



BUSINESS REVIEW

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A GRAPHIC STORY OF ELEVENTH DISTRICT BANKING DURING 1961

The economic and financial developments of the past year were reflected in the pattern of Eleventh District banking, as recovery from the mild recession of late 1960 and early 1961 caused further advances in banking aggregates. The gains were partly stimulated by the relatively easy monetary policy of 1961, which enabled banks to increase loans and, at the same time, enlarge investment holdings without a substantial diminution of reserves or cash accounts. A number of District banks participated heavily in the Federal funds market, but the volume of borrowings from the Federal Reserve Bank of Dallas declined to nominal levels.

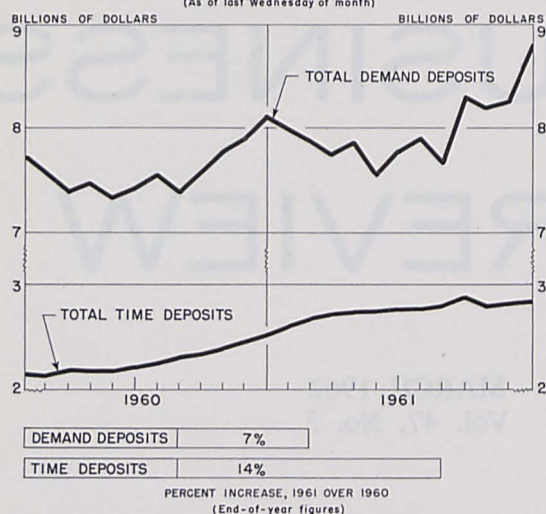
Other features of the District banking picture during 1961 included the continued gains in time and savings deposits, stemming from the higher levels of personal income and employment and the reluctance of consumers to purchase major durable goods; the further rise in capital accounts; the somewhat slower rate of new bank formations; and the marked influence of Treasury financings upon investment and deposit accounts. As the year progressed, loan demands improved but, with reserves amply available, investment liquidation did not take place, as was the case in previous periods of cyclical recovery.

By the end of 1961, total assets of Eleventh District member banks reached \$13.4 billion, or 8 percent above the year-earlier level. The charts and commentaries on the following pages are presented to illustrate some of the changes in Eleventh District banking during the past year.

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

MEMBER BANK DEPOSITS

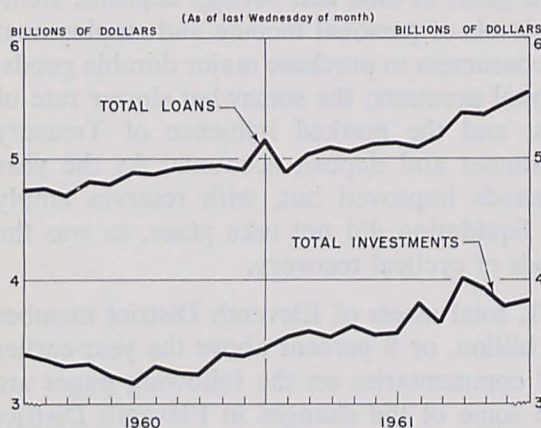
ELEVENTH FEDERAL RESERVE DISTRICT
(As of last Wednesday of month)



Demand deposits rose more rapidly at country banks than at reserve city banks during 1961, mainly because of the greater gain in individual, partnership, and corporation accounts. At the year end, these were \$544 million above the reserve city total, compared with a \$399 million margin for 1960. In contrast, Government deposits declined 9 percent at country banks but rose 3 percent at reserve city banks, perhaps reflecting the city banks' use of Tax and Loan Account privileges. Time deposits also showed a larger relative expansion at country banks.

MEMBER BANK LOANS AND INVESTMENTS

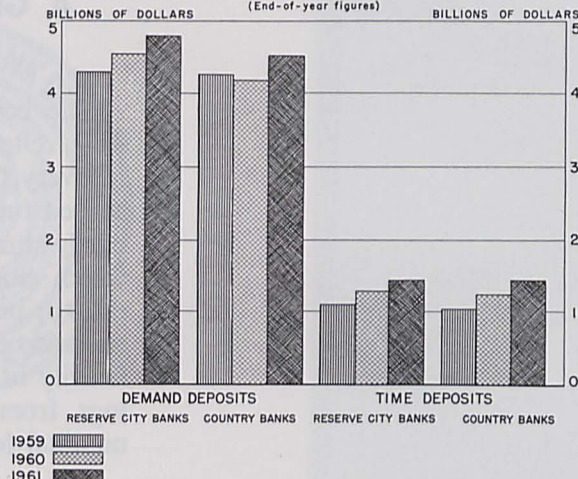
ELEVENTH FEDERAL RESERVE DISTRICT



Total deposits advanced 8 percent at District member banks during 1961 to reach \$12,168 million at the end of the year. Over two-thirds of the \$600 million, or 7-percent, growth in demand deposits occurred in balances of individuals, partnerships, and corporations. Restraint on demand deposits early in 1961 stemming from the lower level of loan demand and lessened needs for working balances, gave way to a more than seasonal advance with economic recovery and larger credit demands. Time deposits rose about \$351 million, or 14 percent, over the 1960 year-end level. Of the 1961 gain, over 93 percent was concentrated in accounts of individuals, partnerships, and corporations.

MEMBER BANK DEPOSITS BY RESERVE CLASSIFICATION

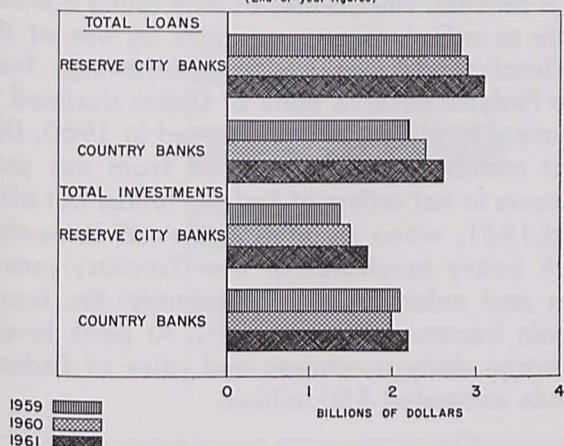
ELEVENTH FEDERAL RESERVE DISTRICT
(End-of-year figures)



District member bank credit rose 10 percent during 1961, with a slightly larger relative gain in investments than in loans. Of the advance in gross loans and discounts, about one-half occurred in commercial and industrial loans, though there were also significant increases in loans to farmers and financial institutions and real-estate loans. Investment holdings rose \$392 million, primarily because of a \$285 million advance in holdings of Governments. Although distorted by refundings, bank investments shifted toward shorter maturities until late 1961, when prospective increases in interest on time and savings deposits induced purchases of longer-dated, tax-exempt municipal bonds.

MEMBER BANK LOANS AND INVESTMENTS BY RESERVE CLASSIFICATION

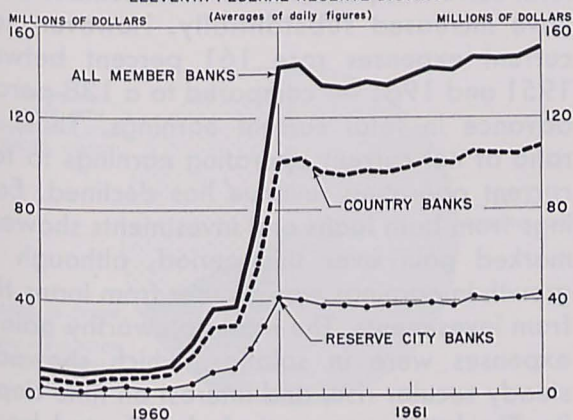
ELEVENTH FEDERAL RESERVE DISTRICT
(End-of-year figures)



Partly because of large extensions of bank credit during late 1961, District member bank reserves advanced to a new record. The relatively easy monetary policy of the Federal Reserve System supplied new reserves almost as rapidly as the member banks made new loans and enlarged their investment holdings. Thus, the change in free reserves remained in a fairly narrow range of \$50 million to \$100 million after the rapid build-up from a net borrowed position in early 1960. District member banks substantially improved their liquidity positions during 1961, especially through enlargement of short-term security holdings.

MEMBER BANK HOLDINGS OF VAULT CASH BY RESERVE CLASSIFICATION

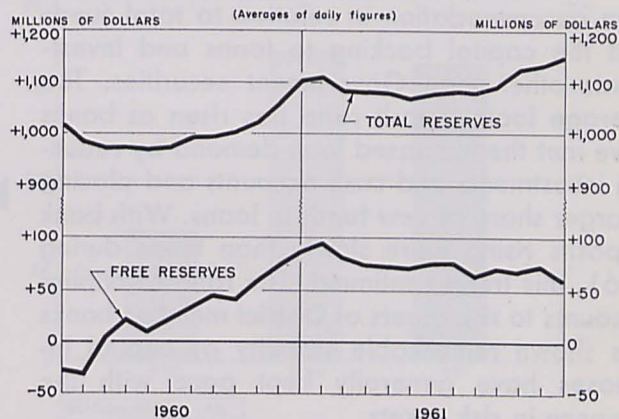
ELEVENTH FEDERAL RESERVE DISTRICT



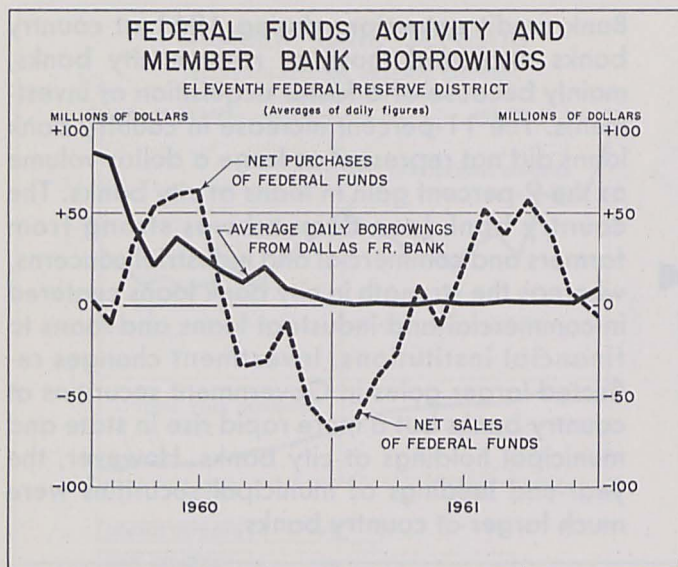
Bank credit extensions during 1961 at country banks exceeded those at reserve city banks, mainly because of a faster acquisition of investments. The 11-percent increase in country bank loans did not represent as large a dollar volume as the 9-percent gain in loans at city banks. The country bank loan demand was strong from farmers and commercial and industrial concerns, whereas the strength in city bank loans centered in commercial and industrial loans and loans to financial institutions. Investment changes reflected larger gains in Government securities at country banks but a more rapid rise in state and municipal holdings at city banks. However, the year-end holdings of municipal securities were much larger at country banks.

MEMBER BANK RESERVES

ELEVENTH FEDERAL RESERVE DISTRICT

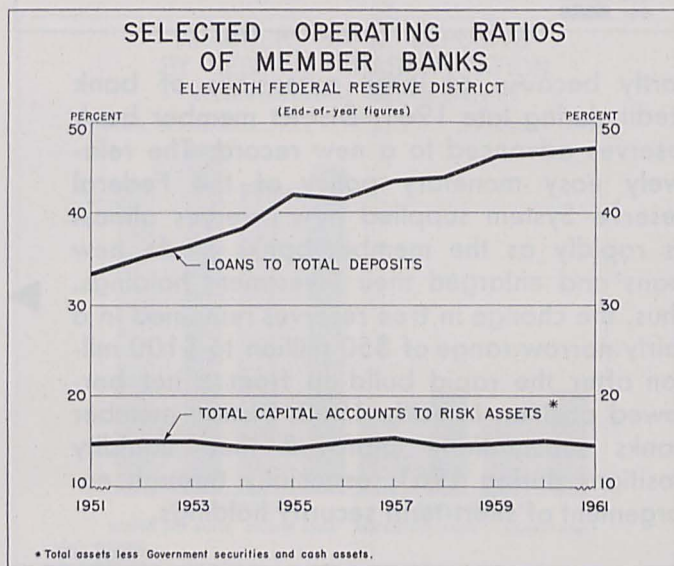


By two amendments to Federal Reserve regulation D during 1960, member banks were permitted to count vault cash holdings toward required reserves. Such holdings rose sharply in late 1960 but, in 1961, apparently followed a seasonal pattern. However, since 1961 was the first full year under the revised regulation, vault cash holdings as a proportion of total reserves rose from 2 percent in 1960 to more than 12 percent in 1961. Member bank reserves held at the Federal Reserve declined about \$56 million during 1961. Although total and required reserves of city banks exceed those of country banks, the latter have over twice the vault cash holdings, reflecting the more intense utilization of funds by reserve city banks.

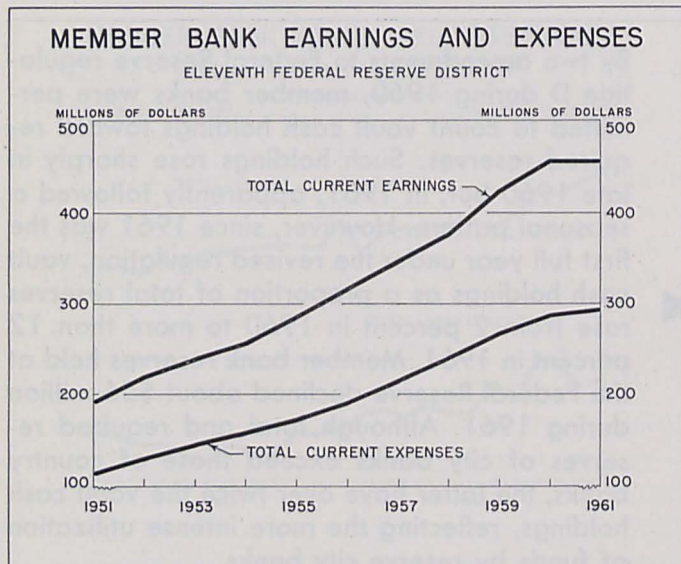


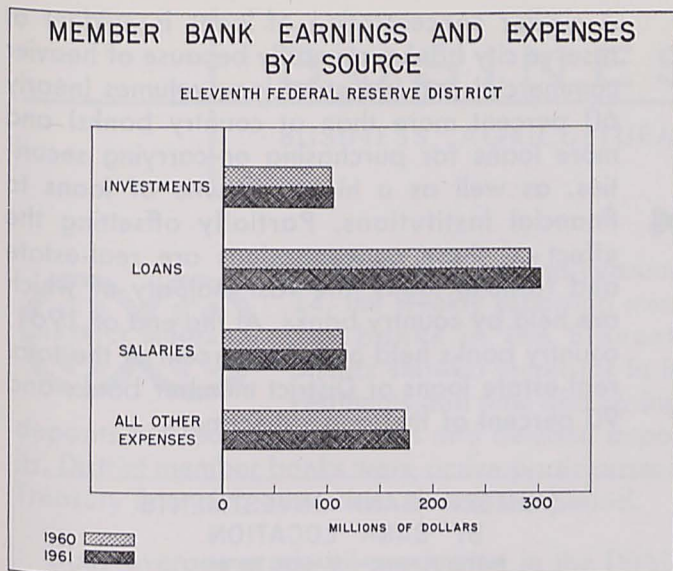
Although monetary policy remained relatively easy in 1961, short-term Treasury bill rates stayed above 2 percent, and the discount rate, at 3 percent. Thus, banks usually found it profitable to adjust reserve positions by use of the Federal funds market, and borrowings from the Federal Reserve Bank of Dallas declined to nominal levels. As reserves eased in 1960, District member banks changed from net purchasers to net sellers of Federal funds; but after mid-1961, when reserves tightened somewhat with heavy purchases of new Treasury securities and enlarged credit demands, the banks again became net purchasers. At peak levels, average daily purchases and sales of Federal funds exceeded \$50 million.

These ratios are indicators of the extent of loan accommodation in relation to total funds and the capital backing to loans and investments other than Government securities. The average loan-deposit ratio has risen as banks have met the increased loan demand by reducing investments and cash accounts and placing a larger share of new funds in loans. With bank deposits rising more slowly than loans during 1961, this trend continued. The ratio of capital accounts to risk assets of District member banks has shown remarkable stability as capital increases have generally kept pace with the advance in risk assets.

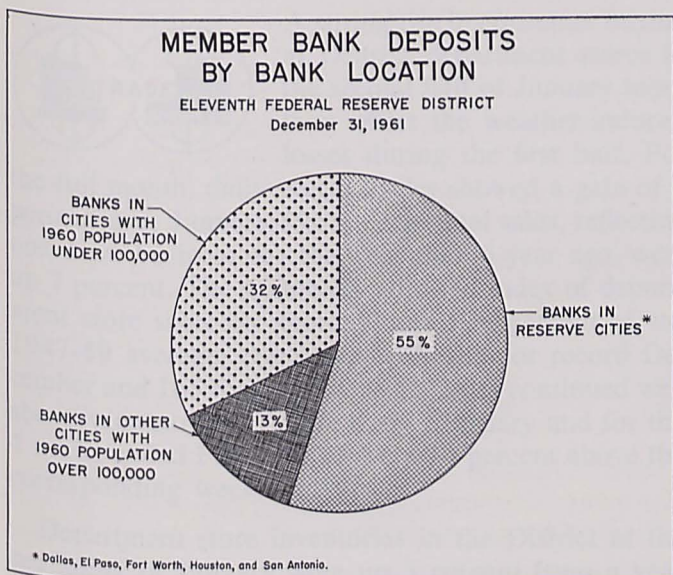


Since 1951, both total current earnings and total current expenses of District member banks have increased substantially. However, total current expenses rose 161 percent between 1951 and 1961 — compared to a 138-percent advance in total current earnings. Thus, the ratio of net current operating earnings to total current operating revenue has declined. Earnings from both loans and investments showed a marked gain over this period, although the growth in earnings was greater from loans than from investments. The most noteworthy gains in expenses were in salaries, which showed a steady secular rise, and interest on time deposits. The latter was particularly affected by the advance in interest rates.

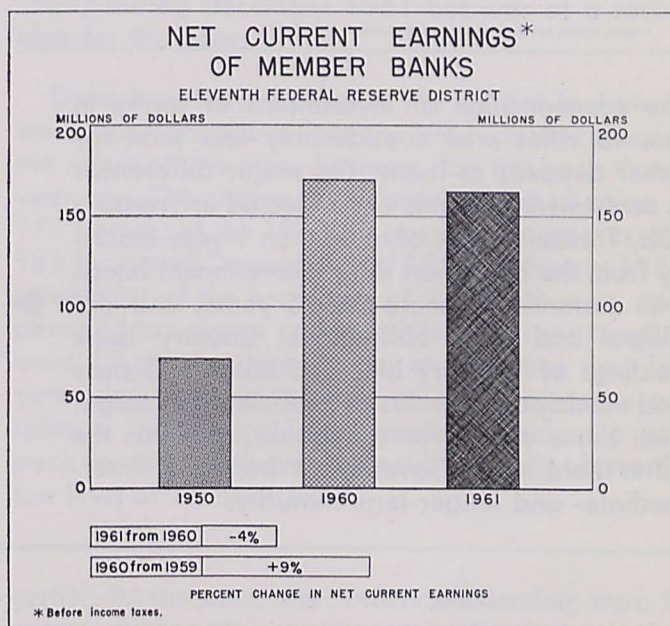




Net current earnings of District member banks declined 4 percent during 1961, contrasted to a 9-percent gain in 1960. The small increases in loan and investment revenue during the past year were more than offset by a sizable advance in interest cost on time and savings deposits and a further rise in salary expenses. Recoveries, transfers from valuation reserves, and profits on sales of securities advanced sharply in 1961, but losses on sales of securities, charge-offs, and transfers to valuation reserves were 3 percent lower. Net income before taxes showed virtually no change from 1960, compared with a 22-percent rise from 1959.



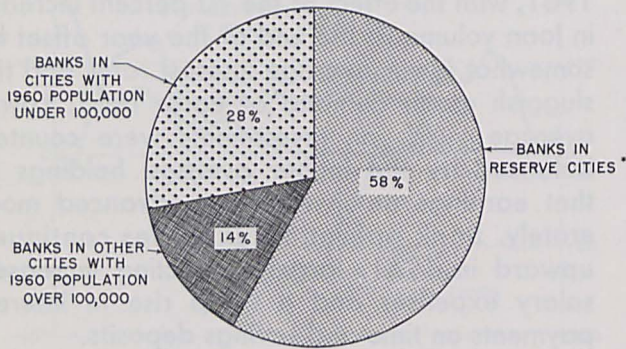
Earnings from investments and loans are noticeably influenced by the level of economic activity and changes in interest rates. District member bank earnings from loans rose 3 percent in 1961, with the effect of the 10-percent increase in loan volume at the end of the year offset by somewhat lower average interest rates and the sluggish credit demand of early 1961. Lower average yields on investments were counter-balanced by the higher average holdings so that earnings on investments advanced moderately. Bank operating expenses continued upward in 1961, largely reflecting increased salary expenses and a sharp rise in interest payments on time and savings deposits.



Deposits of District member banks at the end of 1961 showed about the same degree of concentration which has been evident for some years. More than half of all deposits are centered in banks located in reserve cities, with more than two-thirds of all deposits in banks located in cities of over 100,000 population. There is a greater degree of concentration in demand deposits than in time and savings deposits, probably because of the much larger demand deposits of domestic banks in the reserve city group, reflecting the sizable correspondent banking business of the city banks. On the other hand, savings deposits are nearly 50 percent higher at country banks.

MEMBER BANK GROSS LOANS BY BANK LOCATION

ELEVENTH FEDERAL RESERVE DISTRICT
December 31, 1961



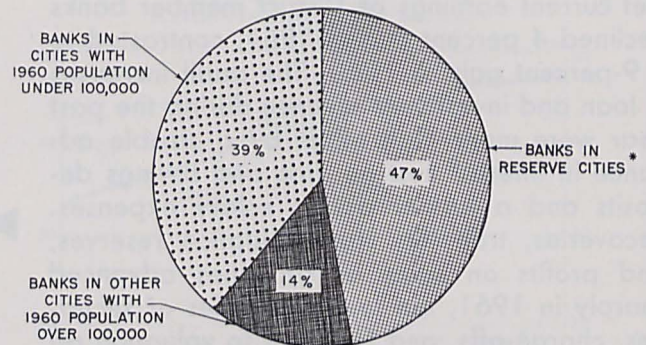
* Dallas, El Paso, Fort Worth, Houston, and San Antonio.

A similar concentration of loans is evident at reserve city banks, primarily because of heavier commercial and industrial loan volumes (nearly 60 percent more than at country banks) and more loans for purchasing or carrying securities, as well as a higher volume of loans to financial institutions. Partially offsetting the effect of these concentrations are real-estate and farming loans, the vast majority of which are held by country banks. At the end of 1961, country banks held over 61 percent of the total real-estate loans of District member banks and 90 percent of the loans to farmers.

The concentration of investments at banks in reserve cities was considerably less than for either deposits or loans. The major differences in investment holdings are reflected in Treasury bills, Treasury notes of more than 1-year maturity from the call report date, Government bonds with maturities of more than 5 years, and municipal and state obligations. Country bank holdings of Treasury bills and notes and state and municipal securities are substantially larger than those of reserve city banks, whereas the latter hold more Government bonds of intermediate- and longer-term maturity.

MEMBER BANK INVESTMENTS BY BANK LOCATION

ELEVENTH FEDERAL RESERVE DISTRICT
December 31, 1961



* Dallas, El Paso, Fort Worth, Houston, and San Antonio.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



In the 4 weeks ended February 14, the weekly reporting member banks in the Eleventh District showed increases in investments and time and savings deposits but reductions in loans and demand deposits. District member banks were active participants in Treasury financing operations during the period.

Daily average crude oil production in the District rose fractionally during January but, in early February, was little changed from a month ago. Following significant gains in January refinery activity, crude oil runs to District refinery stills decreased in early February; and drilling activity over the period was reduced.

Farming activities in the District advanced rapidly during February, aided by unseasonably warm temperatures. Cotton, corn, and grain sorghum planting is active in the Lower Rio Grande Valley of Texas. The condition of livestock has improved, and supplemental feeding has decreased in many areas. Numbers of cattle and calves in the District states on

January 1, 1962, were at an all-time high, but inventories of hogs and sheep were below a year ago.

The Texas industrial production index declined slightly to 178 in January. Nonagricultural employment in the five southwestern states decreased to 4,442,100, primarily because of seasonal factors. The value of construction contracts declined significantly during December 1961 but was at a record high for the year.

Department store sales in the District in January were 7 percent above January 1961, partly reflecting the effect of one more business day this year than a year ago. The seasonally adjusted index of sales, at 170 percent of the 1947-49 average, compares with 185 for record December and 165 for January 1961. Inventories at the beginning of the month were up 3 percent from a year earlier, while orders outstanding were 19 percent higher than at the same time last year. January registrations of new passenger car sales in four major Texas markets reached a new peak for the month and were substantially above the low level of January 1961.



A strong rise in consumer buying at District department stores in the second half of January more than offset the weather-induced losses during the first half. For the full month, daily average sales showed a gain of 3 percent over January 1961, while total sales, reflecting one more business day this year than a year ago, were up 7 percent. The seasonally adjusted index of department store sales for January was 170 percent of the 1947-49 average, compared with 185 for record December and 165 for January 1961. Sales continued well above year-earlier totals in early February and for the 4 weeks ended February 17 were 10 percent above the corresponding weeks in 1961.

Department store inventories in the District at the beginning of January were up 3 percent from a year

earlier. At the same time, orders outstanding were 19 percent higher than a year ago, reflecting optimism based on the upsurge of consumer buying in late 1961 and the potentials of a longer spring buying season. This latter factor arises because of the lateness of Easter this year, which falls on April 22 in contrast to April 2 last year.

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 |
| 1961: January..... | 131r | 165 | 160 | 182r |
| November..... | 206 | 178 | 217 | 197 |
| December..... | 317 | 185 | 175 | 188 |
| 1962: January..... | 134p | 170p | 168p | 191p |

r — Revised.
p — Preliminary.

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DEPARTMENT STORE SALES

(Preliminary percentage change in retail value)

| Area | January 1962 from | |
|------------------------------|-------------------|--------------|
| | December 1961 | January 1961 |
| Total Eleventh District..... | -56 | 7 |
| Corpus Christi..... | -65 | -6 |
| Dallas..... | -58 | 4 |
| El Paso..... | -58 | 3 |
| Fort Worth..... | -59 | 12 |
| Houston..... | -52 | 14 |
| San Antonio..... | -53 | 5 |
| Shreveport, La..... | -54 | 17 |
| Waco..... | -61 | 0 |
| Other cities..... | -57 | 5 |

January registrations of new passenger car sales in four major Texas markets reflected mixed trends when compared with the high level of sales in December. In the month-to-month comparison, registrations declined 12 percent from December in Dallas and 8 percent in Fort Worth; on the other hand, registrations in Houston and San Antonio improved 9 percent and 7 percent, respectively. Compared with the low level of January 1961, however, all four markets showed very substantial gains, led by increases of 44 percent in San Antonio and 42 percent in Fort Worth. Houston and Dallas recorded year-to-year gains of 40 percent and 32 percent, respectively. January 1962 registrations in the four markets combined reached a new peak for the month.



With the help of mild, open weather, agricultural activities in the District progressed rapidly during February. Thunder-showers at midmonth replenished soil moisture supplies in central, northern Panhandle, east, and far west Texas; but south Texas areas need moisture. The unseasonably warm February temperatures stimulated growth of small grains, clovers, and native range cover and started fruit trees blooming.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

| Species | Texas | | Five southwestern states ¹ | | United States | |
|-----------------------------|--------|--------|---------------------------------------|--------|---------------|---------|
| | 1962 | 1961 | 1962 | 1961 | 1962 | 1961 |
| Cattle..... | 9,660 | 9,379 | 17,394 | 16,931 | 99,500 | 97,319 |
| Milk cattle.... | 948 | 956 | 1,933 | 1,970 | 29,805 | 29,948 |
| Beef cattle.... | 8,712 | 8,423 | 15,461 | 14,961 | 69,695 | 67,371 |
| Sheep..... | 5,832 | 6,140 | 7,878 | 8,240 | 31,446 | 32,967 |
| Stock sheep... | 5,614 | 5,910 | 7,479 | 7,836 | 27,281 | 28,556 |
| Feeders..... | 218 | 230 | 399 | 404 | 4,165 | 4,411 |
| Hogs..... | 996 | 1,037 | 1,734 | 1,803 | 56,982 | 55,443 |
| Chickens ² | 15,874 | 15,500 | 25,029 | 24,809 | 365,477 | 360,576 |
| Turkeys..... | 290 | 415 | 410 | 583 | 6,352 | 6,770 |

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

² Does not include commercial broilers.

SOURCE: United States Department of Agriculture.

Field breaking, land leveling, fertilizing, bedding, and preplanting watering reached a high level for this time of the year, and irrigation has been active in the Southern High Plains and west Texas.

Planting of cotton, corn, and grain sorghums is widespread in the Lower Rio Grande Valley; and early seeding has begun in south Texas, Coastal Bend, and upper coastal areas. Panhandle wheat is making good growth and has suffered very little damage from insects or disease. Oats have progressed rapidly as a result of the warmer weather, and prospects remain favorable in most sections.

Tomato planting is almost complete in the Lower Valley, and sweet corn is up to a good stand. In the Coastal Bend, seedings of watermelons and cucumbers need rain to promote germination and growth. Only moderate supplies of vegetables are available from the major commercial producing areas of south Texas.

Compared with a year ago, feed conditions in the range states of the District at the beginning of February were improved in Arizona and New Mexico but were less favorable in Oklahoma and Texas. Livestock continued to improve during the month, as the unseasonably mild weather encouraged growth of native ranges and pastures. Supplemental feeding remains heavy in western and southern sections but has decreased sharply in most other areas. Goat shearing was stepped up during the open weather, and lambing and kidding are well advanced.

The number of all cattle and calves on farms and ranches in the District states as of January 1, 1962, reached a record 17.4 million head, which is 3 percent above the previous peak of a year ago. A gain in the beef cattle inventory more than offset a decrease in milk cattle numbers. Compared with a year earlier, numbers of both hogs and sheep were down 4 percent. In the Nation, cattle numbers advanced to an all-time high of 99.5 million, representing a 2-percent increase over the inventory on January 1, 1961.



During the 4 weeks ended February 7, loans and demand deposits declined at the Nation's weekly reporting member banks. On the other hand, both investments and time and savings deposits increased to higher levels. The money market was easy during most of the period, as the reserve positions of money market banks moved to more comfortable levels. Dealer holdings of Govern-

ment securities receded, thereby reducing dealer financing requirements. Considerable demand for Treasury bills developed from both bank and nonbank sources during the period. The auction rate on 91-day Treasury bills declined from 2.823 percent on January 8 to 2.695 percent on February 5 but then rose to 2.849 percent on February 19. The rate on Federal funds fluctuated widely, with higher rates predominating in the first and last weeks of the period.

The market for Government securities was dominated during the 4 weeks ended February 7 by the offering of \$1 billion of additional 4-percent bonds of 1969, by the new funds raised through larger weekly and 1-year bill offerings, and by an \$11.7 billion Treasury refunding operation. The market was also influenced by expectations of an advanced refunding, which materialized with the Treasury's February 15 announcement of an \$18.7 billion advanced refunding of five issues scheduled to mature between 1964 and 1972. The municipal bond market showed considerable strength, primarily because of heavy commercial bank demands, while the corporate bond market weakened somewhat as it prepared for a very large corporate offering.

Investments and time and savings deposits advanced at the weekly reporting member banks in the Eleventh Federal Reserve District during the 4 weeks ended February 14, but loans and demand deposits declined. Both cash accounts and total assets receded during this period.

Gross loans (excluding interbank loans) decreased \$10.4 million at the weekly reporting member banks in the District, primarily reflecting a \$17.8 million reduction in loans to nonbank financial institutions. Commercial and industrial loans advanced slightly, as increases in loans to firms engaged in durable goods manufacturing, mining, trade, construction, and services more than offset decreases in loans to concerns in nondurable goods manufacturing and transportation, communication, and other public utilities. In the corresponding period a year earlier, gross loans advanced \$27.6 million, with increases in "all other loans" (mainly consumer-type loans) and loans to brokers and dealers more than counterbalancing declines in commercial and industrial loans and loans to nonbank financial institutions.

Total investments at the District's weekly reporting member banks rose \$50.8 million during the 4 weeks; holdings of both Government and non-Government securities expanded. Reflecting the participation of Dis-

trict banks in recent Treasury financing operations, additions to holdings of Treasury bills, certificates, and notes and bonds due after 1 year more than offset a

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

| Item | Feb. 14, 1962 | Jan. 17, 1962 | Feb. 15, 1961 |
|--|------------------|------------------|------------------|
| ASSETS | | | |
| Commercial and industrial loans..... | 1,762,179 | 1,760,598 | 1,537,676 |
| Agricultural loans..... | 47,000 | 53,223 | 32,945 |
| Loans to brokers and dealers for purchasing or carrying: | | | |
| U. S. Government securities..... | 15,274 | 274 | 28,878 |
| Other securities..... | 58,702 | 60,048 | 25,736 |
| Other loans for purchasing or carrying: | | | |
| U. S. Government securities..... | 4,421 | 4,677 | 9,127 |
| Other securities..... | 1,72,033 | 170,681 | 194,632 |
| Loans to domestic commercial banks..... | 99,517 | 84,087 | 65,262 |
| Loans to foreign banks..... | 229 | 150 | 76 |
| Loans to other financial institutions: | | | |
| Sales finance, personal finance, etc..... | 181,486 | 91,203 | 85,989 |
| Savings banks, mtge. cos., ins. cos., etc..... | 1,61,181 | 169,286 | 127,759 |
| Real-estate loans..... | 245,396 | 242,930 | 217,103 |
| All other loans..... | 176,596 | 770,828 | 787,947 |
| Gross loans..... | 3,413,014 | 3,407,985 | 3,113,130 |
| Less reserves and unallocated charge-offs.. | 62,726 | 62,197 | 57,220 |
| Net loans..... | 3,350,288 | 3,345,788 | 3,055,910 |
| Treasury bills..... | 163,222 | 145,654 | 112,923 |
| Treasury certificates of indebtedness..... | 66,150 | 54,132 | 34,427 |
| Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing: | | | |
| Within 1 year..... | 211,442 | 227,728 | 164,137 |
| After 1 but within 5 years..... | 798,589 | 769,375 | 778,113 |
| After 5 years..... | 348,459 | 347,816 | 368,304 |
| Other securities..... | 426,871 | 419,250 | 408,895 |
| Total investments..... | 2,014,733 | 1,963,955 | 1,866,799 |
| Cash items in process of collection..... | 561,317 | 610,840 | 541,239 |
| Balances with banks in the United States..... | 470,238 | 497,557 | 498,398 |
| Balances with banks in foreign countries..... | 2,379 | 2,518 | 2,068 |
| Currency and coin..... | 57,659 | 58,742 | 53,067 |
| Reserves with Federal Reserve Bank..... | 548,832 | 595,323 | 537,779 |
| Other assets..... | 210,290 | 217,427 | 210,488 |
| TOTAL ASSETS..... | 7,215,736 | 7,292,150 | 6,765,748 |
| LIABILITIES AND CAPITAL ACCOUNTS | | | |
| Demand deposits | | | |
| Individuals, partnerships, and corporations.... | 3,071,694 | 3,101,359 | 2,917,671 |
| Foreign governments and official institutions, central banks, and international institutions.. | 3,120 | 2,659 | |
| United States Government..... | 76,636 | 61,899 | 103,714 |
| States and political subdivisions..... | 263,214 | 227,819 | 227,870 |
| Banks in the United States, including mutual savings banks..... | 1,114,987 | 1,179,698 | 1,079,243 |
| Banks in foreign countries..... | 14,175 | 12,787 | 14,848 |
| Certified and officers' checks, etc..... | 43,454 | 76,876 | 55,813 |
| Total demand deposits..... | 4,587,280 | 4,663,097 | 4,399,159 |
| Time and savings deposits | | | |
| Individuals, partnerships, and corporations | | | |
| Savings deposits..... | 859,834 | 842,188 | |
| Other time deposits..... | 642,235 | 604,552 | 1,306,619 |
| Foreign governments and official institutions, central banks, and international institutions.. | 3,005 | 3,005 | |
| U. S. Government, including postal savings.. | 6,967 | 7,317 | 14,907 |
| States and political subdivisions..... | 327,885 | 325,153 | 270,240 |
| Banks in the United States, including mutual savings banks..... | 4,278 | 6,321 | 10,288 |
| Banks in foreign countries..... | 2,200 | 1,200 | |
| Total time and savings deposits..... | 1,846,404 | 1,789,736 | 1,602,054 |
| Total deposits..... | 6,433,684 | 6,452,833 | 6,001,213 |
| Bills payable, rediscounts, etc..... | 59,700 | 108,116 | 71,000 |
| All other liabilities..... | 96,879 | 113,676 | 118,808 |
| Capital accounts..... | 625,473 | 617,525 | 574,727 |
| TOTAL LIABILITIES AND CAPITAL ACCOUNTS | 7,215,736 | 7,292,150 | 6,765,748 |

¹ Because of 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.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

| Item | 5 weeks ended Feb. 7, 1962 | 4 weeks ended Jan. 3, 1962 | 4 weeks ended Feb. 1, 1961 |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| RESERVE CITY BANKS | | | |
| Total reserves held..... | 599,089 | 606,917 | 581,528 |
| With Federal Reserve Bank.... | 557,702 | 563,882 | 540,928 |
| Currency and coin..... | 41,387 | 43,035 | 40,600 |
| Required reserves..... | 591,610 | 600,663 | 567,197 |
| Excess reserves..... | 7,479 | 6,254 | 14,331 |
| Borrowings..... | 5,829 | 8,969 | 304 |
| Free reserves..... | 1,650 | -2,715 | 14,027 |
| COUNTRY BANKS | | | |
| Total reserves held..... | 560,099 | 544,133 | 528,119 |
| With Federal Reserve Bank.... | 451,687 | 436,089 | 424,294 |
| Currency and coin..... | 108,412 | 108,044 | 103,825 |
| Required reserves..... | 487,689 | 481,269 | 445,446 |
| Excess reserves..... | 72,410 | 62,864 | 82,673 |
| Borrowings..... | 289 | 341 | 434 |
| Free reserves..... | 72,121 | 62,523 | 82,239 |
| ALL MEMBER BANKS | | | |
| Total reserves held..... | 1,159,188 | 1,151,050 | 1,109,647 |
| With Federal Reserve Bank.... | 1,009,389 | 999,971 | 965,222 |
| Currency and coin..... | 149,799 | 151,079 | 144,425 |
| Required reserves..... | 1,079,299 | 1,081,932 | 1,012,643 |
| Excess reserves..... | 79,889 | 69,118 | 97,004 |
| Borrowings..... | 6,118 | 9,310 | 738 |
| Free reserves..... | 73,771 | 59,808 | 96,266 |

reduction in Treasury notes and bonds maturing in less than 1 year. In the comparable period of 1961, total investments rose approximately the same amount.

In the 4 weeks ended February 14, demand deposits at the District's weekly reporting member banks fell \$75.8 million, largely as a result of reductions in deposits of commercial banks, certified and officers' checks, and deposits of individuals, partnerships, and corporations. Time and savings deposits gained \$56.7 million, with deposits of individuals, partnerships, and corporations accounting for the advance. In the comparable period for the preceding year, demand deposits declined \$60.1 million, while time and savings deposits rose \$80.4 million.

Total reserves moved slightly higher at the District member banks during the 5 weeks ended February 7, reflecting an increase at country banks. With excess reserves expanding at both country banks and reserve city banks and borrowings falling to lower levels, free reserves exhibited a moderate upward movement. Reserve city banks attained a free reserve position at the end of the 5 weeks, in contrast to their net borrowed reserve status at the end of the preceding period.



District crude oil production rose fractionally during January to a level of 3,069,100 barrels daily, but output in early February was little changed from a month

ago. Texas, New Mexico, and Louisiana have retained their February allowables for March, but daily

average production should decline somewhat because of the longer month. Although District refinery activity advanced significantly in January, crude oil runs to District refinery stills decreased 3 percent in early February.

Indicators of District drilling activity reflected substantial declines in January and early February. Total well completions during the 5 weeks ended February 10 were almost one-fifth lower than in the prior 5-week period, and total footage drilled was reduced significantly. The number of active rotary rigs in the District decreased 13 percent in January.

A moderate rise in crude oil demand in the Nation more than offset an increase in new supplies in January, resulting in a 4-percent decrease in national crude oil stocks. In early February, crude oil stocks continued to decline, despite a reduction in refinery activity. National crude oil production rose fractionally, but imports declined about one-fourth in early February.

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

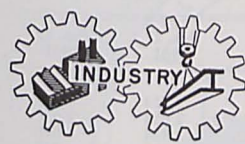
| Indicator | January 1962p | December 1961p | January 1961 |
|-----------------------------------|------------------|-------------------|-----------------|
| CRUDE OIL RUNS TO REFINERY | | | |
| STILLS (daily average)..... | 104 | 105 | 103 |
| DEMAND (daily average) | | | |
| Gasoline..... | 103 | 102 | 101 |
| Kerosene..... | 111 | 107 | 102 |
| Distillate fuel oil..... | 109 | 102 | 105 |
| Residual fuel oil..... | 99 | 92 | 97 |
| Four refined products..... | 105 | 101 | 102 |
| STOCKS (end of month) | | | |
| Gasoline..... | 103 | 103 | 105 |
| Kerosene..... | 124 | 117 | 125 |
| Distillate fuel oil..... | 117 | 109 | 103 |
| Residual fuel oil..... | 84 | 84 | 83 |
| Four refined products..... | 104 | 104 | 102 |

p — Preliminary.

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

Abnormally low temperatures in January helped to expand refined product consumption in the Nation, as the seasonally adjusted indexes of both light and heavy fuel oil demand rose significantly. Despite a less than seasonal increase in refinery activity, stocks of the four major refined products were little changed during the month, primarily because of a significant advance in product imports. In early February, more moderate temperatures caused reductions in the demand for heating oils, but gasoline demand rose contraseasonally. Gasoline prices at the wholesale level strengthened in the Midwest, but retail price reductions were continued in certain parts of the Nation. Heating oil prices were generally firm in early February, despite the de-

cline in demand, and prices for light and heavy fuel oils were steady along the Gulf Coast.



During January, the Texas industrial production index declined 2 points to 178, as reduced output in mining and durable goods manufacturing offset an increase in nondurable goods manufacturing. The decline was broadly based, with production decreasing in 14 of the 22 industries which comprise the index; of special significance was the lower output in crude petroleum, transportation equipment, and stone, clay, and glass products. The very severe weather in early January may have been a partial cause of the factory output declines.

Nonfarm employment in the District states in January, at 4,442,100, showed a seasonal decline of 2 percent but remained above a year earlier. The slight month-to-month increases in finance and service employment were more than offset by reductions in all other sectors. Compared with January 1961, there were employment gains in manufacturing, trade, finance, service, and government but decreases in mining, construction, and transportation and public utilities.

Primarily because of seasonal factors, unemployment in Texas rose during January to 212,800, or 6.0 percent of the civilian labor force. This rate compares with 5.2 percent in December and 6.3 percent a year ago.

The sharp advance in construction activity during November in the District states was followed by de-

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

| Area and type | December | | | January—December | |
|---|----------|-------|-------|------------------|--------|
| | 1961p | 1961 | 1960 | 1961p | 1960 |
| FIVE SOUTHWESTERN STATES¹ | | | | | |
| Residential building..... | 270 | 343 | 290 | 3,987 | 3,763 |
| Nonresidential building..... | 120 | 127 | 106 | 1,663 | 1,523 |
| Public works and utilities.... | 85 | 124 | 115 | 1,235 | 1,166 |
| UNITED STATES | 65 | 92 | 69 | 1,088 | 1,074 |
| Residential building..... | 2,712 | 3,008 | 2,718 | 35,135 | 36,318 |
| Nonresidential building..... | 1,125 | 1,306 | 878 | 16,123 | 15,105 |
| Public works and utilities.... | 883 | 1,095 | 994 | 12,115 | 12,240 |
| | 704 | 607 | 846 | 8,897 | 8,973 |

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.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

| Area and type of index | January 1962p | December 1961 | November 1961 | January 1961 |
|----------------------------------|---------------|---------------|---------------|--------------|
| TEXAS | | | | |
| Total industrial production..... | 178 | 180 | 177r | 172 |
| Total manufactures..... | 225 | 225 | 224r | 216 |
| Durable manufactures..... | 258 | 266 | 268 | 248 |
| Nondurable manufactures..... | 209 | 207 | 204r | 201 |
| Mining..... | 133 | 135 | 133r | 130 |
| UNITED STATES | | | | |
| Total industrial production..... | 173 | 175 | 173 | 155 |
| Total manufactures..... | 172 | 173 | 172 | 153r |
| Durable manufactures..... | 177 | 179 | 177 | 154 |
| Nondurable manufactures..... | 171 | 172 | 171r | 155 |
| Mining..... | 131 | 133 | 132 | 128r |
| Utilities..... | 321 | 317 | 315r | 290r |

p — Preliminary.

r — Revised.

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

clines in all major sectors (totaling \$73 million) in December 1961; as a result, total contracts, amounting to \$270 million in the latter month, were 7 percent less than a year earlier. Compared with December 1960, the gain in residential building was offset by declines in nonresidential building and in public works and utilities.

Advancing 6 percent over the previous year, the value of construction contracts in the five southwestern states reached an all-time high of \$3,987 million in 1961, with increases occurring in all major categories during the year. The largest year-to-year gain, 9 percent, was registered in residential building contracts, which rose to \$1,663 million, although nonresidential contracts increased for the fourth consecutive year to reach a record \$1,235 million.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

| Type of employment | Number of persons | | | Percent change Jan. 1962 from | |
|--|-------------------|---------------|---------------|-------------------------------|-----------|
| | January 1962e | December 1961 | January 1961r | Dec. 1961 | Jan. 1961 |
| Total nonagricultural | | | | | |
| wage and salary workers.. | 4,442,100 | 4,521,700 | 4,398,700 | -1.8 | 1.0 |
| Manufacturing..... | 770,900 | 774,300 | 758,300 | -4 | 1.7 |
| Nonmanufacturing..... | 3,671,200 | 3,747,400 | 3,640,400 | -2.0 | .8 |
| Mining..... | 239,600 | 239,900 | 241,300 | -.1 | -.7 |
| Construction..... | 270,900 | 271,700 | 271,900 | -.3 | -.4 |
| Transportation and public utilities..... | 382,300 | 389,300 | 398,600 | -1.8 | -4.1 |
| Trade..... | 1,068,700 | 1,131,900 | 1,066,900 | -5.6 | .2 |
| Finance..... | 224,500 | 222,700 | 218,100 | .8 | 2.9 |
| Service..... | 604,800 | 602,600 | 585,900 | .4 | 3.2 |
| Government..... | 880,400 | 889,300 | 857,700 | -1.0 | 2.6 |

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 | | | Demand deposits ¹ | | | |
|------------------------------|--|---------------------|-----------|------------------------------|-------------------------|-----------|-----------|
| | January 1962 | Percent change from | | Jan. 31, 1962 | Annual rate of turnover | | |
| | | Dec. 1961 | Jan. 1961 | | Jan. 1962 | Dec. 1961 | Jan. 1961 |
| ARIZONA | | | | | | | |
| Tucson..... | \$ 388,582 | 13 | 52 | \$ 151,769 | 29.9 | 26.6 | 22.6 |
| LOUISIANA | | | | | | | |
| Monroe..... | 104,597 | 15 | 17 | 52,753 | 22.0 | 19.1 | 20.0 |
| Shreveport..... | 393,005 | 20 | 7 | 182,480 | 24.4 | 20.6 | 22.4 |
| NEW MEXICO | | | | | | | |
| Roswell..... | 57,327 | 7 | 33 | 38,383 | 17.8 | 16.3 | 17.6 |
| TEXAS | | | | | | | |
| Abilene..... | 125,975 | 16 | 18 | 75,024 | 19.9 | 17.6 | 19.2 |
| Amarillo..... | 257,910 | 11 | 7 | 121,905 | 25.0 | 22.9 | 23.9 |
| Austin..... | 264,081 | 5 | 21 | 162,852 | 19.6 | 18.7 | 16.9 |
| Beaumont..... | 198,949 | 8 | 17 | 108,829 | 21.6 | 20.3 | 19.3 |
| Corpus Christi..... | 227,900 | 7 | 17 | 117,517 | 23.2 | 22.0 | 21.6 |
| Corsicana..... | 20,902 | 14 | 14 | 20,196 | 11.9 | 10.4 | 10.8 |
| Dallas..... | 4,045,570 | 5 | 24 | 1,313,765 | 35.3 | 34.3 | 31.3 |
| El Paso..... | 386,240 | 3 | 6 | 184,704 | 24.5 | 25.7 | 25.2 |
| Fort Worth..... | 956,664 | 12 | 14 | 388,006 | 28.4 | 25.3 | 25.8 |
| Galveston..... | 108,513 | 4 | 17 | 63,379 | 19.8 | 18.7 | 18.4 |
| Houston..... | 3,276,402 | 4 | 19 | 1,398,875 | 26.6 | 26.2 | 24.6 |
| Laredo..... | 33,331 | 8 | 16 | 24,554 | 16.3 | 15.7 | 15.8 |
| Lubbock..... | 344,619 | 12 | 16 | 140,942 | 29.8 | 27.8 | 28.3 |
| Port Arthur..... | 65,065 | 1 | 3 | 45,750 | 17.4 | 17.2 | 17.4 |
| San Angelo..... | 62,690 | 16 | 9 | 50,092 | 14.9 | 12.7 | 14.6 |
| San Antonio..... | 707,967 | 7 | 13 | 400,555 | 20.9 | 19.7 | 19.7 |
| Texarkana ² | 25,030 | 0 | 11 | 17,238 | 17.2 | 17.3 | 15.6 |
| Tyler..... | 102,001 | 14 | 13 | 63,423 | 18.6 | 16.6 | 17.9 |
| Waco..... | 121,629 | 2 | 8 | 72,972 | 19.9 | 19.8 | 18.8 |
| Wichita Falls..... | 138,009 | 16 | 10 | 98,614 | 16.1 | 13.8 | 14.8 |
| Total—24 cities..... | \$12,412,958 | 6 | 19 | \$5,294,577 | 27.1 | 25.8 | 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 \$53,654,000 for the month of January 1962.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

| Item | Feb. 14, 1962 | Jan. 17, 1962 | Feb. 15, 1961 |
|--|---------------|---------------|---------------|
| Total gold certificate reserves..... | 625,656 | 685,652 | 650,222 |
| Discounts for member banks..... | 355 | 16,159 | 300 |
| Other discounts and advances..... | 2,811 | 1,509 | 522 |
| U. S. Government securities..... | 1,144,923 | 1,154,381 | 1,072,986 |
| Total earning assets..... | 1,148,089 | 1,172,049 | 1,073,808 |
| Member bank reserve deposits..... | 942,726 | 996,315 | 911,210 |
| Federal Reserve notes in actual circulation..... | 836,632 | 853,797 | 811,529 |

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

| Area | Percent change from | | | | |
|--------------------------------|---------------------|----------------|--------------|---------------|--------------|
| | January 1962p | December 1961p | January 1961 | December 1961 | January 1961 |
| ELEVENTH DISTRICT..... | 3,069.1 | 3,042.4 | 2,980.5 | 0.9 | 3.0 |
| Texas..... | 2,656.9 | 2,640.3 | 2,592.9 | .6 | 2.5 |
| Gulf Coast..... | 489.1 | 472.0 | 457.6 | 3.6 | 6.9 |
| West Texas..... | 1,205.8 | 1,199.1 | 1,188.2 | .6 | 1.5 |
| East Texas (proper)..... | 135.9 | 135.8 | 136.7 | .1 | -.6 |
| Panhandle..... | 106.5 | 107.6 | 107.9 | -1.0 | -1.3 |
| Rest of State..... | 719.6 | 725.8 | 702.5 | -.9 | 2.4 |
| Southeastern New Mexico..... | 276.3 | 272.3 | 257.2 | 1.5 | 7.4 |
| Northern Louisiana..... | 135.9 | 129.8 | 130.4 | 4.7 | 4.2 |
| OUTSIDE ELEVENTH DISTRICT..... | 4,341.6 | 4,317.0 | 4,229.1 | .6 | 2.7 |
| UNITED STATES..... | 7,410.7 | 7,359.4 | 7,209.6 | .7 | 2.8 |

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 | Jan. 31, 1962 | Dec. 27, 1961 | Jan. 25, 1961 |
|---|---------------|---------------|---------------|
| ASSETS | | | |
| Loans and discounts..... | 5,559 | 5,554 | 4,892 |
| United States Government obligations..... | 2,887 | 2,853 | 2,657 |
| Other securities..... | 995 | 984 | 890 |
| Reserves with Federal Reserve Bank..... | 920 | 1,010 | 943 |
| Cash in vault..... | 162 | 173 | 157 |
| Balances with banks in the United States..... | 1,152 | 1,299 | 1,336 |
| Balances with banks in foreign countries..... | 3 | 3 | 2 |
| Cash items in process of collection..... | 610 | 775 | 553 |
| Other assets..... | 361 | 344 | 324 |
| TOTAL ASSETS..... | 12,649 | 12,995 | 11,754 |
| LIABILITIES AND CAPITAL ACCOUNTS | | | |
| Demand deposits of banks..... | 1,277 | 1,494 | 1,338 |
| Other demand deposits..... | 7,062 | 7,317 | 6,670 |
| Time deposits..... | 3,053 | 2,855 | 2,593 |
| Total deposits..... | 11,392 | 11,666 | 10,601 |
| Borrowings..... | 51 | 107 | 6 |
| Other liabilities..... | 134 | 165 | 165 |
| Total capital accounts..... | 1,072 | 1,057 | 982 |
| TOTAL LIABILITIES AND CAPITAL ACCOUNTS..... | 12,649 | 12,995 | 11,754 |

e—Estimated.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

| Date | GROSS DEMAND DEPOSITS | | | TIME DEPOSITS | | |
|-------------------|-----------------------|--------------------|---------------|---------------|--------------------|---------------|
| | Total | Reserve city banks | Country banks | Total | Reserve city banks | Country banks |
| 1960: January.... | 8,084 | 3,912 | 4,172 | 2,111 | 1,081 | 1,030 |
| 1961: January.... | 8,135 | 4,032 | 4,103 | 2,564 | 1,308 | 1,256 |
| September..... | 7,889 | 3,910 | 3,979 | 2,787 | 1,404 | 1,383 |
| October..... | 8,174 | 4,069 | 4,105 | 2,788 | 1,398 | 1,390 |
| November..... | 8,322 | 4,058 | 4,264 | 2,806 | 1,409 | 1,397 |
| December..... | 8,505 | 4,179 | 4,326 | 2,839 | 1,421 | 1,418 |
| 1962: January.... | 8,584 | 4,179 | 4,405 | 2,990 | 1,508 | 1,482 |

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

| Area | NUMBER | | Percent change January 1962 from | |
|----------------------|--------------|--------------|----------------------------------|--------------|
| | January 1962 | January 1962 | December 1961 | January 1961 |
| ARIZONA | | | | |
| Tucson..... | 816 | \$ 2,725 | 39 | -41 |
| LOUISIANA | | | | |
| Shreveport..... | 254 | 1,169 | 131 | -83 |
| TEXAS | | | | |
| Abilene..... | 142 | 2,945 | 186 | 100 |
| Amarillo..... | 201 | 2,415 | -25 | 5 |
| Austin..... | 315 | 4,370 | 65 | -5 |
| Beaumont..... | 233 | 750 | -29 | -26 |
| Corpus Christi..... | 256 | 1,523 | 38 | -5 |
| Dallas..... | 1,542 | 13,034 | 58 | -41 |
| El Paso..... | 370 | 2,996 | -58 | -47 |
| Fort Worth..... | 409 | 2,635 | 29 | 25 |
| Galveston..... | 203 | 4,141 | 487 | 1,090 |
| Houston..... | 1,328 | 40,825 | 222 | 170 |
| Lubbock..... | 249 | 3,484 | -34 | 13 |
| Midland..... | 130 | 1,402 | 14 | 12 |
| Odessa..... | 85 | 1,176 | -9 | 74 |
| Port Arthur..... | 105 | 355 | -9 | -36 |
| San Antonio..... | 926 | 5,853 | 38 | 52 |
| Waco..... | 178 | 784 | -63 | -32 |
| Wichita Falls..... | 85 | 1,506 | 6 | -56 |
| Total—19 cities..... | 7,827 | \$94,088 | 63 | 15 |