	1	96,881	20.5	18.5	20.6
Corpus Christi.....	193,464	2	8	105,445	21.8	21.5	20.2
Corsicana.....	15,091	-2	-1	18,995	9.6	9.7	9.5
Dallas.....	3,206,912	13	8	1,163,424	32.2	28.3	32.3
El Paso.....	341,979	11	2	171,072	23.2	20.6	24.2
Fort Worth.....	799,062	14	3	376,663	25.7	22.9	25.7
Galveston.....	90,072	6	-3	61,460	17.3	16.2	17.9
Houston.....	2,805,562	14	9	1,274,961	25.9	22.6	24.8
Laredo.....	30,176	1	-2	21,114	17.3	16.8	16.6
Lubbock.....	177,725	1	-8	111,493	19.1	18.6	20.6
Port Arthur.....	66,490	7	7	42,897	18.8	17.9	17.8
San Angelo.....	59,058	24	9	47,768	15.1	12.4	14.9
San Antonio.....	668,687	10	9	376,570	21.2	19.2	20.0
Texarkana ²	22,410	5	-3	16,827	15.8	14.8	16.7
Tyler.....	93,649	17	6	59,704	18.5	15.8	18.2
Waco.....	108,229	-2	5	68,857	18.1	18.5	18.6
Wichita Falls.....	118,129	3	0	94,676	15.0	14.4	14.3
Total—24 cities.....	\$10,302,317	12	7	\$4,843,019	25.1	22.3	24.5

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 \$51,438,000 for the month of May 1961.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	June 14, 1961	May 17, 1961	June 15, 1960
Total gold certificate reserves.....	666,708	641,872	663,843
Discounts for member banks.....	1,225	23,309	21,039
Other discounts and advances.....	116	580	0
U. S. Government securities.....	1,090,377	1,075,962	1,054,056
Total earning assets.....	1,091,718	1,099,851	1,075,095
Member bank reserve deposits.....	896,199	897,459	929,101
Federal Reserve notes in actual circulation.....	830,918	818,604	784,206

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Percent change from				
	May 1961p	April 1961p	May 1960	April 1961	May 1960
ELEVENTH DISTRICT.....	2,847.1	3,011.2	2,795.1	-5.5	1.9
Texas.....	2,460.1	2,629.6	2,416.5	-6.5	1.8
Gulf Coast.....	444.3	470.0	450.4	-5.4	-1.4
West Texas.....	1,105.4	1,191.3	1,067.8	-7.2	3.5
East Texas (proper).....	124.7	135.5	120.2	-8.0	3.7
Panhandle.....	102.9	106.3	107.9	-3.2	-4.6
Rest of State.....	682.8	726.5	670.2	-6.0	1.9
Southeastern New Mexico.....	276.8	272.6	265.5	1.5	4.3
Northern Louisiana.....	110.2	109.0	113.1	1.1	-2.6
OUTSIDE ELEVENTH DISTRICT.....	4,214.9	4,224.1	4,013.2	-2	5.0
UNITED STATES.....	7,062.0	7,235.3	6,808.3	-2.4	3.7

p — Preliminary.

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

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	May 31, 1961	April 26, 1961	May 25, 1960
ASSETS			
Loans and discounts.....	5,111	5,059	4,805
United States Government obligations.....	2,650	2,695	2,408
Other securities.....	902	929	823
Reserves with Federal Reserve Bank.....	869	918	906
Cash in vault.....	147	156	142
Balances with banks in the United States.....	1,038	1,138	891
Balances with banks in foreign countries.....	3	3	2
Cash items in process of collection.....	461	650	490
Other assets.....	272	237	277
TOTAL ASSETS.....	11,453	11,785	10,744
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,127	1,226	910
Other demand deposits.....	6,444	6,646	6,425
Time deposits.....	2,733	2,727	2,175
Total deposits.....	10,304	10,599	9,510
Borrowings.....	16	86	142
Other liabilities.....	127	118	152
Total capital accounts.....	1,006	982	940
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	11,453	11,785	10,744

e — Estimated.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1959: May.....	7,674	3,751	3,923	2,156	1,125	1,031
1960: May.....	7,364	3,623	3,741	2,178	1,094	1,084
1961: January.....	8,135	4,032	4,103	2,564	1,308	1,256
February.....	7,828	3,805	4,023	2,670	1,366	1,304
March.....	7,846	3,877	3,969	2,700	1,376	1,324
April.....	7,888	3,903	3,985	2,723	1,379	1,344
May.....	7,643	3,743	3,900	2,736	1,382	1,354

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	Percent change						
	NUMBER				May 1961 from		
	May 1961	5 mos. 1961	May 1961	5 mos. 1961	Apr. 1961	May 1960	5 months, 1961 from 1960
ARIZONA							
Tucson.....	1,128	4,556	\$ 2,915	\$ 19,865	-23	-4	26
LOUISIANA							
Shreveport.....	3,242	6,725	2,558	18,317	-18	-11	62
TEXAS							
Abilene.....	143	619	1,068	6,079	-29	-31	-26
Amarillo.....	309	1,468	2,805	13,965	-4	10	-9
Austin.....	365	1,690	5,324	24,982	-18	3	22
Beaumont.....	306	1,516	1,176	5,959	-2	4	8
Corpus Christi.....	320	1,540	1,098	8,122	-32	7	52
Dallas.....	2,842	10,699	21,049	93,193	55	112	62
El Paso.....	688	2,928	6,164	31,251	73	50	60
Fort Worth.....	678	3,018	7,447	25,578	-8	36	12
Galveston.....	156	638	221	2,704	-25	-93	-29
Houston.....	1,716	6,925	34,785	103,348	120	146	21
Lubbock.....	278	1,165	3,588	20,943	15	-1	5
Port Arthur.....	237	954	790	3,423	25	-13	-32
San Antonio.....	1,308	5,967	5,229	21,629	56	5	-10
Waco.....	291	1,280	2,237	9,089	61	67	6
Wichita Falls.....	372	1,017	2,512	10,511	121	-15	-3
Total—17 cities.....	14,379	52,705	\$100,966	\$418,958	41	49	23