ELEVENTH FEDERAL RESERVE DISTRICT

BUSINESS REVIEW

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ECONOMIC RECOVERY

Over the past 12 months, the Nation's economy has completed its fourth postwar business cycle, moving from a plateau of high-level activity in the second quarter of 1960 to an apparent cyclical trough in February 1961 and then showing rapid recovery. In fact, many indicators had reached prerecession highs by June. The forces of instability dominated the economic picture through the end of 1960 but, after rapid correction, faded in the second quarter of 1961.

Among the forces of instability exerting an influence toward contraction of economic activity were the declines in the rates of government spending for purchases of goods and services and the sharp reversal of the Government's budget position. Federal Government purchases of goods and services decreased from a rate of $54.1 billion in the third quarter of 1959 to $51.8 billion in the first quarter of 1960. A reduction in state and local government expenditures during the fourth quarter of 1959 also added to the rate of decline and broadened the impact of the lower spending rates. Moreover, from a deficit of $12.4 billion in fiscal 1959, the Government's budget position shifted to a surplus of $1.2 billion in fiscal 1960; this shift sharply reduced the stimulative impact of the higher levels of Federal Government spending in the previous year.

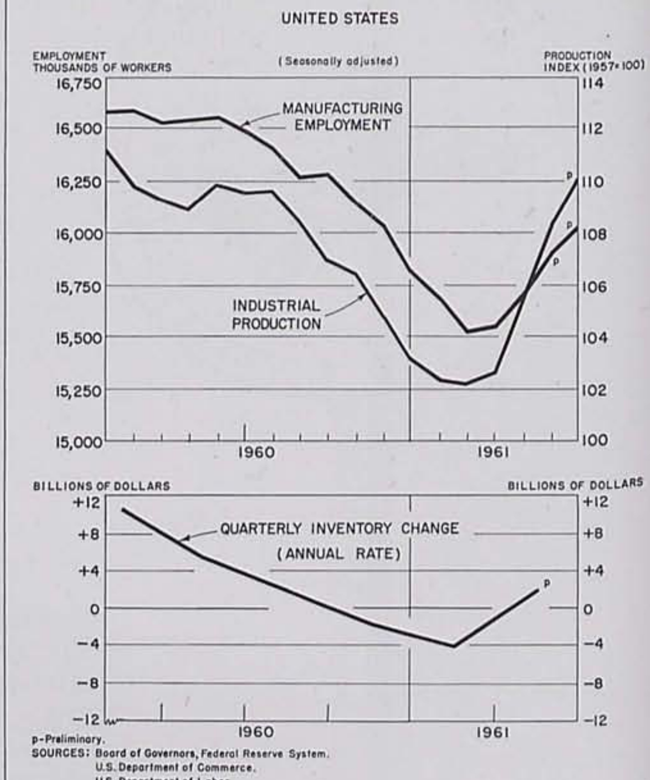
Interwoven with these changes were the marked shifts in inventory positions. The forces bringing some of the most violent fluctuations in inventories had their origin in the steel strike of 1959, when sharp accumulations of steel inventories in the earlier part of the year were counterbalanced by liquidation toward the end

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

of the year. Also important to the inventory shifts were the widespread expectations of economic prosperity for the year 1960. With the steel strike settled and an economic advance anticipated, inventories were again accumulated at an exceptionally rapid rate in early 1960. However, without a comparable rise in final demand, stocks became burdensome; and the slowdown in accumulation and subsequent liquidation brought further downward pressure on the economy.

Perhaps to some extent, these forces of recession were augmented by the reactions of consumers and businessmen to the failure to achieve their expectations. This failure was translated into positive action by businessmen in their reduction of expenditures for new plant and equipment, which, in turn, was reflected in decreased demands for a wide range of goods and services. Consumers, in addition to reducing purchases of basic durable goods, curtailed expenditures for new housing. In previous cycles, residential construction had countered recessionary trends; however, in this instance, the decrease in home building contributed to the over-all economic decline. The steady reduction in new housing starts developed partly because of the influence of the relatively high level of mortgage rates and partly because of the satisfaction of basic demand, which was manifest in the rising level of vacancy rates.

MANUFACTURING EMPLOYMENT, INDUSTRIAL PRODUCTION, AND INVENTORY CHANGES



As has been the case in other postwar cycles, the impact of the recession was centered in the durable goods manufacturing sector. Evidences of recession were most marked in the rate of output, sales, and orders of durables producers and the employment and income generated by such producers. Over the May 1960-February 1961 period, durable goods output fell 12 percent; the weakness was concentrated mainly in the primary metals and transportation equipment industries, which showed declines of more than 18 percent. The reaction in the primary metals sector reflected industry adjustments to the increased levels of steel inventories that developed in early 1960, whereas the transportation equipment decline — accounted for primarily by lower output of motor vehicles and parts — reflected producer adjustments to the higher levels of dealer inventories and the slower consumer demand in the early part of 1961. By contrast, nondurable goods output declined only 3 percent, and mining output was virtually unchanged; total industrial production decreased 7 percent.

Of course, the decrease in industrial production brought a marked decline in employment of factory workers. Total manufacturing employment in the Nation was reduced by more than 1 million workers between May 1960 and February 1961, with about 700,000 laid off by durable goods manufacturers. Average weekly hours were also reduced. The consumer, in reaction to the declining availability of new job opportunities and the rising level of unemployment, began to curtail expenditures in the second quarter of 1960; and retail sales declined from a peak of $18.9 billion in April 1960 to a trough of $17.8 billion in January and February 1961. Moreover, following the pattern of lower final demand, business sales contracted and exerted further pressure upon inventory positions.

Business capital spending declined from an annual rate of $36.30 billion in the second quarter of 1960 to $33.85 billion in the first and second quarters of 1961. The decline was relatively mild in comparison with changes which had been evident in other postwar recessions. In fact, capital spending was reduced only 7 percent in the 1960-61 recession, contrasted with 22 percent in the 1957-58 slowdown.

Activities in the construction industry were likewise reduced, although, in opposition to the change in capital spending, one of the strongest sectors during 1960 was commercial and industrial construction. Residential building declined from a seasonally adjusted rate of 1,331,000 new housing starts in May to 996,000 in December, while total construction held fairly steady at a level of approximately $55 billion over the period.

With total exports exceeding imports by about $4 billion, the marked improvement in import-export relationships of the United States in 1960 somewhat moderated the effects of the domestic recession. Special exports of jet aircraft and cotton were partly responsible for the exceptionally high levels of exports for 1960.

The recession also had an important impact upon the financial area. With the beginnings of the plateau in early 1960, demand for bank loans declined more than seasonally, and interest rates started downward. Reserve availability for the Nation's commercial banks was markedly improved by a shift in Federal Reserve System policies from restraint to moderate ease and then active ease as the recession developed.

Of particular importance during 1960, especially after June, was the development of a strong outflow of gold from the United States, which complicated the problem facing the monetary authorities in providing reserves to meet the domestic situation. The outflow of gold was tied, at least in part, to the international differential in interest rates and to a confidence factor. Efforts were made by the Federal Reserve to avoid undesirable declines in short-term interest rates by supplying reserves through changes in reserve requirements, by authorizing the counting of vault cash as reserves, and through open market operations, including transactions outside the 91-day Treasury bill area. In consequence, short-term interest rates held at about the July level through the remainder of the year, and yields on long-term Governments showed little change.

By the trough of the recession in early 1961, several actions, both automatic and discretionary, had already been taken to induce recovery. These policies ranged widely in timing, degree of effectiveness, and magnitude of change. The automatic stabilizers began to operate when additional unemployment developed, and unemployment compensation payments rose quickly, both through the regular state programs and through supplemental unemployment benefit programs in the steel and automobile industries. Government policies supplemented these automatic stabilizers when a Temporary Extended Unemployment Compensation Program was inaugurated in March 1961. This brought immediate relief to workers who had exhausted their state benefits and was a reinforcing factor to the development of the recovery.

Much earlier, however, other government policies had resulted in a drastic change in rates of spending for goods and services. The Federal spending rate advanced from $51.8 billion in the first quarter of 1960 to $56.5 billion in the second quarter of 1961, and state and local expenditures showed a little more rapid advance from $45.0 billion to $51.0 billion in the same period. The supporting effect of these sharp increases clearly helped to limit the duration of the recession and reduce the magnitude of the over-all decline to sharply less than in any of the previous postwar recessions. Implicit in the change in Federal Government spending rates was a similar change in the Government's budget position. With higher spending rates and lower revenues, the budget slipped from surplus back to deficit, and the deficit reached $3.9 billion in fiscal 1961.

Other policies to counteract the recession included an attempt to stimulate capital spending by a multifaceted program designed to lower long-term interest rates and by the continued and aggressive policies of ease on the part of the Federal Reserve System. The System's purchases of securities outside the bill area may have contributed to the marked rise in corporate and municipal borrowing during the first half of 1961. Policies with respect to yields on short-term securities may also have contributed, along with rather strong statements by the Administration concerning the maintenance of the gold price at $35 an ounce, to the cessation of gold outflows in the early part of 1961.

Government programs alone, however, could not have been sufficient to complete the adjustments necessary for economic recovery. During the fourth quarter of 1960 and the first quarter of 1961, liquidation brought business inventories to a level more consistent with sales patterns; and with the commencement of recovery, rising sales caused a marked move to accumulation in the second quarter of this year. Private activities also were responsible for the development of a better balance between debt and income, for the more efficient handling of inventories, and for reducing costs and improving productivity.

The shift in business policies was responsible for an improving balance of factors of production, inventories, and sales in a number of industries. However, to the extent that rising productivity met the need for labor and that adjustments could not be perfectly timed, these policies also may have contributed to the higher levels of unemployment.

Businessmen were quick to see the advantages of maintaining a higher level of capital spending than perhaps could have been justified on the basis of current sales. The need for more competitiveness against comparable industries in foreign nations and the need to improve productivity in order to reduce costs were among the important factors in limiting the decline in capital spending.

Thus, at the low point in the recession in February 1961, there were already a number of forces under way leading toward a reversal of the decline and the beginning of recovery. Perhaps the most apparent sign of recovery was the sharp increase in industrial production, which was stimulated by higher levels of government spending, the change in inventory policies, and the need to service a developing higher level of both business and consumer demand. By June 1961, industrial production had returned to the year-earlier level; primary metals and transportation equipment showed advances of more than 16 percent, and there were broadly based gains by virtually all other durable goods industries. Moreover, nondurable goods output had advanced over a year ago, and the gain of nearly 6 percent was accounted for mainly by chemical, petroleum, and rubber products and textile, apparel, and leather products manufacturing. The breadth of these advances suggests more strength than could be attributed merely to inventory changes.

The expansion in construction activities was based on some improvement in residential building but a more important rise in public construction. New housing starts had recovered to a level of 1,374,000 units by June, and total new construction had reached a $56.5 billion annual rate. Capital spending programs are being reconsidered and, if new capital issues are a reliable guide, may be quite large.

These forces of change have encouraged improvement in total business sales, new orders to manufacturers, and consumer spending. Although consumer spending has increased, the gain in purchases of durable goods thus far has been insufficient to spur a renewed rise in consumer instalment credit.

The rising trend of business has brought a marked gain in employment, but unemployment remains at an adjusted rate comparable to that in the trough of the recession. Total employment in June reflected a new record of 68,706,000 workers. Factory employment increased to 16 million during the month but was about 470,000 below a year ago. The unemployment total in June amounted to 5,580,000, or still more than 1 million above a year earlier, and comprised 6.8 percent of the labor force. The composition of this unemployment total reflects an increasing proportion of women and teen-agers in the labor force, as well as the rising total of the labor force itself. The average workweek of factory workers has advanced 1 hour since January, and average weekly earnings reached a new record of $94.24 in June.

These increases in employment and hours worked, coupled with some special disbursements of National Service Life Insurance dividends and the new unemployment compensation payments, have resulted in a sharp rise in personal income. Total personal income in June, at $416.7 billion, was $13.6 billion above the recession low, with most of the gain in wages and salaries of manufacturing workers. Prices at both wholesale and consumer levels have been virtually stable over the past year. Some minor increases in service prices have been largely offset by declines in food prices. There have been some underlying changes in prices, however, reflected mainly by discounts.

With economic recovery maturing, there have been important changes in the financial environment of the Nation. During the first half of 1961, total loans (excluding interbank loans) at all commercial banks showed less strength than in the same period of the previous 2 years, with declines from a year earlier centered primarily in commercial and industrial loans and loans to sales finance companies. The changes in indusstrial loans reflected repayments by trade concerns, metal and metal products manufacturers, and public utilities.

Part of these repayments may have stemmed from the availability of funds created by new capital issues and possibly less need for loans as inventories were being liquidated. A slower rate of capital spending in the first half of 1961 than a year earlier probably caused some slackening in bank loans for interim financing. Finally, the generally lower level of business sales, even though improved during the first quarter, may have reduced businessmen's needs for bank credit. The decline in sales finance company loans probably reflected the lower level of consumer purchases of durable goods, mainly appliances. With retail sales of durable goods down 5 percent in June from a year ago, after showing even greater year-to-year declines in earlier months of 1961, consumer credit extensions — and, consequently, the demands of sales finance companies for bank credit accommodation — have been reduced.

On the other hand, commercial bank investments were sharply higher than in the early part of either of the previous 2 years. Total holdings in the first half of 1961 were increased $2 billion — a gain exceeded in the past 10 years only by the corresponding 1958 advance. Commercial bank holdings of various maturities showed considerable change during the first half of 1961, partly reflecting not only Treasury financings but also the deliberate change in bank policies. Generally speaking, banks reduced the average maturity of their portfolios, and declines were especially apparent in holdings of bonds maturing after 10 years. Increased holdings were noticeable in the 1- to 5-year classification, where many of the Treasury security financings concentrated. Total bank credit through June rose $2 billion, with nearly all of the gain in investments.

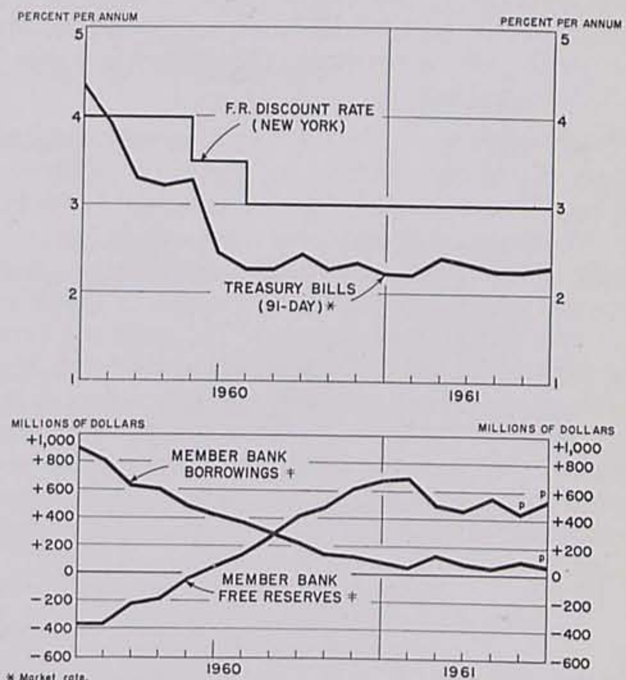
Reserve availability at the commercial banks during the first half of this year was reflected in a free reserves level averaging over $500 million. Although a comfortable level of reserves was maintained, total reserves declined more than in the same period in 1960, when ease was just developing. Borrowings of commercial banks showed very little change in this period, as total borrowings from the Federal Reserve banks moved generally within a range of $50 million to $100 million after February.

Deposit changes over the first half of 1961 featured a decline in demand deposits but a strong rise in time deposits at a rate about four times the year-earlier advance. With depositors favoring time and savings accounts, demand deposits (adjusted) showed only small growth in this period; thus, the money supply was virtually the same in June as a year ago. One should not overlook the possibility that, with recovery, some of the time deposit increase may be used in augmenting the conventionally defined money supply.

Reserve availability was maintained by the actions of the Federal Reserve System. Net System purchases during the first half of the year amounted to $576 million, reflecting primarily additions to System holdings in the 1- to 10-year maturity range. Although no changes were made in discount rates or reserve requirements during the first part of 1961, the extension of

SELECTED FINANCIAL INDICATORS

UNITED STATES



* Market rate.
‡ Averages of daily figures.
p-Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

open market operations to purchases and sales beyond the short-term area had an important impact upon the composition of System holdings. From February 15 through July 5, System holdings maturing within 1 year declined $1,138 million, but holdings in the 1- to 10-year area were increased $1,990 million. System operations continued to be aimed at providing sufficient reserves to foster economic recovery, while still trying to avoid undue downward pressure on short-term rates and to stimulate the flow of funds into the longer-term area.

In addition to the Federal Reserve purchases, improved demand for Government securities was evident from Government agencies and trust funds, banks, savings and loan associations, and the general public. In contrast, dealer holdings were reduced substantially.

Government security yields showed very little change over the first half of 1961. Rates on 91-day Treasury bills, at a monthly average of 2.302 percent in January, moved within a narrow range of less than 30 basis points and averaged 2.359 percent in June. Yields on

3- to 5-year Government securities generally were reduced during the first 5 months of the year but then moved sharply higher, increasing from 3.53 percent in January to 3.70 percent in June. Long-term security yields were highly stable; though fluctuating, on a monthly average basis, within a range of 16 basis points, such yields only moved from 3.89 percent in January to 3.88 percent in June.

These stable yields in the first 6 months reflected the impact of counterbalancing forces of supply and demand. Reserve availability at commercial banks improved investment demand, but there was an increased supply of debt instruments in the long-term area from corporate and municipal financings and in the short-term area from Treasury issues. The volume of corporate issues totaled $6,330 million in the first half of this year, contrasted with only $4,527 million in the first 6 months of 1960, and widened the spread in yields between Aaa corporate bonds and long-term Governments. Yields were also influenced by the rising trend in economic conditions over the last 4 months of the period.

The economy apparently had passed its initial recovery stage by mid-1961 and appears to be moving into higher ground. In fact, gross national product, government spending, employment, average weekly earnings, and personal income are at record levels. The second-quarter gross national product, at an annual rate of $515.0 billion, showed a $14.2 billion gain over the first quarter. Of the total gain, $6.5 billion came from the inventory turnaround; $5.3 billion, from higher consumer expenditures; and $2.5 billion, from increased government expenditures. A nearly $2 billion decline in net exports and a small rise in construction accounted for the remainder of the change. The strength of the recovery period ahead would seem to hinge mainly upon the possibilities of additional growth in consumer spending and higher levels of government outlays and capital spending. These may have an important ramifying effect and, coupled with the stimulation from a number of new Government programs (such as those pertaining to housing, distressed areas, and highways), may provide the spark for a period of rapid economic gain.

NEW MEMBER BANK

The Pasadena National Bank, Pasadena, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business July 5, 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: W. Otto Frosch, President, and Thomas I. Fetzer, Vice President and Cashier.

NEW PAR BANK

The Coahoma State Bank, Coahoma, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, July 1, 1961. The officers are: Ed J. Carpenter, Chairman of the Board; Bill E. Read, President; Carl Bates, Vice President (Inactive); and Weldon Estes, Cashier.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS

DISTRICT SUMMARY

The Texas industrial production index held steady at 175, seasonally adjusted, during June as a slight decline in manufacturing balanced a small increase in mining. Nonfarm employment in the Eleventh District states rose slightly, with increases in manufacturing, mining, construction, trade, finance, and transportation and public utilities sectors exceeding declines in service and government employment. Unemployment in Texas reached 230,400, or 6.1 percent of the State's civilian labor force.

May construction contracts in the District states were virtually unchanged from April. A strong gain in residential building and a slight increase in nonresidential construction more than offset a decline in public works and utilities contracts.

Both sales and stocks, seasonally adjusted, at District department stores in June were higher than in May but were lower than in June 1960. Cumulative January-June sales were 1 percent below the comparable 1960 period. In early July, department store sales improved slightly as compared with a year earlier. Total new car registrations in June in four major market areas in Texas registered month-to-month and year-to-year decreases.

Daily average crude oil production in the District and crude runs to refinery stills were virtually unchanged in June but declined in early July. Drilling activity was generally improved, although the number of active rotary rigs was reduced slightly.

Rains during much of July delayed field work throughout a large part of the District and damaged row crops in some sections of Texas. Cotton plantings in the District states are larger than a year ago. Outturns of winter wheat, oats, barley, rice, flaxseed, Irish potatoes, and sweet potatoes are estimated to be higher than in 1960. Corn production is indicated to be lower, while the hay crop is about unchanged.

In the 5 weeks ended July 19, loans, investments, and deposits declined at the District's weekly reporting member banks; and, for the first time in more than a year, time and savings deposits decreased. Member bank reserves improved somewhat in the 4 weeks ended July 5 and remained substantial.

TRADE

June department store sales in the Eleventh Federal Reserve District were 10 percent lower than in May and 4 percent below June 1960, with part of the month-to-month decline accounted for by the fact that there was one less trading day in June. After adjustment for differences in the number of trading days and seasonal variations, June sales were slightly better than those in May. The seasonally adjusted index of sales was 162 percent of the 1947-49 average in June, compared with 160 in May and 170 in June last year. Cumulative sales for the first half of 1961 were 1 percent below sales in the same period of 1960.

Year-to-year sales comparisons in early July indicated that consumers were responding to the stores' usual midsummer promotions. District department store sales for the first 2 weeks in July were 1 percent greater than in the comparable 1960 period.

Department store inventories in the District declined less than seasonally during June but at the end of the month were 5 percent below a year ago. The seasonally

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	June 1961 from May 1961	June 1961 from June 1960	6 months, 1961 from 1960
Total Eleventh District	—10	—4	—1
Corpus Christi	—9	—13	—7
Dallas	—12	—1	—1
El Paso	—7	—8	—7
Fort Worth	—8	—3	—3
Houston	—13	—3	1
San Antonio	—13	—5	1
Shreveport, La.	—7	—1	2
Waco	—11	—8	—3
Other cities	—7	—7	—1

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1947-49 = 100)

Date	SALES (Daily average) Unadjusted	SALES (Daily average) Seasonally adjusted	STOCKS (End of month) Unadjusted	STOCKS (End of month) Seasonally adjusted
1960: June	156	170	179	192
1961: April	159	177	186	179
May	160	160	177	178
June	149	162	170p	183p

p — Preliminary.

adjusted index of stocks at the end of June was 183 percent of the 1947-49 average, compared with 178 in May and 192 in June 1960.

Total registrations of new passenger cars in four major market areas in Texas in June declined slightly from May. Registrations in Houston and Fort Worth were unchanged, but Dallas and San Antonio registrations were down 3 percent and 1 percent, respectively. Year-to-year decreases ranging from 2 percent to 8 percent were recorded among the four areas. Cumulative registrations for the four areas combined in the first 6 months of 1961 were 18 percent below those in the same period last year.

AGRICULTURE

Widespread and almost continuous rains during much of July delayed field work in the District except in Arizona, New Mexico, and the Trans-Pecos area of Texas. Excessive precipitation in southern, coastal, and Low Rolling Plains counties of Texas resulted in damage to row crops, particularly cotton. Hot, dry weather is needed throughout the District to promote development of the cotton crop. Ranges and pastures have continued to improve, and grasses in most sections are unusually lush for this time of the year.

Cotton harvest in the Lower Rio Grande Valley and south Texas was delayed by the July rains, and weeds became an increasing problem in all areas of the State. Cotton insect populations built up as continued showers reduced the effectiveness of insecticides. Plantings for the 1961 cotton crop in the District states, as of July 1, are placed at slightly over 9 million acres, or 4 percent above the year-earlier total but 17 percent below the 10-year (1950-59) average. At 7.1 million acres, Texas seedings are also 4 percent larger than a year ago. Increases are reported for Louisiana and Oklahoma, while decreases are shown for Arizona and New Mexico. In the Nation, the 1961 cotton acreage is indicated at 16.6 million acres, which is 3 percent above the acreage seeded in 1960 but is 18 percent under the 10-year average.

Harvest of the District's sorghum crop is running somewhat ahead of a year ago, although frequent showers have slowed combining in south Texas, the Lower Valley, and the Coastal Bend and have delayed harvest in south-central areas. The excellent Blacklands sorghum crop is fully headed and is coloring all the way to the Red River. Corn is mature in south Texas and the Lower Valley, but most of the harvest thus far has been for silage and "green chop." In south-central counties, the crop is holding up well despite repeated downpours. Corn in the Blacklands is in good condition and has passed the roasting-ear stage.

Peanut planting is virtually finished in the District, although weeds, grass, and leaf spot have become troublesome. The rice crop in Louisiana and Texas has made satisfactory progress but has reached a point where continued rain could cause damage. Broomcorn pulling in the District has progressed slowly between

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS 1961, estimated July 1	TEXAS 1960	TEXAS Average 1950–59	FIVE SOUTHWESTERN STATES[1] 1961, estimated July 1	FIVE SOUTHWESTERN STATES[1] 1960	FIVE SOUTHWESTERN STATES[1] Average 1950–59
Winter wheat	90,475	78,826	32,891	211,661	206,434	104,031
Corn	25,326	27,522	38,502	38,960	44,456	61,366
Oats	26,675	24,492	26,202	44,085	39,623	42,034
Barley	9,925	9,518	3,549	39,929	37,184	18,239
Rice[2]	12,927	12,927	13,331	26,667	26,209	25,846
Hay[3]	2,196	2,166	1,821	6,611	6,631	5,408
Flaxseed	1,610	1,112	501	1,610	1,135	580
Irish potatoes[4]	2,738	2,465	1,662	6,314	5,572	3,817
Sweet potatoes[4]	1,275	1,200	1,246	4,605	4,531	6,307

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] In thousands of bags containing 100 pounds each.
[3] In thousands of tons.
[4] In thousands of hundredweight.
SOURCE: United States Department of Agriculture.

CROP ACREAGE

(In thousands of acres)

Crop	TEXAS For harvest 1961	TEXAS Harvested 1960	TEXAS Harvested Average 1950–59	FIVE SOUTHWESTERN STATES[1] For harvest 1961	FIVE SOUTHWESTERN STATES[1] Harvested 1960	FIVE SOUTHWESTERN STATES[1] Harvested Average 1950–59
Cotton	7,100	6,800	8,534	9,012	8,630	10,853
Winter wheat	3,619	3,583	2,576	8,620	8,566	7,300
Corn	938	1,251	1,861	1,388	1,833	2,901
Oats	970	942	1,160	1,537	1,450	1,841
Barley	397	405	180	1,292	1,259	605
Rye	23	23	26	93	101	110
Rice	417	417	484	875	875	1,015
Sorghums	5,957	7,637	7,352	7,297	9,360	9,452
Hay	1,840	1,810	1,668	4,141	4,011	3,994
Peanuts (alone)	297	297	396	422	415	550
Flaxseed	140	117	72	140	118	75
Irish potatoes	20	19	19	39	37	41
Sweet potatoes	17	15	26	71	68	114

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
SOURCE: United States Department of Agriculture.

showers and is more than two-thirds complete. Compared with a year earlier, increases in output for the District states are indicated for the 1961 crops of winter wheat, oats, barley, rice, flaxseed, Irish potatoes, and sweet potatoes. On the other hand, production of corn is estimated to be below that in 1960, and hay outturn is virtually unchanged.

Livestock in the District are mainly in good condition as a result of the improved ranges and pastures. However, screwworm infestations have increased because of damp weather. Ranchers in the Edwards Plateau are shearing goats.

During the 4 weeks ended July 12, investments and deposits at the Nation's weekly reporting member banks were reduced substantially, while loans moved moderately lower. Total demand deposits fell markedly, but time and savings deposits expanded. The money market was easy throughout the period, reflecting the comfortable reserve positions of member banks, especially the banks in the money centers. The rate on Federal funds was generally 2¼ percent or below, with the rate under 1 percent on a number of days.

The Treasury bill market was generally steady in the week ended June 21 but, as demand developed from bank and nonbank sources, evidenced a slightly firmer tone the remainder of the period. The market rate for 91-day Treasury bills moved from 2.32 percent on June 14 to 2.26 percent on July 12. The market for intermediate- and long-term Government securities displayed a generally heavy tone during the 4 weeks as news of improved business conditions and the approach of the August 1 Treasury refinancing dominated the market.

Loans, investments, and deposits declined at the weekly reporting member banks in the Eleventh District during the 5 weeks ended July 19. Cash assets and total assets moved noticeably lower, and the liquidity position of these banks was reduced somewhat.

Gross loans (excluding interbank loans) declined $3.8 million, as a reduction in consumer-type loans offset the gains which occurred in other loan categories. The largest expansion was in loans for purchasing or carrying securities. Commercial and industrial loans increased, with loans to petroleum, coal, chemicals, and rubber manufacturers showing the most noticeable gain. However, significant decreases were reported for firms

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	July 19, 1961	June 14, 1961	July 20, 1960
ASSETS			
Commercial and industrial loans	1,508,179	1,504,581	1,474,707
Agricultural loans	39,062	34,948	30,789
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities	311	8,791	274
Other securities	54,295	43,085	18,486
Other loans for purchasing or carrying:			
U. S. Government securities	4,735	4,442	10,231
Other securities	230,909	215,639	179,502
Loans to domestic commercial banks	29,462	13,076	80,892
Loans to foreign banks	128	35	347
Loans to other financial institutions:			
Sales finance, personal finance, etc.	88,438	92,569	121,479
Savings banks, mtge. cos., ins. cos., etc.	155,288	146,378	137,200
Real-estate loans	221,268	220,967	203,883
All other loans	777,752	812,719	756,327
Gross loans	3,109,827	3,097,230	3,014,117
Less reserves and unallocated charge-offs	55,990	56,535	55,285
Net loans	3,053,837	3,040,695	2,958,832
Treasury bills	99,115	266,141	147,362
Treasury certificates of indebtedness	72,449	71,849	24,418
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year	243,716	202,341	61,817
After 1 but within 5 years	608,960	642,900	840,724
After 5 years	459,239	457,352	281,374
Other securities	401,114	396,775	346,525
Total investments	1,884,593	2,037,358	1,702,220
Cash items in process of collection	492,097	534,623	472,555
Balances with banks in the United States	486,428	567,103	454,497
Balances with banks in foreign countries	1,695	2,227	1,772
Currency and coin	56,527	57,206	51,794
Reserves with Federal Reserve Bank	539,623	543,624	560,260
Other assets	184,642	186,052	172,947
TOTAL ASSETS	6,699,442	6,968,888	6,374,877
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations	2,954,181	2,970,323	
Foreign governments and official institutions, central banks, and international institutions	2,686	2,452	2,898,613
United States Government	62,184	196,308	231,129
States and political subdivisions	186,541	214,045	210,182
Banks in the United States, including mutual savings banks	995,942	1,120,489	895,847
Banks in foreign countries	12,055	12,253	13,295
Certified and officers' checks, etc.	52,929	53,893	43,856
Total demand deposits	4,266,518	4,569,763	4,292,922
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits	779,686	775,090	
Other time deposits	548,167	540,290	1,050,381
Foreign governments and official institutions, central banks, and international institutions	6	6	
U. S. Government, including postal savings	7,102	7,102	8,849
States and political subdivisions	286,355	299,970	225,584
Banks in the United States, including mutual savings banks	9,557	9,324	
Banks in foreign countries	900	900	3,678
Total time and savings deposits	1,631,773	1,632,682	1,288,492
Total deposits	5,898,291	6,202,445	5,581,414
Bills payable, rediscounts, etc.	122,000	80,800	154,601
All other liabilities	86,240	99,279	83,331
Capital accounts	592,911	586,364	555,531
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	6,699,442	6,968,888	6,374,877

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.

engaged in wholesale and retail trade, commodity dealers, and the "all other" commercial and industrial loan category. In the corresponding period a year earlier, gross loans fell $13.2 million, largely as a result of a reduction in consumer-type loans.

Total investments of the District's weekly reporting banks decreased $152.8 million between June 14 and July 19, primarily as a result of a $167.0 million decline in holdings of Treasury bills. Treasury notes and Government bonds due in 1 to 5 years moved lower, while those maturing within 1 year advanced. Holdings of other Government securities maturing after 5 years were slightly higher. Non-Government security holdings showed a moderate expansion. In the comparable period a year ago, total investments rose $103.8 million, as Government and non-Government security holdings both moved to higher levels.

Demand deposits of the District's weekly reporting banks fell $303.2 million in the 5 weeks ended July 19, with substantial reductions occurring in United States Government demand deposits and in deposits of domestic banks. Demand deposits of individuals, partnerships, and corporations were only slightly lower. Time and savings deposits showed a small reduction for the first time in more than a year, as gains in deposits of individuals, partnerships, and corporations were more than offset by decreases in deposits of states and political subdivisions.

An increase in required reserves absorbed virtually all the gain in total reserves held by the District member banks in the 4 weeks ended July 5, 1961, leaving

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended July 5, 1961	5 weeks ended June 7, 1961	5 weeks ended July 6, 1960
RESERVE CITY BANKS			
Total reserves held	568,905	559,129	531,872
With Federal Reserve Bank	529,819	520,587	529,821
Currency and coin	39,086	38,542	2,051
Required reserves	559,358	551,149	525,436
Excess reserves	9,547	7,980	6,436
Borrowings	107	1,172	11,489
Free reserves	9,440	6,808	—5,053
COUNTRY BANKS			
Total reserves held	513,211	513,811	441,713
With Federal Reserve Bank	413,951	416,556	434,415
Currency and coin	99,260	97,255	7,298
Required reserves	445,829	444,882	395,843
Excess reserves	67,382	68,929	45,870
Borrowings	740	798	17,864
Free reserves	66,642	68,131	28,006
ALL MEMBER BANKS			
Total reserves held	1,082,116	1,072,940	973,585
With Federal Reserve Bank	943,770	937,143	964,236
Currency and coin	138,346	135,797	9,349
Required reserves	1,005,187	996,031	921,279
Excess reserves	76,929	76,909	52,306
Borrowings	847	1,970	29,353
Free reserves	76,082	74,939	22,953

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.

excess reserves about unchanged. As a result of reduced borrowings, however, free reserves rose moderately. An expansion in free reserves at reserve city banks was partially offset by a decline at country banks, but reserve positions remained comfortable at both reserve city banks and country banks.

OIL and GAS

The demand for the four major petroleum products showed a contraseasonal decline of about 3 percent in June; however, stocks of these products advanced less than seasonally, and the tone of refined product markets was improved. One of the factors influencing refined product prices, especially along the Gulf and East Coasts, was the nationwide maritime strike that began in mid-June. Tanker movement slowed, and picketing by seamen's unions extended to petroleum refineries. One of the immediate results of the strike was a 7-percent reduction in crude runs to Texas Gulf Coast refinery stills.

The trend established for refined product demand in June continued in early July. Gasoline consumption declined contraseasonally during the first half of July, but a stronger than anticipated demand for light and heavy fuel oils limited the reduction in total demand for the four major products. Stocks of refined products in mid-July were moderately above the month-earlier level. Although kerosene inventories advanced less than seasonally during the period, residual fuel oil stocks were 8 percent above a month ago and were significantly greater than in mid-July 1960. The demand for residual fuel oil in early July was virtually unchanged, but the increase in inventories was partially due to a substantial rise in residual fuel oil imports.

NATIONAL PETROLEUM ACTIVITY INDICATORS

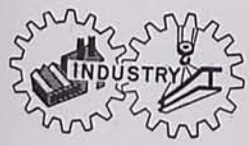
(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	June 1961p	May 1961p	June 1960
CRUDE OIL RUNS TO REFINERY STILLS (daily average)	103	104	105
DEMAND (daily average)			
Gasoline	103	106	108
Kerosene	166	175	151
Distillate fuel oil	101	113	115
Residual fuel oil	87	98	101
Four refined products	101	107	109
STOCKS (end of month)			
Gasoline	105	106	104
Kerosene	112	117	103
Distillate fuel oil	98	98	96
Residual fuel oil	85	84	74
Four refined products	100	101	97

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

Crude oil stocks in the Nation in mid-July were almost the same as a month ago, as a reduction in the demand for crude oil was offset by a decline in new supplies. Imports of crude oil advanced 16 percent in early July, following a 14-percent decrease in June. Daily average crude oil production and crude runs to refinery stills in the Eleventh District, as in the Nation, were virtually unchanged in June but declined in early July. Crude oil production in the District during August should not deviate significantly from July because Texas, New Mexico, and Louisiana allowables have been held at about the same levels.

Drilling activity in the District generally improved in late June and early July. Total footage drilled during the 4 weeks ended July 10 advanced 11 percent, while the number of active rotary rigs in the District declined very slightly. The total number of wells completed increased fractionally as a significant rise in northern Louisiana more than compensated for declines in Texas and eastern New Mexico.



The Texas industrial production index held steady, on a seasonally adjusted basis, during June at 175 — an all-time high for the month. A slight downward movement in total manufactures was offset by a small increase in the mining sector. Both durable and nondurable goods registered slight output declines from month-earlier levels over a broad range of activities but showed year-to-year gains. Increased production in the primary metals and chemicals industries during June was offset by declines in transportation equipment, food, cement, electrical machinery, machinery, lumber, furniture, apparel, and paper industries.

Nonfarm employment in the District states rose 6,700 during June to 4,490,300, which is 69,100 above the low reached in February 1961 and 700 more than in June 1960. Gains over May this year occurred in all employment sectors except services and government. Insured unemployment in Texas decreased slightly in June, but total unemployment increased 38,000 from May to a level of 230,400, or 6.1 percent of the State's civilian labor force. Unemployment in Texas in June 1960 totaled 192,400, which is 5.1 percent of the civilian labor force.

The value of construction contracts in the District states in May totaled $340 million, or about the same as both the month-earlier and the year-earlier levels. Outlays for residential building showed a sharp increase of 18 percent during May to reach $161 million, the highest level since August 1959. Nonresidential building rose 4 percent, but public works and utilities contracts declined 29 percent. During the first 5 months of 1961, the total value of construction contracts in the District states amounted to $1,676 million, which is 3 percent above the comparable 1960 level.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	June 1961p	May 1961	April 1961	June 1960
TEXAS				
Total industrial production	175	175	176r	171r
Total manufactures	220	223	220	215
Durable manufactures	255	259	256r	247
Nondurable manufactures	204	206	204	201
Mining	131	129	133r	129
UNITED STATES				
Total industrial production	167	164	160	166
Total manufactures	166	163	158	165
Durable manufactures	171	167	161	171
Nondurable manufactures	165	163	160r	163
Mining	128	128	129r	128
Utilities	303	298	296r	289

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	May 1961p	April 1961	May 1960	January—May 1961p	January—May 1960
FIVE SOUTHWESTERN STATES[1]	340	339	339	1,676	1,629
Residential building	161	137	148	691	687
Nonresidential building	114	110	106	521	430
Public works and utilities	65	92	85	464	512
UNITED STATES	3,501	3,298	3,337	14,639	14,123
Residential building	1,553	1,454	1,453	6,207	6,120
Nonresidential building	1,105	1,050	1,110	4,779	4,700
Public works and utilities	843	794	774	3,652	3,302

[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.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons June 1961e	May 1961	June 1960r	Percent change June 1961 from May 1961	June 1960
Total nonagricultural wage and salary workers	4,490,300	4,483,600	4,489,600	0.1	0.0
Manufacturing	775,700	768,200	793,100	1.0	—2.2
Nonmanufacturing	3,714,600	3,715,400	3,696,500	.0	.5
Mining	244,500	242,700	249,600	.7	—2.1
Construction	300,500	296,000	317,600	1.5	—5.4
Transportation and public utilities	394,900	390,200	406,900	1.2	—3.0
Trade	1,102,200	1,097,200	1,103,300	.5	—.1
Finance	222,300	220,900	214,100	.6	3.8
Service	602,100	602,900	582,100	—.1	3.4
Government	848,100	865,500	822,900	—2.0	3.1

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
e — Estimated.
r — Revised.
SOURCES: State employment agencies.
Federal Reserve Bank of Dallas.

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

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts[1] June 1961	Percent change from May 1961	Percent change from June 1960	Demand deposits[1] June 30, 1961	Annual rate of turnover June 1961	Annual rate of turnover May 1961	Annual rate of turnover June 1960
ARIZONA							
Tucson	$ 269,550	4	7	$ 137,823	23.5	22.6	22.4
LOUISIANA							
Monroe	83,367	—5	4	50,278	19.9	20.8	18.6
Shreveport	347,150	—4	3	174,206	23.6	23.6	22.6
NEW MEXICO							
Roswell	47,228	0	16	34,471	16.1	16.0	16.1
TEXAS							
Abilene	102,033	1	4	70,132	17.6	18.0	19.0
Amarillo	224,010	—1	0	122,019	22.9	24.0	24.2
Austin	226,137	—12	11	155,262	17.8	19.8	17.8
Beaumont	158,215	—6	—3	100,269	19.3	20.5	20.6
Corpus Christi	190,806	—1	1	104,854	21.7	21.8	22.0
Corsicana	16,314	8	2	19,461	10.2	9.6	10.1
Dallas	3,204,355	0	12	1,213,427	32.4	32.2	30.6
El Paso	345,246	1	4	164,921	24.7	23.2	24.7
Fort Worth	828,804	4	0	385,151	26.2	25.7	27.5
Galveston	90,007	0	8	64,650	17.2	17.3	16.3
Houston	2,763,543	—2	6	1,295,436	25.8	25.9	25.4
Laredo	36,401	21	31	23,234	19.7	17.3	15.0
Lubbock	171,557	—3	—3	110,153	18.6	19.1	19.6
Port Arthur	63,268	—5	0	44,023	17.5	18.8	17.8
San Angelo	54,492	—8	1	45,604	14.0	15.1	14.3
San Antonio	648,179	—3	4	380,305	20.5	21.2	20.5
Texarkana[2]	22,242	—1	—10	16,774	15.8	15.8	18.1
Tyler	86,475	—8	2	60,639	17.3	18.5	17.5
Waco	110,670	2	4	66,915	19.6	18.1	19.1
Wichita Falls	118,745	1	—4	99,553	14.6	15.0	14.9
Total—24 cities	$10,208,794	—1	6	$4,939,560	25.1	25.1	24.6

[1] Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
[2] These figures include only two banks in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including one bank located in the Eighth District, amounted to $50,915,000 for the month of June 1961.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 19, 1961	June 14, 1961	July 20, 1960
Total gold certificate reserves	703,730	666,708	675,180
Discounts for member banks	5,974	1,225	33,342
Other discounts and advances	0	116	0
U. S. Government securities	1,079,068	1,090,377	1,063,673
Total earning assets	1,085,042	1,091,718	1,097,015
Member bank reserve deposits	908,634	896,199	948,604
Federal Reserve notes in actual circulation	838,688	830,918	795,704

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	June 1961p	May 1961p	June 1960	Percent change from May 1961	Percent change from June 1960
ELEVENTH DISTRICT	2,857.3	2,847.1	2,877.4	0.4	—0.7
Texas	2,477.2	2,460.1	2,502.2	.7	—1.0
Gulf Coast	443.4	444.3	448.6	—.2	—1.2
West Texas	1,113.7	1,105.4	1,132.2	.8	—.6
East Texas (proper)	127.8	124.7	129.7	2.5	1.5
Panhandle	104.9	102.9	106.0	1.9	—1.0
Rest of State	687.4	682.8	685.7	.7	.2
Southeastern New Mexico	269.3	276.8	246.3	—2.7	9.3
Northern Louisiana	110.8	110.2	128.9	.5	—14.1
OUTSIDE ELEVENTH DISTRICT	4,180.3	4,214.9	4,061.3	—.8	2.9
UNITED STATES	7,037.6	7,062.0	6,938.7	—.4	1.4

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	June 28, 1961	May 31, 1961	June 29, 1960
ASSETS			
Loans and discounts	5,112	5,111	4,895
United States Government obligations	2,663	2,650	2,362
Other securities	912	902	815
Reserves with Federal Reserve Bank	853	869	906
Cash in vault[e]	160	147	147
Balances with banks in the United States	1,199	1,038	1,000
Balances with banks in foreign countries[e]	2	3	2
Cash items in process of collection	534	461	518
Other assets[e]	347	272	265
TOTAL ASSETS[e]	11,782	11,453	10,910
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,248	1,127	1,075
Other demand deposits	6,533	6,444	6,358
Time deposits	2,756	2,733	2,215
Total deposits	10,537	10,304	9,648
Borrowings[e]	40	16	183
Other liabilities[e]	191	127	137
Total capital accounts[e]	1,014	1,006	942
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	11,782	11,453	10,910

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 Total	Reserve city banks	Country banks	TIME DEPOSITS Total	Reserve city banks	Country banks
1959: June	7,678	3,771	3,907	2,177	1,135	1,042
1960: June	7,473	3,726	3,747	2,191	1,098	1,093
1961: 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
June	7,752	3,829	3,923	2,745	1,380	1,365

BUILDING PERMITS

Area	NUMBER June 1961	NUMBER 6 mos. 1961	VALUATION (Dollar amounts in thousands) June 1961	6 mos. 1961	Percent change, June 1961 from May 1961	Percent change, June 1961 from June 1960	Percent change, 6 months, 1961 from 1960
ARIZONA							
Tucson	958	5,514	$ 4,704	$ 24,569	61	7	22
LOUISIANA							
Shreveport	1,405	8,130	2,823	21,140	10	—15	45
TEXAS							
Abilene	109	728	2,338	8,417	119	2	—20
Amarillo	302	1,770	6,120	20,085	118	103	9
Austin	369	2,059	4,423	29,405	—17	25	23
Beaumont	324	1,840	1,856	7,815	58	6	7
Corpus Christi	332	1,872	1,821	9,943	66	64	54
Dallas	2,789	13,488	12,264	105,457	—42	9	53
El Paso	610	3,538	5,127	36,378	—17	28	54
Fort Worth	623	3,641	5,842	31,420	—22	55	18
Galveston	113	751	309	3,013	40	17	—26
Houston	1,475	8,400	27,306	130,654	—22	—19	10
Lubbock	204	1,369	2,396	23,339	—33	—12	3
Port Arthur	227	1,181	653	4,076	—17	—14	—30
San Antonio	1,252	7,219	5,437	27,066	4	18	—6
Waco	290	1,570	706	9,795	—68	—41	0
Wichita Falls	594	1,611	1,249	11,760	—50	—39	—8
Total—17 cities	11,976	64,681	$85,374	$504,332	—15	2	19