



# BUSINESS REVIEW

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## ANNUAL REPORT ISSUE

### ECONOMIC RESURGENCE IN 1961

The broad pattern of economic and financial developments in the United States during 1961 reflected a picture of growing strength in virtually all sectors of the economy. Among the high lights of the year were the recovery from the short recession of late 1960 and early 1961, the shifting emphasis brought by a new political administration in both defense expenditures and the underlying philosophy of the Federal Government's role in the American economy, and the influence exerted upon the monetary and fiscal policies of the Nation by the concern over this Nation's balance of payments and international financial relationships. To these must be added the entire Nation's continuing concern over unemployment — its level, composition, and rate and the prospects for improvement of the situation. A corollary matter under continuous discussion among Government policy makers and professional private observers was the rate of economic growth needed for material improvement of the domestic unemployment problem and to enable the United States to maintain its position as a leader of the free world whose currency could command the respect and confidence of other nations.

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



There were a number of significant offshoots from these primary features of the year, including the remarkable stability of interest rates and price levels, the substantial uptrend in consumer, business, and bank liquidity, and the surprising ease with which the Nation's increasing budget deficit was financed without severe strains in the securities market. The entire economic scene for 1961 reflected a year of growth and development in this Nation comparable to any recovery period in previous cycles.

The mild nature of the recent recession can be seen in the relatively small decline of only \$6 billion, or approximately 1 percent, in gross national product from the peak in the second quarter of 1960 to the trough in the first quarter of 1961. In contrast, the recovery was quite vigorous, with gross national product increasing about \$42 billion from the cyclical trough in the first quarter to the end of the year and averaging \$521 billion for the year, or 3 percent over 1960. More than half of the gain occurred in personal consumption; gross private domestic investment accounted for about 40 percent, and the remainder came from government spending.

The large increase in personal consumption may be a surprise to some observers, since there were a substantial number of comments during the year that consumers were not increasing their rate of spending in proportion to their ability to spend. However, this reluctance was clearly dispelled in the fourth quarter by a sharp gain in retail trade, especially in automobile sales. On the other hand, some observers may be surprised by the relatively small increase in government spending, which had been advertised as the major cause of the improvement in the economy during the first and second quarters. In other words, a careful inspection of the internal components and principal indicators of the economy is required to give perspective to the recovery that brought the economy to new records in virtually all major sectors. The restudy requires special emphasis upon timing and some references to the usual leads and lags during business cycles.

#### Economic Developments

In reviewing the changes in the Nation's economy over the past 12 months, one is impressed by the speed and force of the recovery. By hindsight, it is possible to see that, despite the atmosphere of considerable gloom attending the new year's entrance, corrective forces were already under way which would, in only a short

#### RECESSION IN SELECTED ECONOMIC INDICATORS

##### United States

Indicator	First quarter 1961	Second quarter 1960
Industrial production index (1957=100) <sup>1</sup> .....	102.3	109.3
Change in business inventories <sup>2</sup> .....	-4.0	5.4
Expenditures for new plant and equipment <sup>2</sup> .....	33.85	36.30
Total new construction expenditures <sup>2</sup> .....	55.8	54.9
Manufacturers' new durable goods orders <sup>2</sup> .....	13.4	14.5
Unemployment rate (percent of civilian labor force) <sup>1</sup> ....	6.8	5.2
Personal income <sup>2</sup> .....	404.7	404.2
Retail sales <sup>2</sup> .....	17.9	18.6

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Seasonally adjusted, in billions of dollars.

SOURCES: Board of Governors of the Federal Reserve System.

United States Department of Commerce.

United States Department of Labor.

period of time, reverse the economic downtrend. Many of these forces had been developing in the last half of 1960. Among the most important were the corrective actions of business, including inventory liquidation, the layoff of workers to balance employment with production levels, and the reduction of capital expenditures. These policies were the cause of many of the declines in major indicators during the fourth quarter of 1960 and the first quarter of 1961, but they were also the principal factors which eventually corrected the imbalances that had developed in the economy. As unused capacity increased, plant and equipment expenditures were reduced in the latter part of 1960, with the usual ramifying effect upon capital goods, manufactures, construction, and employment. Also of considerable importance was the emphasis upon active ease, toward which monetary policies were directed.

Thus, by early 1961, though the total pattern of economic indicators reflected further declines, the economy actually had reached a cyclical trough and started to improve. During the first quarter, additional downward pressures were being exerted by heavier inventory liquidation, declines in private capital spending, and a marked reduction in consumer spending for durable goods. Moreover, construction activities were weakening in virtually all major segments. As a result, durable goods manufacturers' orders declined steadily until January but then began a marked resurgence which carried forward throughout the year. To some extent, the declining forces were reinforced by the reduction in employment, as well as by a rather low level in the factory workweek. Offsetting these downward pressures during the first quarter were a rise in government spending and an increase in exports.

By early March, random signs of recovery appeared in an improvement in manufacturers' new orders, a cessation of inventory liquidation, and the resulting



# RECOVERY IN SELECTED ECONOMIC INDICATORS

United States

Indicator	July 1961	February 1961
Industrial production index (1957=100) <sup>1</sup> .....	112.0	102.1
Total new construction expenditures <sup>2</sup> .....	57.0	55.7
Manufacturers' new durable goods orders <sup>2</sup> .....	15.0	13.4
Personal income <sup>2</sup> .....	421.2	403.1
Retail sales <sup>2</sup> .....	18.0	17.8

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Seasonally adjusted, in billions of dollars.

SOURCES: Board of Governors of the Federal Reserve System.  
United States Department of Commerce.  
United States Department of Labor.

increase in industrial production. As the second quarter progressed, the forces of recovery gained strength and outweighed the continued downward pressures to such an extent that the general economy began to show major signs of improvement. This improvement continued throughout the second and third quarters of the year, although the rate of gain was slowed in the latter part of the third quarter, partly because of temporary factors.

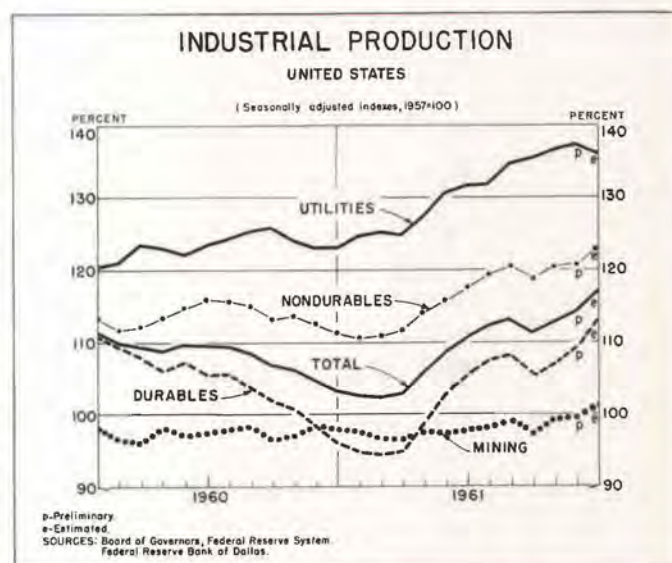
With industrial production advancing quickly from April to July, the atmosphere of recession quickly abated. Although unemployment remained uncomfortably high, personal incomes rose quickly; and Government fiscal policies, which had been shifted to accommodate some countercyclical measures, were further changed to allow for enlarged spending for defense purposes. Government demands for goods and services rose quickly and added to the improved private demand as business orders and sales continued steadily upward. Even the level of construction activities began to improve, although the gain was fairly slow and was concentrated in residential building. One of the main impediments to rapid economic recovery continued to be the downtrend in private capital spending, although this was reversed in the third quarter. Meanwhile, special Government programs were inaugurated to stimulate certain types of construction. Among these programs were the early releases of funds for highway construction, a new housing bill to foster both public and private home building, and reductions in terms for FHA mortgage loans.

The effects of these growing supports to the economy upon industrial production were quickly apparent. From February (the cyclical trough) to July, total factory output advanced nearly 10 percent; the principal improvement occurred in durable goods, the manufacturing sector which had shown the most noticeable decline in the previous year. Durable goods output increased 13 percent from February through

July, while nondurable goods production rose about 8 percent. The improvement in the mining sector was negligible.

From July to October, the rate of economic advance slowed markedly. Part of the reason for this slowdown could be traced to an early model change-over in the automobile industry, the usual summer lull in primary metals and similar industries, and some shifts in the business outlook as observers began to question the permanency of the upturn without a supporting rise in personal consumption expenditures. Reinforcing this attitude was the evidence of rapidly accumulating inventories, especially in the durable goods field. At the close of the summer, the threat of a major automobile strike had begun to slow manufacturers' orders; in fact, durable goods orders were almost unchanged between August and September. When the automobile strike did occur, though only on a company-by-company basis, its effect emphasized the summer slowdown. Moreover, Government expenditures, which had been climbing at an annual rate of more than \$2 billion, suddenly slowed. The third quarter also contained some severe weather disturbances, which interrupted industrial production in primary metal, chemical, and oil refining industries.

By the start of the fourth quarter, however, especially following the settlement of the second automobile strike, the economy experienced an accelerated rate of recovery and quickly moved to new records in virtually all sectors. The fourth-quarter advance was stimulated not only by the general recovery trend but





**CHANGES IN SELECTED ECONOMIC INDICATORS**  
United States

Indicator	1961e	1960	Percent change
Industrial production index (1957=100) <sup>1</sup>	109.3	108.0	1
Expenditures for new plant and equipment <sup>2</sup>	34.50	35.68	-3
Total new construction expenditures <sup>2</sup>	57.5	55.6	3
Manufacturers' new durable goods orders <sup>3</sup>	14.9	14.3	4
Unemployment rate (percent of civilian labor force) <sup>4</sup>	6.7	5.6	19
Personal income <sup>5</sup>	417.0	402.2	3
Retail sales <sup>5</sup>	18.3	18.3	0
Consumer price index (1947-49=100)	127.9	126.5	1

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Seasonally adjusted, in billions of dollars.

<sup>3</sup> — Estimated.

SOURCES: Board of Governors of the Federal Reserve System.

Federal Reserve Bank of Dallas.

United States Department of Commerce.

United States Department of Labor.

also by recovery from strike- and storm-induced slow-downs. The normal seasonal pressures of the fourth quarter of the year were reinforced by a sudden marked improvement in consumer buying, the beginnings of a slow recovery in private capital spending, and renewed emphasis upon government spending. The continuing monetary policy of ease and the accelerating deficit in the Government's budget added new funds for expansion. Thus, in the fourth quarter, strength in all sectors — business, government, and the consumer — provided the upward impetus for a major expansion in the gross product of the Nation. Only the effects of an enlarging deficit in the Nation's balance of payments and the continuingly high level of unemployment remained to cloud the picture of the near-term outlook. Moreover, the rate of unemployment was reduced sharply in the closing months of the year.

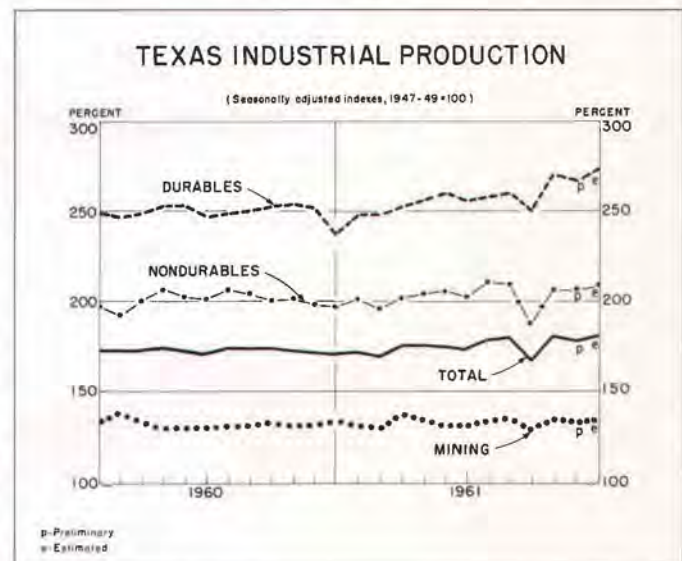
In reviewing this chronological summary of the changes in the Nation's economy during 1961, it seems worthwhile to note that developments among the major sectors generally tracked normal cyclical patterns. The lag in the unemployment decline (aggravated by structural and other causes), the slow recovery in consumer spending, and the continued decline in plant and equipment expenditures after recovery had commenced are trends which the business cycle analyst has come to expect in a recovery period.

Various other developments were not anticipated, however, and thus surprised many businessmen and consumers. Among these were the two major reviews of national defense expenditure policies, one in March and the other in July, both of which occasioned a marked flurry of activity and expectations of possible inflationary pressures. Another unexpected development was the stability of interest rates over the recovery period. System monetary policies of active ease and

Government policies dedicated to lower long-term rates and higher short-term rates were partly responsible for this stability. Although this trend is counter to that shown in other major recovery periods, it should be noted that interest rates had not declined in the short-term sector nearly as far as in previous recession periods. Thus, recovery was able to develop within the existing framework of interest rates. At the close of the year, the Nation's economy had reached a new peak. Industrial production, construction, and personal incomes had been rising rapidly, while unemployment, though high, had been declining. The recession had been largely forgotten except in its legacies of higher unemployment rates and the deficit budget position.

The economic pattern described for the Nation as a whole was largely reproduced in the economic developments of the Southwest with the exception of the magnitude of the changes. Although no broad measure of Eleventh District activity is available, it seems apparent from the inferences obtained by studying individual indicators that the Southwest's economy failed to decline as much as the Nation's during the recession and rose at a somewhat slower rate during recovery.

Industrial production in Texas advanced 2 percent during 1961, with increases registered in all the major sectors. The most significant gains occurred in electrical machinery and primary metals, but there were offsetting declines in lumber and wood products and metal, stone, and earth mining. The Texas industrial production index reached a new record in October at a level of 180 percent of the 1947-49 average, or 6 percent above the previous year's index and signifi-





cantly higher than the hurricane-affected low of 167 in September. As in the Nation, the strongest improvement in the major production sectors was shown by durable goods, though nondurables also advanced, especially in the chemical industry. The mining sector was almost unchanged, however, as small increases in petroleum and natural gas output offset declines in metal, stone, and earth mining. The District's industrial output was increased by new industrial plants, but this stimulus was not as strong or as broadly based as in other recent years.

Among specific industries which are of special significance to the Southwest and which may modify the impact of national economic trends on this area, the most important is the petroleum industry. For 1961, the District petroleum industry showed no marked changes. Crude oil production advanced a little more than 1 percent over the 1960 total, mainly on the basis of new wells and some secondary recovery activity. However, the number of allowable production days in Texas declined from 103 in 1960 to 101 in 1961. The impact of competition, both domestic and foreign, kept the industry at a low level of operation and further depressed drilling activity. For the year as a whole, well completions showed a 4-percent decline, and the footage drilled was down more than 1 percent.

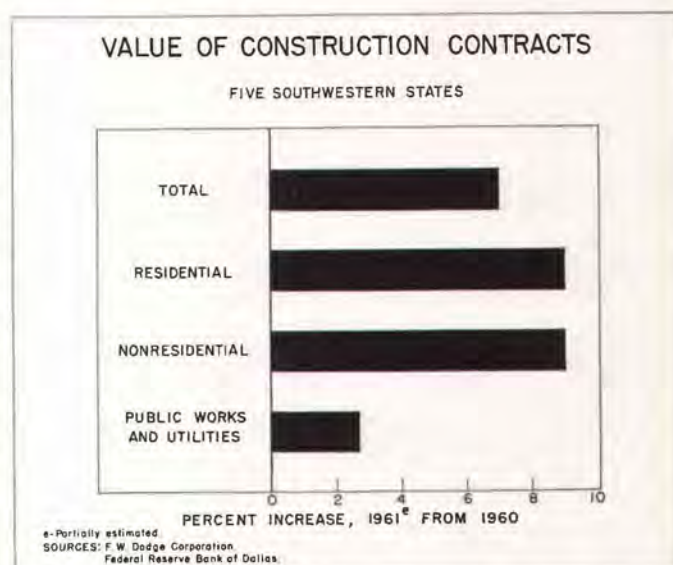
Of the individual states in the Southwest, Louisiana and New Mexico had the greatest gains in drilling activity, and Texas, the largest decrease. Texas well completions declined about 5 percent from a year ago, while northern Louisiana completions advanced 17 percent. Gas wells continued to draw most of the attention of drillers, and gas well completions in the District showed a marked 18-percent advance; on the other hand, oil well completions were down 7 percent.

With no major changes in refinery capacity, refinery activity, as measured by crude runs to stills, showed a total gain of 1 percent for the year. Petroleum refining was interrupted by weather conditions associated with Hurricane Carla during September and, to a lesser extent, by a major strike in the final quarter of the year. Although both production and refining showed no significant changes, the industry's petrochemical sector reflected moderate expansion. The demand for major petroleum products in the United States rose only fractionally in 1961, with the largest increase accounted for by kerosene as a result of the product's use as a jet fuel. Stocks were little changed

and the industry appeared to be in reasonable balance, but this balance was achieved only by severe restrictions upon southwestern production. Price levels were generally weaker for both crude oil and refined products, with gasoline price wars continuing most of the year.

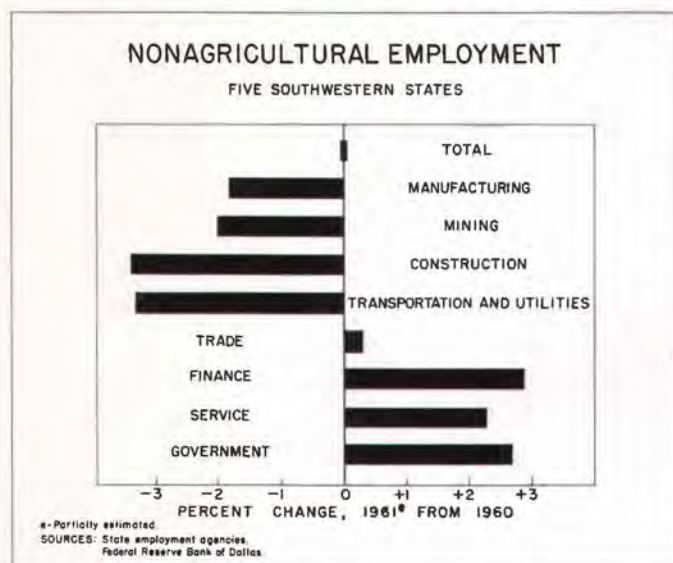
Construction activity in the District states showed considerable improvement over the preceding year. With a cumulative gain of 7 percent, total contracts exceeded \$4 billion in 1961 for a new record surpassing the previous record in 1959. Within this construction total, residential contracts rose almost 9 percent, with heavy emphasis upon apartment-type construction. Although residential construction was slow in the early part of the year and project-type construction lagged relative to previous years, there was an irregular increase in residential building as overhangs in local markets were dissipated by the rather steady demand. Increases in not only construction costs but also basic land values probably accounted for some of the rise in the dollar volume of residential contracts.

Contracts for nonresidential building in the District states improved about 9 percent, and public works and utilities contracts increased nearly 3 percent in 1961. Factory construction was weaker in the District than in other recent years, although commercial construction continued relatively strong. The increase in public works and utilities probably stemmed from the late improvement in plant and equipment expenditures by utilities, which offset some declines in specific public works sectors, including streets and highways. Among





the five District states, Texas, Oklahoma, and Arizona recorded the highest cumulative contract totals since 1956, whereas Louisiana and New Mexico showed relatively weak construction patterns. One interesting divergence has been the decline in the number of employees in the construction industry at a time when contracts have risen. This apparent contradiction may be a result of the more efficient use of labor-saving machinery but might also be a result of the type of construction which was emphasized during 1961.



The effect of the recession upon employment in the District states was felt primarily in the construction and manufacturing sectors, although a large decline occurred in the transportation and public utilities category and a moderate decline occurred in mining employment. These two declines were associated more with structural changes and long-term problems than with the recession. Nonagricultural employment in the District states averaged about 4,480,000, or fractionally above the 1960 annual average. Increases in finance, government, services, and trade followed the pattern of previous years and emphasized the shifting nature of employment opportunities in the Southwest. Changes in factory employment brought the total to a higher level at the end of 1961 than at the end of 1960, though the composition of such manufacturing employment shifted considerably. Declines were apparent in the employment of workers in major aircraft assembly plants and in lumber and wood products, chemical, and petroleum refining industries; while increases were especially noticeable in ordnance, machinery, and primary metals plants.

To some extent, the unemployment picture in this region tracked the Nation's pattern, with high levels of unemployment early in the year. However, steady reductions at a faster rate, especially in the latter part of the year, were a feature of the southwestern picture. At the end of 1961, the unemployment rate in Texas was well below the rate in the Nation, and only one "major" labor market in the District was classified as having a substantial labor surplus.

Personal income in the District states rose nearly 4 percent over 1960. Increases in employment and a longer factory workweek were partly responsible. In addition, the gain in farm income and the high level of unemployment compensation payments helped to increase total income.

The pattern of retail trade in the District was similar in broad aggregates to that in the Nation, with a small gain of approximately 2 percent over the previous year. However, among the various types of outlets, the pattern of change in the District diverged substantially from that in the Nation. For example, although general merchandise sales in the District were apparently much lower than in 1960, such sales showed a moderate gain in the Nation. Similarly, sales at automotive establishments were markedly higher in the Nation but lower in the District.

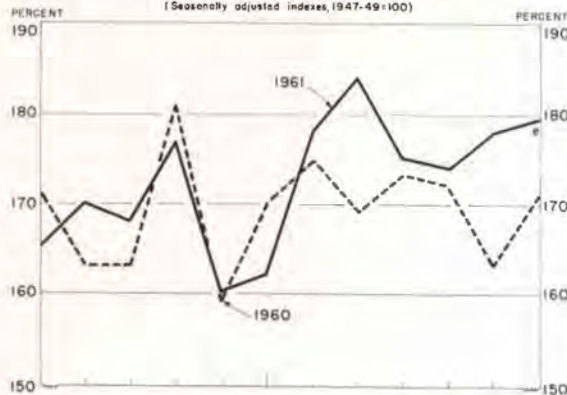
Part of the trend evident in retail sales in the District was a result of price changes for the principal products. For example, the decline in sales at gasoline service stations probably reflected the lower gasoline prices which prevailed during most of 1961. On the other hand, the District food outlets showed a modest sales gain over the preceding year, partly because of the wider range of merchandise offered and some price increases. The major declines from 1960 totals were registered in sales at general merchandise, apparel, and furniture and appliance stores, whereas increases were evident mainly at food, eating and drinking, and "other" retail establishments. It would be a mistake to lay too much emphasis on the percentage changes shown above since they represent primarily sales of a limited sample of stores. For example, the decline in general merchandise sales reported above runs counter to the change in department store sales. Eleventh District department store sales showed a small increase over the 1960 figure.

The new state sales tax in Texas may have affected reports of all retail sales and was particularly instrumental in building sales volumes during August, just



## ELEVENTH FEDERAL RESERVE DISTRICT

(Seasonally adjusted indexes, 1947-49=100)



**e = Estimated**

Agricultural activities in the District were among the strongest elements in the regional economy during 1961. Cash receipts from farm marketings increased around 5 percent, with receipts from crops up 6 percent and those from livestock and livestock products up 3 percent. This improvement in cash receipts stemmed from a small gain in the total output of crops and livestock and a moderate increase in prices. Prices received by Texas farmers and ranchers for all farm products averaged 4 percent above the 1960 level, with crop prices up 6 percent and livestock prices up 2 percent.

program for grain sorghums resulted in an acreage diversion of 35 percent for the District states, but total output declined only 12 percent. Per acre yields of major crops in 1961 were about the same as or higher than in 1960 except for peanuts and rice. The rice crop would have been much larger, as would the citrus crop, if Hurricane Carla had not damaged both crops substantially.

In the livestock area, output of cattle, eggs, and wool showed only modest increases, but the output of turkeys and broilers was sharply above the previous year. The marked advance in turkeys and broilers brought a sharp decline in prices for these products, whereas prices for cattle and wool were stronger than in 1960.

One of the stronger elements in the agricultural picture during 1961 was the excellent moisture situation and the nearly perfect timing of precipitation, which led to the large winter wheat and cotton crops. In all, the agricultural picture for the District was one of considerable strength, marred only by the impact of the storms on the Texas Gulf Coast area and by some increase in insect infestations in a limited number of sections of the District. It is expected that southwestern farm income, including Government payments, may be as much as 6 percent above the 1960 level.

Activity in the financial markets reflected the change in economic conditions, as well as some long-term trends persisting from the year before, but short-run developments influenced the general atmosphere to a considerable degree. The total demand for credit in the economy probably advanced over the slow pace of 1960, with a marked change in the internal composition of such demand. In the area of capital markets, total new corporate issues reached a record of more than \$11.6 billion, or almost \$1.9 billion above the level in 1960. State and local security offerings also reached a new record of nearly \$8.4 billion, which is about \$1.1 billion over the previous year. Strength in the capital markets was particularly apparent in the second quarter of the year, when new corporate issues totaled \$4.7 billion, or more than double the level in the comparable 1960 period.

Part of the increase in demand for new capital issues came from corporations seeking to take advantage of the lower levels of interest rates, especially with the anticipation that such rates might be sharply advanced



in the economic recovery. Moreover, corporations were seeking to increase internal funds available for both working capital and plant and equipment expenditures. These demands were augmented by a desire to refund some outstanding securities which had been placed at substantially higher rates of interest during previous years. At least a portion of the proceeds from the new corporate issues was used to repay bank loans, although a substantial portion was used to finance the growing level of sales and operations, including the improved capital expenditures.

State and municipal borrowings were enlarged, partly because of the interest rate attraction noted above; but, in addition, state and local government units were forced to increase borrowings to meet their larger expenditures for educational and institutional construction and other improvements. Total corporate and state and local issues during 1961 amounted to nearly \$20 billion.

In addition to the capital market expansion, credit demands were enlarged by a slowly rising need for mortgage credit as housing starts advanced from recession levels. Mortgage rates on conventional contracts firmed at about 6 percent, or nearly one-fourth of 1 percent below the level of 1960. Rising demands for mortgage credit were evident in business borrowings to construct new apartment units, but, before the end of the year, demands were being generated by improved private single-dwelling housing starts. Government-underwritten starts were sharply lower than in 1960.

One of the strongest areas of credit demand during 1961 was that of the Federal Government. With the Government's budget moving into a deficit position and with this deficit increasing throughout 1961, Treasury operations required a steadily rising level of new cash borrowings; and, for the year as a whole, these new financings amounted to \$15,094 million. Treasury financings were responsible for much of the uncertainty in the Government securities market as the Treasury came into the market every month except December. Treasury operations during the year included such new financing arrangements as the sale of "strips" of Treasury bills, one block of which was offered in June and the other in November. Treasury refundings and advance refundings were developed in such a way as to improve the average maturity of the marketable debt, and no change in the maturity was evident. Bank purchases of some new short-term issues were



assured by permitting credit to Tax and Loan Accounts.

Bank loan demands during 1961 were relatively slack compared to the rate of recovery in the Nation's economy. Total loans of all commercial banks in the United States reflected a year-to-year increase of more than \$6 billion at the end of November, with the most rapid advance occurring in real-estate loans. Business and consumer loans were relatively unchanged until very late in the year. Loans to nonbank financial institutions showed a slight gain, but consumer credit requirements declined.

On the other hand, total investments of all commercial banks in the Nation advanced rapidly in 1961, with gains of more than 10 percent in holdings of both Government and non-Government securities. The year-to-year increase in investments through November amounted to about \$9 billion, but some liquidation was evident late in the year. One feature of the increase in investments was the move to shorter maturities on the part of the banking industry. Faced with the possibilities of an expansion in loan demands and a substantial need for liquidity, banks increased their holdings of securities maturing within 1 year while reducing their holdings of long-term securities.

Total bank credit rose nearly \$15 billion over 1960, with slightly more than one-third of the advance occurring in bank loans. The lack of strength in bank loans was puzzling to many observers, especially in view of the strong economic recovery. However, major causes of the slack bank loan demand probably were



repayments of bank credit by business through capital-issue proceeds; the slow recovery in capital expenditures; and the improving profit picture, which generated more internal funds to finance inventory accumulation.

Consumer credit needs were also relatively weak, especially during the first 9 months of the year. Total consumer credit at the end of October amounted to \$55,051 million, or only \$707 million above the total at the end of October 1960. This weakness was particularly apparent in the instalment credit sector and, within that sector, in the demand for new-automobile loans. At the end of October, total automobile paper outstanding amounted to only \$17,186 million, as compared with \$17,992 million a year earlier. However, in the final quarter of 1961, with consumer durable goods purchases rising strongly, there were renewed demands for consumer credit.

Supplies of loanable funds advanced steadily during 1961, partly because increased personal savings enlarged the level of time and savings deposits in the banking system and receipts at other financial institutions. Time deposits rose about \$10 billion during the first 11 months of 1961, or at a seasonally adjusted annual rate of 12 percent. Savings and loan shares at all operating savings and loan associations advanced more than 13 percent, and savings at mutual savings banks rose approximately 5 percent. Gross demand deposits expanded about \$5 billion in 1961, with a sharp rise in individual, partnership, and corporation accounts. Partly because of these deposit increases but also because of loan repayments, especially in the consumer credit sector, bank loan-deposit ratios generally declined during 1961, though remaining above the levels prevailing prior to mid-1959.

Bank reserve positions were markedly improved during 1961, primarily because Federal Reserve System policy actions continued to provide reserves to support the expansion in bank credit. This monetary policy of active ease had been carried over from the previous year in an attempt to modify the recessionary forces and stimulate economic recovery. Free reserves of the member banks were maintained at a level in excess of \$500 million during most of 1961, and member bank borrowings were correspondingly reduced to relatively nominal levels. Borrowings exceeded an average of \$100 million per month in only 3 months of the year. It is interesting to note that the aver-

age free reserve figures for the banking system reveal a net borrowed reserve level for even the central reserve city banks in only a few months. System operations were aimed at providing reserves freely, and the money supply advanced during the first half of 1961. Moreover, rapid expansion in the last 6 months brought a full-year gain of nearly 3 percent.

System monetary policies were formulated, first, to provide a proper financial environment for the domestic economic pattern and, secondly, to contribute to stability and an improvement in the Nation's international financial relationships. To accommodate the first objective of providing reserves to stimulate and then support the credit needs of an expanding economy, the System made substantial purchases of Government securities during 1961. Net sales from the System Open Market Account occurred only during January, a normally heavy month of absorption, and in December. In all other months, the System's operations provided reserves through open market operations; for the year as a whole, the System Account increased about \$2 billion.

Largely to accommodate the second objective, the System changed its method of implementation by expanding open market purchases to the full range of maturities on February 20, 1961. This move was an extension of the action taken in late 1960 which allowed the Manager of the Open Market Account to purchase securities with maturities of up to 15 months. As a result of this change in implementation, the System's open market portfolio shifted during the year, with longer-dated securities accounting for a greater proportion of total holdings than in 1960. As announced at the time the change was made, the System extension of operations into full-range maturities involved a desire to maintain interest rates on short-term funds at levels which would be more competitive with similar rates in foreign countries and, at the same time, to encourage the flow of long-term funds into productive investments. This operation was conducted in concert with efforts to encourage domestic economic recovery and to deal with balance-of-payments problems.

Other than with respect to open market operations, System policy moves were relatively few during 1961. There were no changes in discount rates, which were held at a 3-percent level, and no change in reserve requirements. Late in 1961, the System did make a change in regulation Q to allow an increase in interest



rates which commercial banks would be permitted to pay on time and savings deposits.

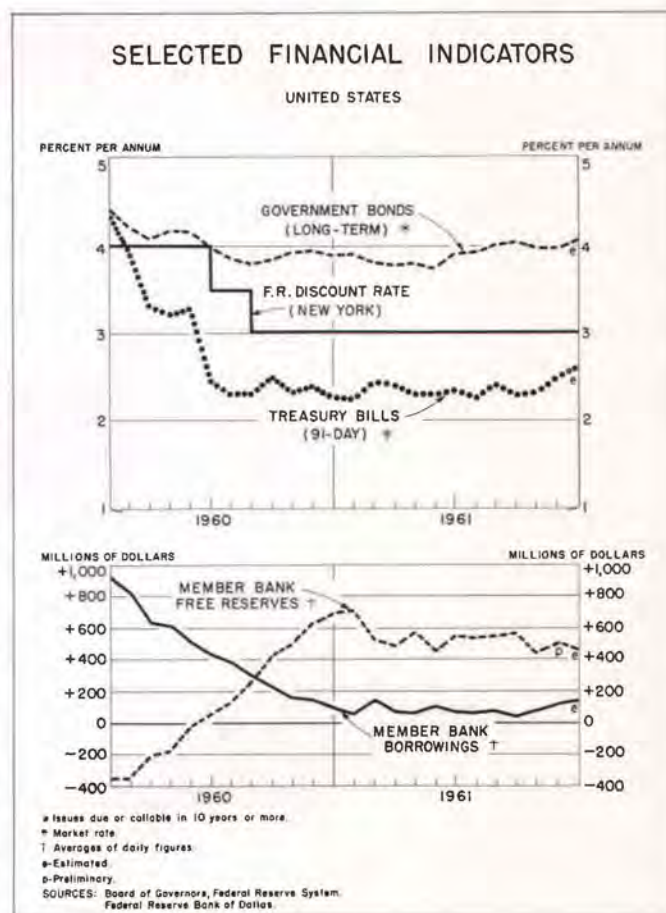
The international financial developments which caused the System to modify its open market procedures are well known in their impact upon the total balance of payments and the total gold holdings of the United States. Actions taken by the Federal Government to attempt to reduce the balance-of-payments deficit of the United States included additional requests to our allies to finance military expenditures either by direct payment or by tying such military aid to purchases of goods and services within the United States; lowering from \$500 to \$100 the limit on the total of duty-free goods which individual tourists might bring back from abroad; and steps to increase merchandise exports, such as new commercial and political risk insurance. Other actions encompassed increased cooperation between central banks of the free world, purchases and sales of foreign currencies to reduce the impact of speculative developments, substitution of local currencies for dollars to cover local expenditures in foreign nations, some increased tax relief to foreign central banks to encourage them to invest and keep their reserves in United States securities, the afore-mentioned aid in keeping short-term rates at competitive levels, and — very recently — an action to increase interest rates which could be paid on foreign deposits in commercial banks so that returns on such deposits could be more competitive with like rates in other nations.

There was some improvement in the Nation's balance-of-payments situation during 1961, especially in the early part of the year. The merchandise trade balance widened to a sharply higher level in the first quarter, and, correspondingly, the balance-of-payments deficit was reduced to a level of only \$1.4 billion. However, excluding the effects of special debt repayments (particularly by Germany), the basic deficit in the balance of payments rose to \$1.9 billion in the second quarter and then above \$3.0 billion in the third and fourth quarters of the year. For the full year, the deficit of around \$2.5 billion in the United States balance of payments was reflected in a loss of about \$900 million in gold and an increase of nearly \$1.6 billion in foreign short-term dollar claims against the United States. The largest loss of gold occurred in the final quarter of 1961, with at least part of this loss occasioned by a return flow of currencies following the British stabilization program and the British drawings against the International Monetary Fund. Interna-

tional markets were highly sensitive during most of 1961, being upset by exchange speculation following German and Dutch revaluations and by political uncertainties, including various crises in the Congo, Berlin, and southeast Asia.

The impact of these domestic and international forces upon interest rates in the money and credit markets of the United States was surprisingly small. However, it should be remembered that, in previous recessions, short-term interest rates had been permitted to fall to less than 1 percent and Federal Reserve System monetary policy actions included substantial reductions in discount rates. During the 1960-61 recession, such interest rates were generally held above 2 percent; as a consequence, the recovery was able to proceed without marked inflationary or destabilizing pressures within an interest rate structure which held relatively steady throughout the year.

Average yields on 91-day Treasury bills remained within a 20-basis point spread from January through October; then, because of seasonal pressures, heavy





short-term Treasury financings, and international considerations, the rate advanced to more than 2.5 percent. On the other hand, yields on long-term Government securities fluctuated generally within only a 15-basis point change, with the higher levels again occurring in the later months of the year. The stability in interest rates, while especially important to the volume of bank credit demanded by corporations and municipalities, was a major factor in the improved competitive relationship of the United States since rates in most of the western European nations were generally declining (except in England, where drastic measures were taken in mid-July to curb a rising deficit in its balance of payments).

Toward the end of the year, as was the case at various times after the recovery began, market atmosphere was affected by reports on the improving business situation, rumors of change in Federal Reserve monetary policies, and expectations of a rising level of interest rates. Such expectations and anticipations formed a body of shifting influences which, together with the virtually continuous Treasury financing operations, were destabilizing forces in the Government securities market. Major changes in dealer holdings of Government securities — notably the marked increase in October and early November, when total dealer holdings exceeded \$4.5 billion — also created fluctuating pressures on rates and prices of such securities.

The composite of these forces influenced banking conditions in the District, as well as in the Nation; but, in addition, there were special circumstances in the region, as has been noted in the foregoing economic review. Loan demands were generally stronger at member banks in the Eleventh District than at commercial banks in the Nation; and, for the year as a whole, the total gain in loans in the District reached more than 10 percent, contrasted with a 5-percent advance in the Nation. Total investments of the District's member banks showed slightly less strength than investments of the Nation's commercial banks, with a gain of about 10 percent contrasting with a nationwide increase of more than 12 percent. Deposits at District member banks showed similar patterns to those in the Nation; gross demand deposits advanced about 5 percent, and time deposits rose more than 15 percent.

Reserve positions of member banks in the District improved considerably, and borrowings were reduced to nominal levels during most of 1961. Member banks



in the major cities generally adjusted their reserve positions for unusual periods of strain by resort to the Federal funds market, and the volume of Federal funds activity remained quite high during the year. District banks were heavy purchasers of Government securities, especially in the shorter-term area, and were major participants in new Treasury financings. In a number of short-term financings during the year, the Eleventh District ranked third or fourth among all districts in bank subscriptions for the new securities.

Generally speaking, the banking atmosphere in the District was consistently more optimistic, partly because loan demands did not decline as much as in the Nation (in fact, loan-deposit ratios were higher toward the end of 1961 than a year earlier) and partly because the favorable agricultural situation in the District enabled farmers to repay loans carried over from previous years of crop failures. The advance in time deposits and the competition for deposits intensified during the year; with the change in regulation Q, many of the major banks in the Eleventh District have taken another step to increase the attractiveness of savings and time deposits in their banks by raising the interest rates payable on such deposits. Though to a lesser degree than in 1960, a major feature of the District banking picture was the continued increase in the number of banking institutions, with new banks being opened in many areas of the District.

#### Summary

Economic conditions in the Nation and the District at the end of 1961 could lead to further advances in the new year. The basic strength of a rising level of



plant and equipment expenditures, higher totals of consumer purchasing, the improved consumer potential evident in the gains in incomes and employment, and rising construction activity — coupled with the continuing gains in new orders to manufacturers, prospects for a higher level of inventory accumulation to hedge against a potential steel strike, and similar

matters — are factors that could lead to an advanced level of economic activity in the first half of 1962. Among the major forces influencing the early-1962 financial situation in the Nation and the District are the possibilities of increased bank loan demands, the probability of additional Treasury financings, and uncertainties in the international balance of payments.

#### NEW PAR BANKS

The Clayton State Bank, Clayton, Oklahoma, 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 December 8, 1961. The officers are: Mrs. Wharton Mathies, President (Inactive); Mrs. Carl McCoy, Vice President (Inactive); Wharton Mathies, Cashier; and Jeff Ingram, Assistant Cashier.

The Zavala County Bank, Crystal City, Texas, an insured nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on December 15, 1961. The officers are: A. Owen Williams, President; R. S. Crawford, Sr., Vice President; B. R. Worden, Cashier; and Iris R. Pegues, Assistant Cashier.



# BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Department store sales in the Eleventh Federal Reserve District in November and December 1961 reached the highest dollar volume of record for the period. November sales rose 9 percent above November 1960; and, despite one less pre-Christmas shopping day in December, final figures are expected to place Christmas trade this year at a record total. Cumulative department store sales for the first 11 months of 1961 were almost 2 percent above the comparable period in 1960.

District crude oil production advanced in November and early December and should rise further in January as a result of increases in allowable schedules in Louisiana and New Mexico. Drilling activity increased significantly in November, and refinery operations advanced in early December.

The District's weekly reporting member banks increased their loans and deposits but reduced their investments during the 5 weeks ended December 20.

Responding to a permissive change in regulation Q, a number of District banks have raised the interest rates payable on time and savings deposits.

The Texas industrial production index declined to 178 in November but was above November 1960. Nonagricultural employment in the District states during the month decreased to 4,510,700, and unemployment in Texas increased to 4.9 percent of the labor force. The value of construction contracts in the District states rose moderately in October to \$313 million, with increases in residential and nonresidential building offsetting a decline in public works and utilities construction.

Unfavorable weather conditions delayed farming operations in the District during December. Outturns of cotton and citrus fruits in 1961 were up moderately from the year-earlier levels. Seedings for the 1962 winter wheat crop are one-tenth below acreages planted for the previous year's production. Supplemental feeding of livestock has been accelerated to prevent weight loss.



Consumer spending responded vigorously in November and December to give Eleventh District department stores their best November-December sales volume of record. Store traffic was the heaviest ever experienced by District stores as a highly price-conscious public did its Christmas shopping. December trade was handicapped by one less shopping day before Christmas than in 1960, but final figures are expected to show that a higher level of daily sales lifted December's total to about the same as the record volume for that month established in 1960.

Despite one less business day than in October, total department store sales in November in the District exceeded those in the previous month by 12 percent and rose approximately 9 percent above November 1960. The adjusted monthly index of department store

## DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	November 1961 from		11 months, 1961 from 1960
	October 1961	November 1960	
Total Eleventh District . . . . .	12	9	2
Corpus Christi . . . . .	1	0	-5
Dallas . . . . .	18	9	1
El Paso . . . . .	9	-2	-5
Fort Worth . . . . .	15	8	2
Houston . . . . .	5	16	5
San Antonio . . . . .	11	13	4
Shreveport, La. . . . .	12	17	7
Waco . . . . .	14	-2	0
Other cities . . . . .	15	4	0

sales, which makes allowances for differences in the number of trading days and for seasonal factors, rose from 174 percent of the 1947-49 average in October to 178 in November. The November index compares with 164 in the same month in 1960 and 179 in November 1959, the record high for the month. Cumulative sales

BUSINESS REVIEW

1:1962

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# 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: November.....	190	164r	211	192
1961: September.....	168	175	199	187
October.....	177	174	211	192
November.....	206	178	216p	196p

r — Revised.  
p — Preliminary.

in the first 11 months of 1961 exceeded those in the same months in 1960 by almost 2 percent.

New car registrations in four major Texas markets in November advanced 6 percent over October and were 5 percent more than in November 1960. The October-November gains in the number of registrations ranged from 1 percent in Fort Worth to 8 percent in Dallas. Houston and San Antonio each showed an increase of 5 percent. As compared with a year ago, November 1961 registrations in San Antonio and Dallas rose 10 percent and 12 percent, respectively; Houston was about unchanged, while Fort Worth showed a 2-percent loss. In the first 11 months of 1961, registrations declined 10 percent in Dallas and 11 percent in Houston from the comparable 1960 period; in San Antonio and Fort Worth, there were decreases of 16 percent and 17 percent, respectively.



Farming activities in the District were at a virtual standstill throughout a large part of December as a result of inclement weather, including freezing temperatures, rain, snow, and ice. Most farmers are considerably behind schedule in harvesting late crops and preparing fields for 1962 seedings. Ranchers have stepped up supplemental feeding of livestock because of unfavorable weather conditions.

Cotton harvesting is substantially behind a year ago in the Northern High Plains, parts of the Southern High Plains, and late areas of the Low Rolling Plains of Texas. Cotton production in the District states, as of December 1, is placed at 6.7 million bales, or 45,000 bales below the month-earlier forecast but 4 percent larger than output in 1960. As compared with a month ago, the December 1961 estimate reports output decreases for Louisiana and Oklahoma but a slight increase for Arizona; estimates for the other District states are unchanged.

Very low temperatures have halted growth of winter wheat in the northern Panhandle of Texas, and boggy fields have prevented full utilization of small grains for grazing. Wheat leaf rust has continued to appear in the northern Low Rolling Plains. The acreage seeded for the 1962 winter wheat crop in the District states is 10 percent below that for the 1961 crop, primarily reflecting diversion under the 1962 wheat program, and is 20 percent below the 1951-60 average. Based on conditions as of December 1, 1961, winter wheat production in 1962 is indicated to be one-fifth less than in the preceding year but 39 percent larger than average.

Although field activities in south Texas commercial vegetable areas were slowed by unfavorable weather, harvesting was possible in most areas. Plantings of vegetables for winter harvest in Texas are estimated at 81,000 acres, or 3 percent above the acreage harvested a year ago. Larger plantings of beets, broccoli, and carrots were partially offset by reduced acreages of cabbage, cauliflower, and lettuce.

Gathering of citrus fruits has been in full swing in the Lower Rio Grande Valley of Texas. The total damage to the crop, especially grapefruit, from Hurricane Carla has been greater than estimates made immediately following the storm. The 1961 output of oranges and grapefruit in the District states is indicated at 14.4 million boxes, or 3 percent above the 1960 total. An increase in the orange crop is likely to offset a decrease in grapefruit production.

Freezing temperatures have extended into south-central areas, killing late-summer range and pasture coverage. Bitter cold weather on the Texas High Plains and wet fields and pastures elsewhere in the District necessitated feeding livestock at a heavier than usual rate during December. Lambing and calving are in full swing throughout southern counties; some lamb losses have been reported in the Edwards Plateau as a result of the extremely cold weather.

## WINTER WHEAT

Area	ACREAGE SEEDED (In thousands of acres)			PRODUCTION (In thousands of bushels)		
	Crop of 1962	Crop of 1961	Crops of 1951-60	Crop of 1962 <sup>1</sup>	Crop of 1961	Crops of 1951-60
Arizona.....	29	28	51	1,044	1,118	1,567
Louisiana.....	52	58	70	624	840	750
New Mexico.....	268	291	431	4,824	8,004	1,917
Oklahoma.....	4,398	4,887	5,368	96,756	110,832	75,225
Texas.....	3,620	4,067	4,510	61,540	84,870	38,874
Total.....	8,367	9,331	10,430	164,788	205,664	118,333

<sup>1</sup> Indicated December 1, 1961.

<sup>2</sup> Short-time average.

SOURCE: United States Department of Agriculture.





Loans, investments, and deposits all moved to higher levels at the Nation's weekly reporting member banks during the 5 weeks ended December 13. The money

market was relatively firm during the first half of the period as banks in the money centers were under considerable reserve pressure, stemming, in part, from the need to meet dealer financing requirements. The pressure on reserves was reduced in late November and early December, and the money market eased noticeably. The effective rate on Federal funds, which ranged from 2½ percent to 3 percent early in the period, moved generally between 1¾ percent and 2½ percent in the latter part of the period.

The market for Government securities displayed a generally heavy tone throughout the 5 weeks. Early in the period, the market was in the process of adjusting to the November 15 Treasury financing and the accompanying high level of dealer inventories. Later — despite a reduction in dealer inventories — the heavy tone was maintained by signs of further business improvement, a sharp outflow of gold, and changes in Federal Reserve Board Regulation Q allowing higher maximum rates on time and savings deposits. The market bid rate on 91-day Treasury bills closed at 2.39 percent on November 8, reached 2.63 percent on December 15, and stood at 2.60 percent on December 22.

At the District's weekly reporting member banks, loans and deposits expanded but investments declined in the 5 weeks ended December 20. Cash accounts and total assets advanced moderately.

Gross loans (excluding interbank loans) rose \$70.6 million, with moderate gains in consumer-type loans, loans to "other financial institutions," and loans for purchasing or carrying securities. Commercial and industrial loans, on the other hand, moved slightly lower because of reductions in loans to firms producing durable and nondurable goods and in loans to firms engaged in trade and construction. Minor gains were shown by a few other types of business borrowers. In the corresponding period of 1960, gross loans advanced \$83.8 million; over one-half the expansion occurred in loans for purchasing or carrying securities.

Total investments at the District's weekly reporting member banks declined \$14.9 million during the 5-week period. Government security holdings decreased \$8.6 million, as a reduction in holdings of Treasury

# CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 20, 1961	Nov. 15, 1961	Dec. 21, 1960
<b>ASSETS</b>			
Commercial and industrial loans.....	11,732,755	1,734,862	1,565,245
Agricultural loans.....	48,017	40,941	32,948
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	17,274	5,274	40,145
Other securities.....	62,464	59,690	23,396
Other loans for purchasing or carrying:			
U. S. Government securities.....	3,838	3,246	8,574
Other securities.....	1163,936	161,405	185,991
Loans to domestic commercial banks.....	99,327	76,882	118,170
Loans to foreign banks.....	79	65	115
Loans to other financial institutions:			
Sales finance, personal finance, etc.....	191,155	83,840	108,205
Savings banks, mtge. cos., ins. cos., etc.....	1182,763	172,408	132,142
Real-estate loans.....	241,591	237,656	215,040
All other loans.....	733,108	731,108	51,573
Gross loans.....	3,402,455	3,309,377	3,181,544
Less reserves and unallocated charge-offs..	53,663	54,097	54,191
Net loans.....	3,348,792	3,255,280	3,127,353
Treasury bills.....	136,816	122,642	91,379
Treasury certificates of indebtedness.....	58,116	56,060	32,236
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	195,324	175,927	145,039
After 1 but within 5 years.....	786,883	761,949	743,083
After 5 years.....	356,071	425,233	363,628
Other securities.....	415,278	421,542	368,106
Total investments.....	1,948,488	1,963,353	1,743,471
Cash items in process of collection.....	614,510	610,641	559,917
Balances with banks in the United States.....	559,482	491,166	550,707
Balances with banks in foreign countries.....	2,057	1,659	2,470
Currency and coin.....	61,641	57,921	56,558
Reserves with Federal Reserve Bank.....	589,365	626,864	580,972
Other assets.....	218,441	204,244	220,118
<b>TOTAL ASSETS.....</b>	<b>7,342,776</b>	<b>7,211,128</b>	<b>6,841,566</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits			
Individuals, partnerships, and corporations....	3,200,787	3,078,150	3,012,792
Foreign governments and official institutions, central banks, and international institutions..	3,357	4,307	
United States Government.....	114,612	152,732	115,434
States and political subdivisions.....	215,506	200,460	203,126
Banks in the United States, including mutual savings banks.....	1,228,463	1,212,696	1,168,698
Banks in foreign countries.....	14,927	13,697	14,771
Certified and officers' checks, etc.....	61,229	71,327	51,822
Total demand deposits.....	4,838,881	4,733,369	4,566,643
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits.....	805,700	795,025	
Other time deposits.....	544,971	555,346	1,205,855
Foreign governments and official institutions, central banks, and international institutions..	3,005	1,005	
U. S. Government, including postal savings...	7,317	7,077	12,907
States and political subdivisions.....	307,810	299,596	246,247
Banks in the United States, including mutual savings banks.....	4,487	5,795	10,074
Banks in foreign countries.....	1,200	1,200	
Total time and savings deposits.....	1,674,490	1,665,044	1,475,083
Total deposits.....	6,513,371	6,398,413	6,041,726
Bills payable, rediscounts, etc.....	96,050	94,480	93,250
All other liabilities.....	125,742	111,702	134,643
Capital accounts.....	607,613	606,533	571,947
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</b>	<b>7,342,776</b>	<b>7,211,128</b>	<b>6,841,566</b>

<sup>1</sup> Because of recent reclassifications, these data are not strictly comparable with year-earlier data.

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.

notes and Government bonds maturing after 5 years more than offset increases in the other types and ma-



# RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Dec. 6, 1961	4 weeks ended Nov. 1, 1961	5 weeks ended Dec. 7, 1960
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	595,684	601,250	576,095
With Federal Reserve Bank....	554,751	560,415	554,015
Currency and coin.....	40,933	40,835	22,080
Required reserves.....	588,477	594,757	565,342
Excess reserves.....	7,207	6,493	10,753
Borrowings.....	829	214	0
Free reserves.....	6,378	6,279	10,753
<b>COUNTRY BANKS</b>			
Total reserves held.....	538,793	525,243	485,800
With Federal Reserve Bank....	432,860	419,276	430,550
Currency and coin.....	105,933	105,967	55,250
Required reserves.....	471,608	460,949	415,199
Excess reserves.....	67,185	64,294	70,601
Borrowings.....	891	1,291	6,123
Free reserves.....	66,294	63,003	64,478
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	1,134,477	1,126,493	1,061,895
With Federal Reserve Bank....	987,611	979,691	984,565
Currency and coin.....	146,866	146,802	77,330
Required reserves.....	1,060,085	1,055,706	980,541
Excess reserves.....	74,392	70,787	81,354
Borrowings.....	1,720	1,505	6,123
Free reserves.....	72,672	69,282	75,231

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.

turity categories of Government securities. Non-Government security holdings declined \$6.3 million. In the comparable period a year earlier, total investments were virtually unchanged.

Total demand deposits rose \$105.5 million at the District's weekly reporting member banks in the 5 weeks ended December 20, with the increase largely accounted for by an expansion in demand deposits of individuals, partnerships, and corporations. Time and savings deposits rose \$9.4 million. Time deposits of individuals, partnerships, and corporations were virtually unchanged, while time deposits of states and political subdivisions moved higher. The largest relative gain occurred in time deposits of "foreign governments and official institutions, central banks, and international institutions" and may have been a reaction to the changes in regulation Q which allow higher interest rates to be paid on time and savings deposits. In late December, many of the District banks announced changes in the rates to be paid on time and savings deposits in accordance with the permission granted under the recent amendment to regulation Q.

Total reserves of the District member banks rose somewhat in the 5 weeks ended December 6, with all the gain occurring at country banks. Borrowings moved slightly higher at both reserve city banks and country banks, but excess reserves expanded even more. Consequently, free reserves increased moderately and remained at comfortable levels.



Drilling activity in the Eleventh District advanced significantly in November. Total footage drilled during the 4 weeks ended December 2 was one-tenth higher than in the first 4 weeks of October, and total well completions were 17 percent greater. Continuing the trend that has been evident in the past few months, the number of rotary rigs active in the District increased 2 percent during November.

District crude oil production rose slightly in November, and a more significant advance is expected for December. Daily average crude oil output in the District exceeded 3 million barrels in early December, or about 4 percent above a month ago. District crude oil production should continue to rise in January. Louisiana and New Mexico have increased allowables for that month, while Texas has held the allowable schedule for January at the December rate of 9 producing days. Additional output is expected in Texas from new well completions.

Refinery activity in the District during November, on the other hand, failed to maintain the rapid October pace which had been stimulated by recovery from hurricane-induced shutdowns. In addition, November refinery runs were affected by a strike at a large refinery. Despite the continuation of work stoppages, crude oil runs to District refinery stills in early December were fractionally above the like November period.

Crude oil demand in the Nation, as reflected by crude oil runs to refinery stills, was virtually unchanged in November but, on a seasonally adjusted basis, declined. New supplies of crude oil were limited during the month; a moderate decline in imports offset a fractional

## NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	November 1961p	October 1961p	November 1960
<b>CRUDE OIL RUNS TO REFINERY</b>			
STILLS (daily average).....	105	107	101
<b>DEMAND (daily average)</b>			
Gasoline.....	109	106	110
Kerosene.....	118	132	115
Distillate fuel oil.....	105	102	100
Residual fuel oil.....	93	95	98
Four refined products.....	105	104	106
<b>STOCKS (end of month)</b>			
Gasoline.....	103	106	104
Kerosene.....	110	109	112
Distillate fuel oil.....	104	101	116
Residual fuel oil.....	79	82	82
Four refined products.....	101	101	102

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



advance in crude oil output. Crude oil stocks at the end of November were moderately below the month-earlier level. During the first half of December, however, crude oil supplies rose slightly, but demand increased more; as a result, the downward trend in inventories continued.

Refined product consumption rose more than seasonally during November. Gasoline demand declined less than anticipated, and distillate fuel oil consumption advanced more than seasonally. On the other hand, there was a somewhat disappointing rise in kerosene and residual fuel oil demand. Seasonally adjusted inventories of all refined products were little changed. The demand for the four major refined products continued to rise in early December, paced primarily by increases in light fuel oil consumption. Stocks of these products declined moderately, centered in reductions of light and heavy fuel oil inventories.

Prices for kerosene and distillate fuel oil were firm in most principal markets of the country in mid-December, with cooler weather strengthening demand. Gasoline prices were unsettled in late November and early December as a result of the introduction of a third type of gasoline; and price fluctuations were noted at the retail and tank-wagon levels. A firming trend, however, developed in mid-December throughout most of the country. Wholesale prices for gasoline were tending higher in midwestern markets, following recent price advances at the dealer level. Heavy fuel oil prices rose, especially in interior markets.



The Texas industrial production index declined to 178 in November, or 2 points below the all-time high in October but 6 points above a year ago. There were month-to-month decreases in both manufacturing and mining, with the largest declines occurring in the output of petroleum and coal products and crude oil. Compared with a year earlier, moderate increases were registered in durable and nondurable goods, while mining showed only a fractional gain. Output of furniture and fixtures, primary metals, textiles, and leather and leather products advanced more than 10 percent over November 1960.

Nonagricultural employment in the District states in November decreased slightly to 4,510,700 but remained fractionally above the November total in 1960. Increases in trade and government employment, associated with the approaching holiday season, failed to

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49=100)

Area and type of index	November 1961p	October 1961	September 1961	November 1960
<b>TEXAS</b>				
Total industrial production.....	178	180	167r	172
Total manufactures.....	226	229	207r	215
Durable manufactures.....	267	271	250	251
Nondurable manufactures.....	207	209	187	198
Mining.....	132	134	129r	131
<b>UNITED STATES</b>				
Total industrial production.....	173	171	169	159
Total manufactures.....	172	170	167r	157
Durable manufactures.....	178	174	171r	159r
Nondurable manufactures.....	170	169	167r	158
Mining.....	131	131	128r	129r
Utilities.....	319	318	316r	287r

p — Preliminary.

r — Revised.

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

offset declines in the construction, manufacturing, and service sectors. Primarily as a result of seasonal factors, unemployment in Texas increased in November to 180,000, or 4.9 percent of the labor force — compared with 4.4 percent in October and 5.4 percent in November 1960.

Construction contracts in the District states increased moderately during October to total \$313 million, as gains in residential and nonresidential building offset a decline in public works and utilities construction. Cumulative contracts from January through October 1961, at \$3,379 million, were 4 percent more than in the comparable period in 1960; significant advances in residential and nonresidential contracts outweighed a 4-percent decline in public works and utilities. Contracts for nonresidential building in the first 10 months of 1961 were at a record high, but those for public works and utilities were below levels reached in the corresponding period in all recent years except 1959.

## NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change Nov. 1961 from	
	November 1961e	October 1961	November 1960r	Oct. 1961	Nov. 1960
Total nonagricultural					
wage and salary workers..	4,510,700	4,518,500	4,488,400	—0.2	0.5
Manufacturing.....	778,800	779,500	781,200	—1	—3
Nonmanufacturing.....	3,731,900	3,739,000	3,707,200	—2	.7
Mining.....	239,400	239,400	241,300	.0	—8
Construction.....	289,100	299,400	297,500	—3.5	—2.8
Transportation and public utilities.....	387,700	387,100	404,600	.2	—4.2
Trade.....	1,107,200	1,102,100	1,104,500	.5	.2
Finance.....	222,100	222,700	215,400	—3	3.1
Service.....	606,600	610,700	589,300	—7	2.9
Government.....	879,800	877,600	854,600	.3	2.9

<sup>1</sup> 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 <sup>1</sup>			Demand deposits <sup>1</sup>		
	November 1961	Percent change from		Nov. 30, 1961	Annual rate of turnover	
		Oct. 1961	Nov. 1960		Nov. 1961	Oct. 1961
ARIZONA						
Tucson.....	\$ 331,183	23	47	\$ 149,882	27.5	23.5
LOUISIANA						
Monroe.....	96,410	8	14	52,458	21.8	20.9
Shreveport.....	325,291	-2	-2	175,997	22.3	23.2
NEW MEXICO						
Roswell.....	52,864	-2	17	39,477	16.3	17.8
TEXAS						
Abilene.....	110,021	1	4	70,764	18.6	18.7
Amarillo.....	237,717	-4	6	117,055	24.1	24.7
Austin.....	229,154	-10	11	160,975	17.5	20.0
Beaumont.....	176,693	0	9	105,623	20.3	21.0
Corpus Christi.....	209,238	6	11	112,363	21.7	20.9
Corsicana.....	18,749	-7	17	20,372	11.0	12.2
Dallas.....	3,107,190	-3	9	1,249,869	29.8	31.4
El Paso.....	377,045	6	6	179,551	25.1	24.5
Fort Worth.....	804,973	-2	9	387,705	24.7	25.4
Galveston.....	90,293	0	5	65,433	16.7	17.5
Houston.....	2,871,002	1	14	1,352,593	25.4	25.2
Laredo.....	26,673	-3	3	22,454	14.3	15.0
Lubbock.....	270,600	23	11	126,858	26.3	23.0
Port Arthur.....	63,756	-4	5	46,331	16.6	17.8
San Angelo.....	54,216	-9	6	49,983	13.2	14.6
San Antonio.....	643,985	0	13	395,773	19.6	19.8
Texarkana <sup>2</sup> .....	24,140	4	9	17,341	16.8	16.6
Tyler.....	93,241	1	11	62,083	17.8	17.3
Waco.....	108,481	-2	6	71,316	18.4	19.3
Wichita Falls.....	121,707	4	8	99,431	14.6	13.7
Total—24 cities.....	\$10,444,622	0	11	\$5,131,687	24.5	24.8

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

<sup>2</sup> These figures include only two banks in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including one bank located in the Eighth District, amounted to \$56,014,000 for the month of November 1961.

## **CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS**

(In thousands of dollars)

Item	Dec. 20, 1961	Nov. 15, 1961	Dec. 21, 1960
Total gold certificate reserves.....	655,209	742,688	730,621
Discounts for member banks.....	200	0	1,000
Other discounts and advances.....	0	116	348
U. S. Government securities.....	1,176,136	1,151,475	1,085,097
Total earning assets.....	1,176,336	1,151,591	1,086,445
Member bank reserve deposits.....	966,225	1,012,607	966,794
Federal Reserve notes in actual circulation.....	874,233	856,394	839,966

## **DAILY AVERAGE PRODUCTION OF CRUDE OIL**

(In thousands of barrels)

Area	Percent change from				
	November 1961p	October 1961p	November 1960	October 1961	November 1960
ELEVENTH DISTRICT.....	2,929.6	2,875.0	2,916.1	1.9	0.5
Texas.....	2,527.2	2,495.3	2,526.6	1.3	.0
Gulf Coast.....	458.7	453.5	448.8	1.1	2.2
West Texas.....	1,124.6	1,101.4	1,127.9	2.1	-3
East Texas (proper).....	128.1	126.1	131.3	1.6	-2.4
Panhandle.....	107.2	107.4	106.6	-2	.6
Rest of State.....	708.6	706.9	712.0	.2	-5
Southeastern New Mexico.....	274.9	272.8	257.3	.8	6.8
Northern Louisiana.....	127.5	106.9	132.2	19.3	-3.6
OUTSIDE ELEVENTH DISTRICT.....	4,263.9	4,256.6	4,216.9	.2	1.1
UNITED STATES.....	7,193.5	7,131.6	7,133.0	.9	.8

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	Nov. 29, 1961	Oct. 25, 1961	Nov. 30, 1960
<b>ASSETS</b>			
Loans and discounts.....	5,442	5,383	4,922
United States Government obligations.....	2,812	2,922	2,540
Other securities.....	975	1,019	852
Reserves with Federal Reserve Bank.....	928	932	882
Cash in vault.....	171	168	157
Balances with banks in the United States.....	1,193	1,197	1,297
Balances with banks in foreign countries.....	3	4	2
Cash items in process of collection.....	588	594	579
Other assets.....	255	338	293
<b>TOTAL ASSETS.....</b>	<b>12,367</b>	<b>12,557</b>	<b>11,524</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,303	1,305	1,262
Other demand deposits.....	6,965	7,079	6,638
Time deposits.....	2,822	2,879	2,451
<b>Total deposits.....</b>	<b>11,090</b>	<b>11,263</b>	<b>10,351</b>
Borrowings.....	63	87	24
Other liabilities.....	159	142	170
<b>Total capital accounts.....</b>	<b>1,055</b>	<b>1,065</b>	<b>979</b>
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....</b>	<b>12,367</b>	<b>12,557</b>	<b>11,524</b>

a — Estimated.

## **VALUE OF CONSTRUCTION CONTRACTS**

(In millions of dollars)

Area and type	October 1961p	September 1961	October 1960	January—October	
				1961p	1960
<b>FIVE SOUTHWESTERN</b>					
STATES.....	313	300	280	3,379	3,257
Residential building.....	156	133	103	1,417	1,317
Nonresidential building.....	87	72	89	1,028	976
Public works and utilities.....	71	95	87	933	967
<b>UNITED STATES.....</b>	<b>3,291</b>	<b>3,004</b>	<b>3,319</b>	<b>31,481</b>	<b>30,788</b>
Residential building.....	1,498	1,381	1,390	13,708	13,006
Nonresidential building.....	1,005	987	1,165	10,161	10,359
Public works and utilities.....	787	637	764	7,612	7,423

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

p — Preliminary.

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

SOURCE: F. W. Dodge Corporation.

## **BUILDING PERMITS**

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percent change		
	Nov. 1961	11 mos. 1961	Nov. 1961	11 mos. 1961	Nov. 1961 from	11 months, 1961 from	1960
ARIZONA							
Tucson.....	693	9,746	\$ 4,236	\$ 42,576	77	77	21
LOUISIANA							
Shreveport.....	402	11,649	1,058	30,010	-15	25	33
TEXAS							
Abilene.....	101	1,323	814	15,263	-62	-46	-30
Amarillo.....	222	3,102	2,661	37,801	56	49	23
Austin.....	345	3,780	6,455	54,680	59	149	36
Beaumont.....	303	3,332	5,625	22,347	-2	184	30
Corpus Christi.....	326	3,688	1,449	23,403	-20	59	116
Dallas.....	1,873	24,851	12,191	185,942	-31	24	44
El Paso.....	460	6,351	3,479	59,941	4	-31	35
Fort Worth.....	520	6,835	2,036	46,574	-15	-47	6
Galveston.....	245	1,828	374	6,364	-74	12	6
Houston.....	1,088	19,367	15,455	236,266	-39	8	-14
Lubbock.....	216	2,557	2,571	39,002	-29	2	12
Port Arthur.....	247	2,660	428	7,265	-44	-28	-23
San Antonio.....	1,117	13,109	4,538	50,028	0	48	-5
Waco.....	230	2,926	821	13,438	2	-34	-15
Wichita Falls.....	214	2,912	878	20,931	-71	-66	-21
Total—17 cities.....	8,602	120,016	\$65,069	\$891,831	-21	17	9



