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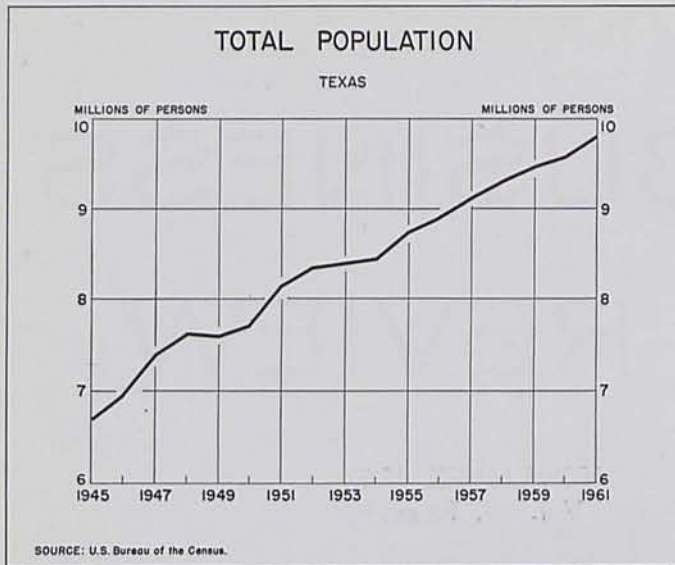
MUNICIPAL BOND FINANCING IN TEXAS

State agencies and local governments in Texas have issued in excess of \$5 billion of municipal bonds since the end of World War II. Annual borrowings have advanced fivefold from 1945 to 1962, and it is estimated that the bonded debt of these governmental units has reached a current level of \$4 billion. Cities and school districts have contributed heavily to this expansion in debt; but the financing requirements of public colleges and universities, counties, certain state agencies, and special districts and authorities have also been prominent. Although the growth in debt financing of state and local government in Texas is impressive, the rates of expansion in annual borrowings and in bonded debt outstanding are well below those for the Nation.

Over-all population growth in the State, marked shifts of population from rural to urban areas, and sharp expansion in the number of persons of school and college age are among the principal underlying factors which have stimulated increases in borrowing for capital-outlay purposes. It is anticipated that these trends will continue and have a major impact upon borrowing requirements in the future.

Since 1940, the population of Texas has grown about 56 percent to an estimated total of 10 million persons, as compared with a gain of about 41 percent for the Nation. Moreover, major shifts have occurred between rural and urban components. In 1940, persons living in cities and towns accounted for 45 percent of the total population of the State, but by 1950 this proportion had increased to 63 percent. In 1960, urban population had

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS



grown to the point where it accounted for three-fourths of the total. The age distribution of population in the State also has undergone significant change, with the younger age groups advancing in relative importance. In 1950, persons of 19 years of age and younger accounted for about 37 percent of the total population, but this proportion increased to almost 41 percent by 1960. There were 2,848,000 persons in this group in 1950 and 3,919,000 in 1960.

Cities and towns in Texas have borrowed heavily since 1945, and this growth in debt financing can be related directly to the sharp expansion in urban population. Between 1940 and 1960, the number of persons living in cities and towns in the State increased 4,276,000 to a total of 7,187,000. Although rural-to-urban population shifts were in evidence in the early 1940's, most of the urban gain occurred between 1945 and 1960. Moreover, because of economic and military mobilization in connection with World War II and the necessity of delaying major capital-outlay projects, the impact of urban-area growth between 1940 and 1945 upon municipal financing requirements was deferred almost entirely to the postwar period.

Capital spending for the improvement and extension of facilities which provide mass-use services has accounted for virtually all municipal borrowings. During 1959-61, for example, almost one-half of new-money financing was for purposes of extending or improving waterworks and sewerage and electric power and light systems. Outlays for street improvements, including purchases of rights-of-way, accounted for 36 percent;

while spending for the construction and renovation of public buildings, airport improvements, and parks and swimming pools required about 13 percent of these borrowed funds.

Bonds issued by cities and towns during 1957-61 totaled \$760,662,000 and provided two-fifths of the total funds raised through borrowings by all units of state and local government in Texas. On December 31, 1960, the bonded debt of these municipalities was \$1,434,900,000, or about 42 percent of the state total. The four largest cities in Texas — Houston, Dallas, San Antonio, and Fort Worth — account for about one-third of the total debt of all municipalities in the State. On September 30, 1962, outstanding debt of these cities was in excess of \$600 million.

School districts rank second in importance among major municipal borrowers in the State. Enrollment in the public elementary and secondary schools of Texas has increased each year since 1945-46. During the school year of 1961-62, the number of students reached a level of about 2,193,000, reflecting a gain of almost 77 percent in the 16-year period. This development not only fostered sharp increases in spending for current operating purposes but also created intense pressures upon local school districts to expand and improve facilities. The absorption of rural and smaller independent school districts into larger suburban-centered units accentuated these pressures for modernizing and expanding plant and equipment.

In recognition of expanding capital needs, school boards requested and received voter approval of increasing amounts of debt-financed expenditures. During 1957-61, local school districts (and junior college districts) sold \$562,042,000 of bonds, or about 30 percent of all Texas municipals issued during the 5 years. On December 31, 1960, the bonded debt of school districts stood at \$1,068,383,000, or 31 percent of the state total. It is estimated that school districts in

POPULATION, 1940, 1950, AND 1960

Texas and United States

(In thousands)

Area and year	Rural population	Urban population	TOTAL POPULATION
Texas			
1940.....	3,503	2,911	6,414
1950.....	2,873	4,838	7,711
1960.....	2,392	7,187	9,579
United States			
1940.....	57,246	74,424	131,670
1950.....	61,770	88,927	150,697
1960.....	65,932	112,532	178,464

SOURCE: United States Bureau of the Census.

Houston, Dallas, San Antonio, and Fort Worth account for about one-fifth of the total debt of all school districts in the State.

Public colleges and universities in Texas also have experienced impressive growth in enrollment and have increased both borrowings and cash outlays. Fall head-count enrollment at the public senior institutions rose from 25,703 in 1945 to 109,998 in 1962, reflecting a somewhat greater than fourfold increase. At the public junior colleges, the number of full-time equivalent students expanded during the period by more than fivefold to a level of 26,075 in 1961-62. In adjusting to this sharp expansion in numbers of students, public colleges and universities have made major additions to their physical plants, including classroom and laboratory facilities, libraries, dormitories, student union buildings, auditoriums, and other permanent improvements. Although cash financing has been available to meet some of these requirements, most institutions have met their needs principally through borrowing. The bonded debt of these institutions at the end of 1960 was \$148,471,000, or slightly more than 4 percent of the total bonded debt of all state agencies and political subdivisions in Texas.

Debt financing by counties for public buildings and other improvements and by special districts and authorities in connection with water development and related projects has added substantially to the volume of municipal bonds issued since 1945. For example, borrowings by these issuers during 1957-61 totaled \$323,821,000 and accounted for 17 percent of all

bonds issued in the State during the period. Certain state agencies also have sold bonds to finance water development, veteran land purchase, and special turn-pike authority programs. Road districts have issued smaller but appreciable amounts.

**ENROLLMENT AT PUBLIC COLLEGES AND UNIVERSITIES,
1945-46 THROUGH 1962-63**

Texas		
Year	Junior colleges (Full-time equivalent students)	Senior institutions ¹ (Fall head count)
1945-46.....	4,999	25,703
1946-47.....	6,303	53,985
1947-48.....	8,822	57,632
1948-49.....	9,673	58,017
1949-50.....	11,823	58,431
1950-51.....	12,952	55,412
1951-52.....	10,737	51,321
1952-53.....	11,931	52,399
1953-54.....	13,483	56,294
1954-55.....	17,068	63,474
1955-56.....	19,293	71,303
1956-57.....	20,243	76,954
1957-58.....	20,330	77,913
1958-59.....	22,895	80,932
1959-60.....	22,538	86,146
1960-61.....	23,150	91,690
1961-62.....	26,075	100,982
1962-63.....	—	109,998

¹Includes 18 institutions through 1958-59 and 19 institutions thereafter.
SOURCES: Texas Commission on Higher Education,
Texas Education Agency.

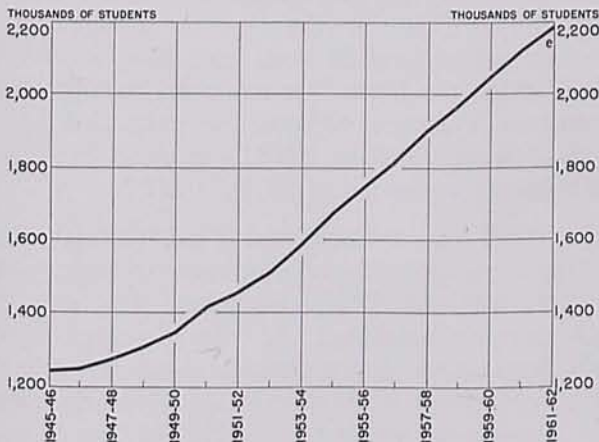
General obligation bonds accounted for about 63 percent of the total bonded debt of Texas and its agencies and political subdivisions as of December 31, 1960. Revenue bonds represented 35 percent of the total, with the remainder being combination-type tax and revenue issues. As measured by total debt outstanding at the end of 1960, revenue bond financing accounted for 43 percent of the borrowings of cities and towns and 31 percent of the debt issues of school districts. On the other hand, public senior colleges and universities used these instruments for meeting practically all of their requirements.

In the marketing of Texas municipal obligations, over 90 percent of offerings are sold through the competitive bidding process. Since almost all general obligation bonds are sold in this manner, the relatively small volume of negotiated sales is limited to revenue-type issues. The practice of selling through competitive bidding reflects a feeling among most issuers that this method yields the best price and, thus, is the least costly to the borrower.

Half a dozen or more of the larger commercial banks in the State and many of the 70-odd resident nonbank firms bid actively for new offerings of Texas municipal bonds, usually through organized groups or

PUBLIC SCHOOL ENROLLMENT

TEXAS



*-Estimated.
SOURCE: Texas Education Agency.

syndicates which are formed for this purpose. Depending upon the size and quality of the issue to be sold, bidding groups may also include or be formed by banks and nonbank dealers in New York, Chicago, and other financial centers. When bidding groups are formed locally or include major local participation, members usually organize "western" style, whereby each assumes responsibility for an agreed dollar amount of the total issue being sold. This contrasts with the "eastern" style of organization, which makes each member of the successful bidding group liable for an agreed proportion of the total amount remaining unsold.

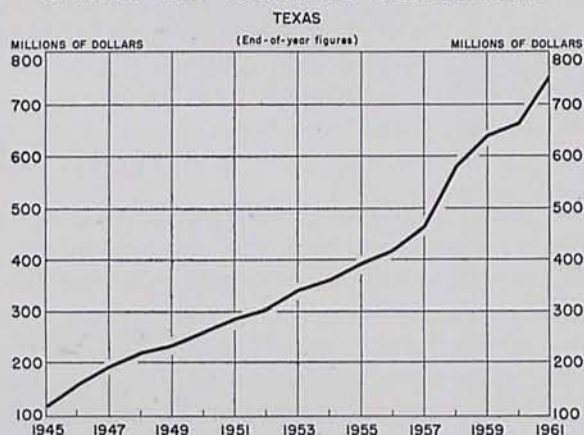
The underwriting and secondary distribution of an expanded volume of Texas municipals in recent years have led to a significant broadening in the market for these securities. Local banks and other resident dealers have played a prominent role in this development by taking a more active interest in bidding for and selling new issues and by increasing the scope of their activities in making markets for distributed issues. The competitiveness of bidding for new issues of Texas municipals is reflected by the fact that actual bids have often differed by no more than a few basis points of net interest cost. Moreover, the movement of national nonbank firms into the State has aided the dissemination of market information and facilitated a wider distribution of Texas-issued municipal securities. Since 1956, the number of nonresident securities dealers who are members of the Municipal Advisory Council of Texas has increased about one-third to a total of 61.

Interest earnings on municipal bonds, including those of Texas origin, are exempt from Federal taxes on personal and corporate incomes. For this and other reasons, such bonds are especially attractive investment holdings for many individuals, certain financial institutions, and others, both within the State and in the Nation. Thus, on June 30, 1961, individuals (including partnerships and personal trust accounts) owned an estimated 40 percent of all municipal bonds outstanding in the United States, while commercial banks and insurance companies held 26 percent and 17 percent, respectively. Other major types of owners include state and local funds; corporations, exclusive of banks and insurance companies; mutual savings banks; and miscellaneous investors, such as savings and loan associations, corporate pension trust funds, nonprofit associations, and dealers and brokers.

Although similar estimates of ownership of the issues of individual states are not available, national

data suggest that a minimum of 75 to 80 percent of Texas municipals is held by individuals, commercial banks, and insurance companies. The actual proportion is probably higher because of the special interest of certain life insurance companies in Texas issues and the limited demand of other resident and nonresident investor groups, such as corporations and mutual savings banks, for relatively small and less well known issues of local municipals. Texas law requires that 75 percent of the legal reserve for life insurance written on citizens of the State be invested in Texas securities or real estate. Insurance company interest in Texas municipals is also enhanced somewhat by the relatively large number of firms which have been chartered by the State and the greater familiarity of the locally based companies with these issues.

MEMBER BANK HOLDINGS OF OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS



Since 1945, commercial banks in Texas have added substantially to their holdings of the obligations of states and political subdivisions, including issues originating within the State. For example, member bank investments in municipal securities expanded almost sevenfold from 1945 to 1961. On June 30, 1962, total holdings amounted to \$816,710,000.

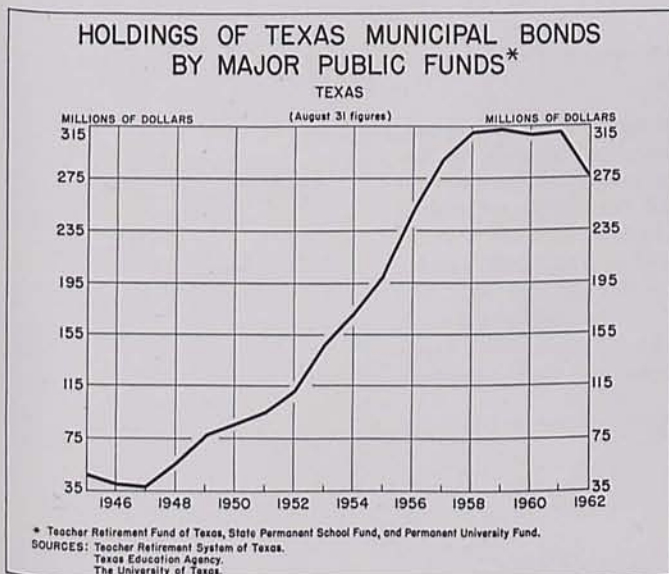
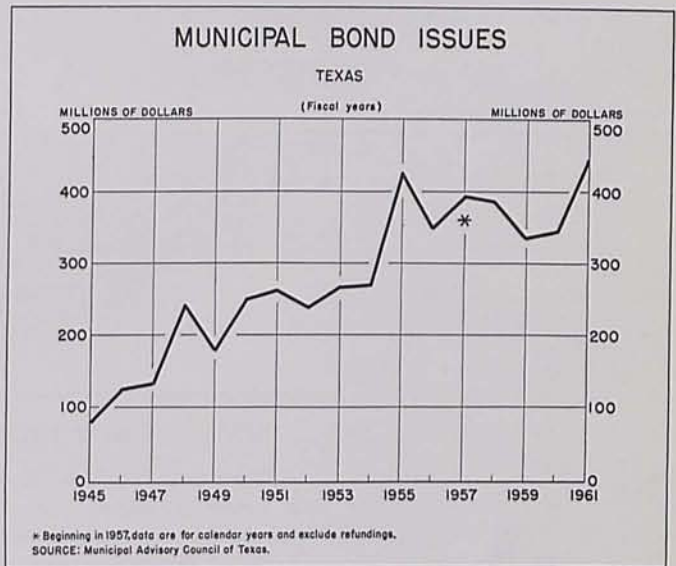
Municipal security holdings of commercial banks in Texas are weighted heavily by issues of larger cities. However, with the 1955 enactment of a state law which gives an unlimited tax base to school district bonds, banks have shown considerable interest in this type of obligation. Commercial banks usually prefer serial issues with average maturities of less than 10 years. A further stimulus to commercial bank interest

in municipal securities was created when the permissible maximum rate of interest payable on time and savings deposits was raised from 3 percent to 4 percent, effective early this year. With the additional funds for investment which were attracted by this rate adjustment and the greater needs for earnings to offset higher interest payments on such funds, banks have expanded and lengthened their municipal portfolios. Between December 31, 1961, and June 30, 1962, member banks in Texas added \$58,847,000, or about 8 percent, to their holdings of these issues.

The three major public funds in the State — the Teacher Retirement System, State Permanent School Fund, and Permanent University Fund — held a combined total of \$275,972,000 of Texas municipal securities on August 31, 1962, or about 7 percent of the estimated total bonded debt of Texas and its agencies and political subdivisions. None of these funds is permitted to purchase or hold municipal obligations except those of Texas origin, and the State Permanent School Fund is prohibited from reducing its holdings of municipal obligations through sale. Actually, the State Permanent School Fund has preemptive rights in adding to its holdings of certain new securities, inasmuch as it can obtain any Texas school district issue at the net interest cost of the highest bidder.

Special circumstances, however, have served to reduce the municipal holdings of the three funds in recent years, and these investments declined \$37,184,000 during the 3 years ended August 31, 1962. One of the major factors which has inhibited

recent new purchases of municipals by these funds is their interest, because of yield considerations, in increasing holdings of corporate bonds and common stocks — an alternative which is now available by virtue of changes in legal provisions governing the types of securities that can be acquired. Inasmuch as the tax exemption feature of municipals is of no benefit to these public funds and because of their current interest in increasing the proportion of corporate issues in their total portfolios, accruals of new money and reinvestments are being committed heavily to nonmunicipal securities.

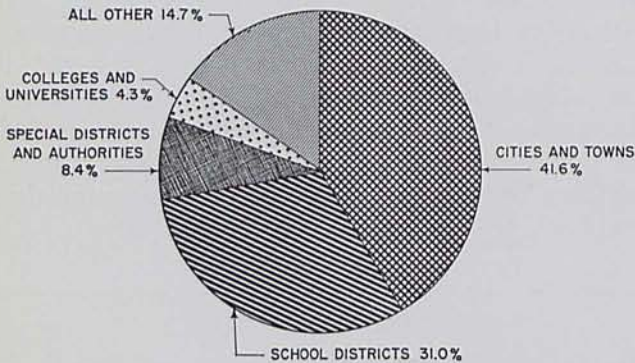


Thus far in 1962, municipal borrowings in Texas have held at a high level. For example, during the first 9 months of the year, all units of state and local government issued \$344,081,000 of debt obligations, as compared with \$332,834,000 in 1961. Cities and towns marketed about 40 percent of the 1962 offerings, while school and college districts accounted for about 30 percent. Significant advances also occurred in the sale of obligations of special districts and authorities.

Continued population growth in the State, extension of the recent sharp expansion of urban and suburban areas, and further increases in the number and relative importance of school- and college-age youth are expected to create additional heavy requirements for municipal borrowing in the future. Recent estimates indicate that the population of Texas will climb to 11.8 million by 1970 and to nearly 16.0 million by 1985. These estimates anticipate growth for cities and

BONDED DEBT OF TEXAS AND ITS AGENCIES AND POLITICAL SUBDIVISIONS

DECEMBER 31, 1960



SOURCE: Municipal Advisory Council of Texas.

towns and further losses by rural areas. The college-age population is expected to increase more than one-half during the decade of the 1960's, as compared with an advance of only 5.4 percent from 1950 to 1960.

The expanded volume of municipal securities which will be generated by these developments will add further to the total bonded debt of the State and its agencies and political subdivisions. However, because of nearly two decades of experience with issuing and marketing increasing amounts of these debt securities, municipalities and other borrowers should be in a favorable position to meet their requirements. Individuals, commercial banks, and insurance companies probably will add the major portion of the new issues to their investment portfolios.

LEONARD JAY SANTOW
Financial Economist

NEW MEMBER BANKS

The Bassett National Bank of El Paso, El Paso, Texas, a newly organized institution located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, opened for business September 27, 1962, as a member of the Federal Reserve System. The new member bank has capital of \$250,000, surplus of \$250,000, and undivided profits of \$100,000. The officers are: Mack Hiatt, Jr., President; James A. Dick, Jr., Vice President; Norman S. Stanford, Cashier; and Leonard Lidiak, Assistant Cashier.

The West Columbia National Bank, West Columbia, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business October 20, 1962, as a member of the Federal Reserve System. The new member bank has capital of \$150,000, surplus of \$150,000, and undivided profits of \$50,000. The officers are: Marcus A. Weems, Chairman of the Board; James D. Girouard, President; Ray Warren, Vice President and Cashier; and B. Simmon, Jr., Vice President.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



The Texas industrial production index reached an all-time high in September of 115 percent of the 1957-59 base. September nonagricultural employment in

the five southwestern states was fractionally above a month ago. Unemployment in Texas was reduced during the month. Construction contracts in the five states rose to a monthly record during August, and the cumulative 8-month total is an all-time high.

The District's weekly reporting member banks increased their investments and deposits but reduced their loans during the 4 weeks ended October 17. Holdings of Government securities advanced, principally because of recent Treasury financing operations.

Seasonally adjusted sales at Eleventh District department stores in September increased 6 percent over August and were 12 percent above September

1961. New car registrations in four major Texas markets in September were 34 percent below the August total but were 29 percent more than in September 1961. Cumulative registrations in the first 9 months of 1962 exceeded those in the comparable period last year by 33 percent.

In September, daily average District crude oil output rose fractionally, but both processing of crude oil and indicators of drilling operations were reduced. Refinery activity in the area expanded somewhat in early October, while fragmentary data indicate a slight decline in crude oil production.

District agricultural conditions generally were improved by October rains. Cotton production is estimated to be about the same as last year; out-turns of other important southwestern crops, except rice and sweet potatoes, are indicated to be below those in 1961. The 1963 wheat crop has made favorable growth.



Seasonally adjusted department store sales in the Eleventh Federal Reserve District in September increased 6 percent over August and were 12 percent

above a year ago. The adjusted September index was 113 percent of the 1957-59 average, compared with 107 for August and 101 for September 1961.

The unadjusted dollar volume of District department store sales in September was 10 percent below August

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	September 1962 from		9 months, 1962 from 1961
	August 1962	September 1961	
Total Eleventh District.....	-10	7	7
Corpus Christi.....	-21	-11	-4
Dallas.....	-10	5	7
El Paso.....	-7	5	8
Houston.....	-7	9	11
San Antonio.....	-11	10	10
Shreveport, La.....	-11	6	13
Waco.....	-13	7	9
Other cities.....	-13	10	8

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1957-59 = 100)

Date	SALES (Daily average)		STOCKS (End of month)	
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1961: September.....	97	101	109	103
1962: July.....	102	112	109	114
August.....	108	107	115	112
September.....	109	113	118p	111p

P — Preliminary.

but was 7 percent above September last year. The decline from August was due, in part, to the fact that September had three less trading days than the preceding month. Sales increased over September 1961, even though there was one less trading day in September 1962. However, sales showed a year-to-year decrease during the first half of October and in the 2 weeks ended October 13 were 4 percent lower than in the corresponding period last year.

BUSINESS REVIEW

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September registrations of new passenger cars in four major Texas markets rose 29 percent over September 1961 but were 34 percent below the August 1962 total. The August-September decline follows the annual pattern usually associated with model change-overs by manufacturers. For the first 9 months of this year, the four markets registered substantial gains over the same period in 1961, including 17 percent for San Antonio, 22 percent for Houston, 35 percent for Fort Worth, and 41 percent for Dallas. Cumulative registrations in the 9 months were 33 percent more than in January-September last year.



Agricultural conditions throughout a large part of the District were improved by light to heavy October rains. The precipitation boosted forage supplies and furnished growing moisture for important fall crops. As fields dried, harvesting activities moved ahead at a fast tempo.

Cotton has matured rapidly on the Texas High Plains with warm temperatures and clear skies. On the important Southern High Plains, defoliants have been applied to mature plants, and harvest is active. Gathering of the Blacklands cotton crop has made good progress between rain showers, and stalk destruction in south-central Texas is virtually complete. Cotton harvest in New Mexico has gained momentum, but progress is behind a year ago.

Cotton production in the District states, as of October 1, is placed at nearly 6.8 million bales, or 70,000 bales above the preceding month's estimate and

about the same as the 1961 crop. Compared with last year's output, decreases are reported for all of the District states except Louisiana (ranging from a fractional decline in Texas to a 9-percent reduction in Oklahoma); the Louisiana outturn is indicated to be 17 percent larger than in 1961.

Wet fields have delayed combining of late grain sorghums in the District states, and harvesting is behind last year's operations. Grain sorghum production is estimated at 238 million bushels, which is one-tenth less than the 1961 outturn. Rice harvest conditions have been favorable, and combining of the crop is almost finished. Rice production in Louisiana and Texas is placed at 31 million bags, or about one-fourth greater than last year's output.

Drilling of 1963-crop wheat in the District states is in the final stages. The crop in the Texas Plains and New Mexico has made good growth, following early-October rains. Development of oats in the Blacklands has been spurred by heavy rains. Seeding of the crop is well under way in south and south-central Texas, but soil moisture is badly needed and armyworms are a serious threat.

Hot, dry weather in the Lower Rio Grande Valley of Texas during October caused some losses of young vegetable plants. In the Winter Garden area, vegetables have made good progress, and cucumber harvest is well advanced. Digging of the east Texas sweet potato crop has been in full swing. On the High Plains, lettuce harvest has been active in the open weather, and picking of tomatoes has been under way, with most of the crop going to canneries.

Southwestern ranges generally are in fair to good condition, other than in south Texas and many Edwards Plateau counties. Armyworms have taken a heavy toll on upper coastal pastures. Except in the dry areas of the District, cattle mainly are in good to excellent condition.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	1962, estimated October 1	1961	Average 1951-60	1962, estimated October 1	1961	Average 1951-60
Cotton ²	4,775	4,786	4,050	6,775	6,762	6,111
Corn.....	28,024	31,890	35,558	39,880	48,044	56,075
Winter wheat....	43,696	84,870	38,874	121,553	205,664	118,333
Oats.....	17,329	28,998	26,256	26,015	45,182	42,614
Barley.....	3,570	10,104	4,338	22,426	42,599	20,884
Rye.....	308	391	252	1,011	1,183	1,020
Rice ³	15,801	11,452	13,456	30,899	24,963	26,179
Sorghum grain...	207,132	229,635	160,532	238,292	263,426	183,779
Flaxseed.....	190	1,610	485	190	1,610	485
Hay ⁴	2,287	2,424	1,875	6,625	7,108	5,572
Peanuts ⁵	207,940	224,960	162,238	366,100	385,865	270,951
Irish potatoes ⁶ ...	2,505	2,776	1,763	5,332	6,108	4,011
Sweet potatoes ⁶ ..	845	770	1,150	4,787	4,431	5,864
Pecans ⁷	15,000	20,000	31,470	45,200	72,250	73,168

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

²In thousands of bales.

³In thousands of bags containing 100 pounds each.

⁴In thousands of tons.

⁵In thousands of pounds.

⁶In thousands of hundredweight.

SOURCE: United States Department of Agriculture.



Loans and time and savings deposits at the Nation's weekly reporting member banks expanded during the 4 weeks ended October 10; investments and demand deposits declined. The money market reflected a relatively firm tone during the latter half of September and the first part of October, with Federal funds generally trading from 2¾ percent to 3 percent.

Activity in the Government securities market was materially influenced by the Treasury's refinancing and

NEW PAR BANK

The International Bank, Houston, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, October 11, 1962. The officers are: Irvin M. Shlenker, President; John W. Hazard, Executive Vice President; Clyde G. Godbold, Vice President; Guy D. Davidson, Vice President and Cashier; and John F. G. Kalb, Assistant Cashier and Auditor.

cash borrowing operations. Other market influences included improved confidence in the international position of the dollar, less optimistic expectations regarding the domestic economy, the announcement of Treasury plans to offer \$250 million of long-term bonds to be sold through competitive bidding, and a reduction of one-half of 1 percent in the Canadian bank rate to a level of 5 percent. On October 18, the Board of Governors of the Federal Reserve System announced that the reserve requirement on time and savings deposits would be lowered from 5 percent to 4 percent, effective October 25 for reserve city member banks and November 1 for country member banks.

Prices of intermediate- and long-term Government securities rose during the last half of September and the first part of October. The auction rate on 91-day Treasury bills declined from 2.796 percent on September 20 to 2.749 percent on October 18, while the auction rate on 182-day Treasury bills decreased from 2.962 percent to 2.843 percent during the same interval.

At the District's weekly reporting member banks, investments and deposits expanded but loans declined in the 4 weeks ended October 17. Cash accounts moved lower, while total assets increased moderately.

Gross loans (excluding interbank loans) decreased \$19.6 million, with reductions in loans for purchasing or carrying securities, loans to nonbank financial institutions, and consumer-type loans offsetting an expansion in commercial and industrial loans. The increase in business loans was due primarily to advances in loans to trade and construction concerns; a reduction in loans to firms producing durable goods was the largest offsetting factor in the commercial and industrial loan category. In the corresponding period of 1961, gross loans rose \$10.6 million, with the expansion occurring principally in commercial and industrial loans and loans to nonbank financial institutions.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Oct. 17, 1962	Sept. 19, 1962	Oct. 18, 1961
ASSETS			
Commercial and industrial loans.....	1,781,016	1,769,694	1,706,158
Agricultural loans.....	46,414	44,368	38,977
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	7,013	23,274	274
Other securities.....	43,909	47,811	63,753
Other loans for purchasing or carrying:			
U. S. Government securities.....	2,019	2,588	3,198
Other securities.....	178,207	176,815	161,973
Loans to domestic commercial banks.....	79,880	71,980	43,736
Loans to foreign banks.....	123	94	127
Loans to other financial institutions:			
Sales finance, personal finance, etc.....	88,281	95,289	90,728
Savings banks, mtge. cos., ins. cos., etc.....	201,162	202,086	163,582
Real-estate loans.....	275,923	274,416	235,355
All other loans.....	834,998	842,195	721,104
Gross loans.....	3,538,945	3,550,610	3,228,965
Less reserves and unallocated charge-offs..	61,668	61,649	54,594
Net loans.....	3,477,277	3,488,961	3,174,371
Treasury bills.....	242,136	134,987	185,209
Treasury certificates of indebtedness.....	92,137	105,436	55,563
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	230,890	274,800	243,060
After 1 but within 5 years.....	583,478	551,803	689,343
After 5 years.....	510,378	483,131	427,769
Other securities.....	510,039	479,348	413,534
Total investments.....	2,169,058	2,029,505	2,014,478
Cash items in process of collection.....	625,248	604,120	541,806
Balances with banks in the United States.....	473,967	534,588	495,239
Balances with banks in foreign countries.....	2,256	2,033	2,133
Currency and coin.....	59,440	63,404	58,331
Reserves with Federal Reserve Bank.....	598,647	598,165	591,512
Other assets.....	202,278	200,947	192,603
TOTAL ASSETS.....	7,608,171	7,521,723	7,070,473
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations....	3,107,585	3,101,352	3,025,055
Foreign governments and official institutions, central banks, and international institutions..	2,726	4,345	4,091
United States Government.....	249,531	159,308	237,718
States and political subdivisions.....	222,227	202,090	162,259
Banks in the United States, including mutual savings banks.....	1,146,141	1,167,820	1,134,769
Banks in foreign countries.....	13,563	13,089	13,007
Certified and officers' checks, etc.....	42,429	54,294	45,581
Total demand deposits.....	4,784,202	4,702,298	4,622,480
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits.....	970,471	959,379	789,518
Other time deposits.....	724,337	711,216	565,281
Foreign governments and official institutions, central banks, and international institutions..	2,508	2,510	1,008
U. S. Government, including postal savings...	6,652	6,652	7,077
States and political subdivisions.....	264,041	272,377	287,654
Banks in the United States, including mutual savings banks.....	5,083	5,973	6,369
Banks in foreign countries.....	2,350	2,350	1,200
Total time and savings deposits.....	1,975,442	1,960,457	1,658,107
Total deposits.....	6,759,644	6,662,755	6,280,587
Bills payable, rediscounts, etc.....	96,740	117,406	94,000
All other liabilities.....	107,197	102,251	95,395
Capital accounts.....	644,590	639,311	600,491
TOTAL LIABILITIES AND CAPITAL ACCOUNTS..	7,608,171	7,521,723	7,070,473

Total investments at the District's weekly reporting member banks increased \$139.5 million during the 4-week period ended October 17. Government security holdings climbed \$108.9 million, as large increases occurred in holdings of Treasury bills and of Govern-

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Oct. 3, 1962	5 weeks ended Sept. 5, 1962	4 weeks ended Oct. 4, 1961
RESERVE CITY BANKS			
Total reserves held.....	605,081	596,359	580,083
With Federal Reserve Bank...	561,281	553,823	538,679
Currency and coin.....	43,800	42,536	41,404
Required reserves.....	599,856	591,314	574,031
Excess reserves.....	5,225	5,045	6,052
Borrowings.....	1,215	200	107
Free reserves.....	4,010	4,845	5,945
COUNTRY BANKS			
Total reserves held.....	537,576	534,861	518,893
With Federal Reserve Bank...	426,414	427,833	412,896
Currency and coin.....	111,162	107,028	105,997
Required reserves.....	478,385	472,467	452,237
Excess reserves.....	59,191	62,394	66,656
Borrowings.....	6,624	7,200	1,134
Free reserves.....	52,567	55,194	65,522
ALL MEMBER BANKS			
Total reserves held.....	1,142,657	1,131,220	1,098,976
With Federal Reserve Bank...	987,695	981,656	951,575
Currency and coin.....	154,962	149,564	147,401
Required reserves.....	1,078,241	1,063,781	1,026,268
Excess reserves.....	64,416	67,439	72,708
Borrowings.....	7,839	7,400	1,241
Free reserves.....	56,577	60,039	71,467

ment notes and bonds due after 5 years. These gains reflected, in part, the Treasury's recent advance refunding operation and its sale of 1-year bills and Tax Anticipation bills, the latter offering generating considerable District bank interest because of the 100-percent tax and loan feature. Non-Government security holdings, mostly in the municipal bond category, rose \$30.7 million during the 4 weeks. In the comparable period last year, total investments advanced significantly because of an increase in holdings of Government securities.

Total demand deposits moved upward \$81.9 million at the District's weekly reporting member banks in the 4 weeks ended October 17; the gain was largely accounted for by an expansion in demand deposits of the United States Government. Time and savings deposits climbed \$15.0 million, with deposits of individuals, partnerships, and corporations weighing heavily in the increase. During the corresponding period in 1961, demand deposits and time and savings deposits also moved to higher levels.

Total reserves at District member banks advanced moderately during the 4 weeks ended October 3. Excess reserves moved slightly lower, while borrowings from the Federal Reserve Bank were about unchanged.



District crude oil production in September, at 2,950,600 barrels daily, was fractionally above a month earlier and moderately above a year ago. Fragmentary data indicate that District output declined in early

October, but an increase in daily average production is expected during the shorter month of November. Louisiana has retained its September-October allowables for the November-December period, and the Texas 8-day pattern, in effect for the prior 9 months, has been continued. The top unit oil allowable for southeastern New Mexico has been increased from 35 barrels daily in October to 37 barrels daily in November, principally to offset a production decrease.

Processing of crude oil in the District declined 5 percent in September, following a moderate rise in August. Refinery activity in early October expanded somewhat from the reduced level during the latter part of September. Indicators of District drilling activity weakened significantly in September. Both the number of wells completed and total footage drilled in the area declined one-fifth from a month earlier and were somewhat below a year ago. The number of rotary rigs active in the District decreased slightly during the month and was 10 percent below September 1961.

New supplies of crude oil in the Nation were reduced fractionally during September, as a moderate decline in crude oil imports offset a 1-percent increase in domestic production. Refinery operations in the Nation weakened slightly during the month; and at the end of September, national crude oil stocks, totaling about 248 million barrels, were 2 percent above a month earlier. Early-October trends indicate a slight increase in crude oil supplies but a reduction in crude oil demand; stocks at midmonth were moderately above the mid-September level.

The seasonally adjusted index of demand for the four major refined products rose 1 point in September

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	September 1962p	August 1962p	September 1961
CRUDE OIL RUNS TO REFINERY STILLs			
(daily average).....	108	105	103
DEMAND (daily average)			
Gasoline.....	107	109	106
Kerosene.....	165	143	132
Distillate fuel oil.....	114	109	104
Residual fuel oil.....	96	94	97
Four refined products.....	108	107	105
STOCKS (end of month)			
Gasoline.....	107	103	105
Kerosene.....	113	116	112
Distillate fuel oil.....	104	106	101
Residual fuel oil.....	87	90	81
Four refined products.....	104	103	100

p — Preliminary.

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

to 108 percent of the 1957-59 base, as a slight decline in gasoline demand was more than offset by advances in light and heavy fuel oil usage. Seasonally adjusted stocks of the four products expanded fractionally during the month, with the accumulation of gasoline inventories more than compensating for declines in stocks of the other major products.

Unusually cool weather in late September provided a good beginning for the heating oil markets. Kerosene and distillate fuel oil prices strengthened, especially in the Middle West. Somewhat milder weather over much of the Nation in early October, however, failed to supply continued stimulus for heating oil demand, but prices generally were sustained. Gasoline demand rose contraseasonally in early October, but there was some easing in gasoline prices from the firm position held in late September.



The Texas industrial production index rose 2 points in September to an all-time high of 115 percent of the 1957-59 average. The gain was centered in durable goods manufacturing, although nondurable goods manufacturing and mining expanded slightly. Within the major index components, significant month-to-month increases were shown in the output of primary and fabricated metals, furniture and fixtures, and metal, stone, and earth minerals; on the other hand, production in the transportation equipment and printing and publishing industries declined. These were the only industries in which output was reduced, and, in both cases, the decreases were only fractional. Compared with the hurricane-affected figures of a year ago, the index was 11 percent higher.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Sept. 1962 from	
	September 1962e	August 1962	September 1961r	Aug. 1962	Sept. 1961
Total nonagricultural					
wage and salary workers..	4,563,700	4,547,500	4,480,400	0.4	1.9
Manufacturing	792,400	797,200	774,800	-6	2.3
Nonmanufacturing	3,771,300	3,750,300	3,705,600	.6	1.8
Mining	240,300	241,800	243,300	-6	-1.2
Construction	300,700	306,000	299,600	-1.7	.4
Transportation and public utilities.....	388,700	389,100	379,600	-1	2.4
Trade.....	1,094,000	1,092,700	1,088,200	.1	.5
Finance.....	231,100	232,100	223,900	-4	3.2
Service.....	624,800	624,700	603,400	.0	3.5
Government.....	891,700	863,900	867,600	3.2	2.8

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

e — Estimated.

r — Revised.

SOURCES: State employment agencies.

Federal Reserve Bank of Dallas.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes)

Area and type of index	September 1962p	August 1962	July 1962	September 1961
TEXAS (1957-59 = 100)				
Total industrial production.....	115	113	113	104
Manufacturing.....	127	123	123	110
Durable.....	122	117	118	107
Nondurable.....	130	127	127r	113
Mining.....	101	100	101	95
UNITED STATES (1957 = 100)				
Total industrial production.....	119	119	119	111
Manufacturing.....	119	119	119	111
Durable.....	115	115	115	105
Nondurable.....	125	124	125	119
Mining.....	102	102	102	97
Utilities.....	143	143	144	135

p — Preliminary.

r — Revised.

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

Totaling 4,563,700 in September, nonagricultural employment in the five southwestern states was fractionally above the month-earlier level. Government employment rose 3 percent during the month, but the number of construction workers declined slightly. Employment in the other categories showed only minor changes. Total nonagricultural employment was 2 percent higher than a year ago, as gains were recorded in all employment categories except mining. Unemployment in Texas was reduced to an estimated total of 155,400 persons in September, or 4.3 percent of the civilian labor force — compared with 4.7 percent in August and 5.2 percent a year ago.

The value of construction contracts in the five southwestern states advanced during August to \$404 million — a record for the month — and was 20 percent above the disappointing July level. Residential building was virtually unchanged from a month ago, but significant gains were registered in nonresidential building and public works and utilities construction. The cumulative 8-month total of \$2,963 million is an all-time high, with increases over the like 1961 period being registered by all three major types of construction.

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	August 1962p	July 1962	August 1961	January—August	
				1962p	1961
FIVE SOUTHWESTERN STATES ¹	404	338	355	2,963	2,769
Residential building.....	170	170	161	1,289	1,129
Nonresidential building...	128	84	98	903	873
Public works and utilities...	105	84	96	771	768
UNITED STATES.....	3,631	3,747	3,543	28,381	25,248
Residential building.....	1,651	1,623	1,589	12,430	10,844
Nonresidential building...	1,177	1,197	1,087	8,999	8,205
Public works and utilities...	802	926	866	6,952	6,198

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

p — Preliminary.

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

SOURCE: F. W. Dodge Corporation.

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			
	September 1962	Percent change from		Sept. 30, 1962	Annual rate of turnover		
		Aug. 1962	Sept. 1961		Sept. 1962	Aug. 1962	Sept. 1961
ARIZONA							
Tucson.....	\$ 311,831	-17	29	\$ 148,434	25.2	30.0	21.5
LOUISIANA							
Monroe.....	80,899	-19	-6	51,107	19.7	23.6	21.1
Shreveport.....	284,086	-12	-9	171,046	20.2	22.0	21.8
NEW MEXICO							
Roswell.....	50,049	-15	7	37,673	15.7	18.5	16.2
TEXAS							
Abilene.....	95,797	-10	3	74,496	15.7	17.6	16.6
Amarillo.....	208,017	-10	-2	118,368	21.4	23.6	21.8
Austin.....	256,974	-14	15	151,184	20.8	23.0	17.6
Beaumont.....	165,555	-3	1	102,247	19.7	20.5	20.2
Corpus Christi.....	194,950	-9	0	109,882	21.5	23.5	21.2
Corsicana.....	19,322	8	6	19,663	11.8	10.9	11.4
Dallas.....	2,910,847	-15	2	1,295,911	27.1	31.6	29.0
El Paso.....	311,012	-8	-1	181,202	21.1	23.2	22.6
Fort Worth.....	749,509	-13	-2	388,266	23.2	26.2	24.0
Galveston.....	88,547	-8	10	61,576	17.0	18.4	16.2
Houston.....	2,853,891	-10	10	1,447,678	24.1	27.2	23.5
Laredo.....	35,812	-9	33	25,257	16.4	17.8	15.0
Lubbock.....	177,471	-5	0	114,760	18.5	19.0	19.6
Port Arthur.....	60,654	-7	-3	42,748	16.9	17.8	17.2
San Angelo.....	53,954	-7	-2	47,589	13.6	14.5	13.7
San Antonio.....	645,873	-10	7	405,218	19.1	21.0	18.8
Texarkana.....	24,981	-14	6	22,087	15.2	20.2	17.0
Tyler.....	86,100	-14	4	62,902	16.6	19.1	16.3
Waco.....	119,156	-1	6	70,519	20.2	20.6	19.8
Wichita Falls.....	103,576	-14	-8	94,636	13.2	15.2	13.3
Total—24 cities.....	\$9,888,863	-12	4	\$5,244,449	22.8	25.8	23.0

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 \$55,203,000 for the month of September 1962.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Oct. 17, 1962	Sept. 19, 1962	Oct. 18, 1961
Total gold certificate reserves.....	622,297	626,798	706,358
Discounts for member banks.....	8,355	7,635	1,240
Other discounts and advances.....	596	596	116
U. S. Government securities.....	1,221,147	1,199,932	1,136,585
Total earning assets.....	1,230,098	1,208,163	1,137,941
Member bank reserve deposits.....	977,229	968,298	966,562
Federal Reserve notes in actual circulation.....	874,893	874,180	851,669

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	September 1962p	August 1962p	Percent change from		
			September 1961	August 1962	September 1961
ELEVENTH DISTRICT.....	2,950.6	2,928.3	2,851.8	0.8	3.5
Texas.....	2,541.1	2,531.5	2,460.0	.4	3.3
Gulf Coast.....	476.3	476.3	440.6	.0	8.1
West Texas.....	1,130.0	1,133.0	1,142.4	-.3	-1.1
East Texas (proper).....	116.8	119.3	120.6	-2.1	-3.2
Panhandle.....	104.3	104.3	103.3	.0	1.0
Rest of State.....	713.7	698.6	653.1	2.2	9.3
Southeastern New Mexico.....	269.1	265.9	264.1	1.2	1.9
Northern Louisiana.....	140.4	130.9	127.7	7.3	9.9
OUTSIDE ELEVENTH DISTRICT.....	4,390.2	4,348.5	4,143.1	1.0	6.0
UNITED STATES.....	7,340.8	7,276.8	6,994.9	.9	4.9

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	Sept. 26, 1962	Aug. 29, 1962	Sept. 27, 1961
ASSETS			
Loans and discounts.....	5,823	5,732	5,388
United States Government obligations.....	2,860	2,845	2,994
Other securities.....	1,088	1,055	1,022
Reserves with Federal Reserve Bank.....	906	915	894
Cash in vault.....	173	172	172
Balances with banks in the United States.....	1,146	1,073	1,150
Balances with banks in foreign countries.....	4	2	3
Cash items in process of collection.....	656	543	574
Other assets.....	318	269	303
TOTAL ASSETS.....	12,974	12,606	12,500
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,347	1,224	1,274
Other demand deposits.....	6,931	6,771	7,048
Time deposits.....	3,378	3,321	2,871
Total deposits.....	11,656	11,316	11,193
Borrowings.....	73	59	97
Other liabilities.....	144	133	150
Total capital accounts.....	1,101	1,098	1,060
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	12,974	12,606	12,500

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: September.....	7,577	3,814	3,763	2,317	1,170	1,147
1961: September.....	7,889	3,910	3,979	2,787	1,404	1,383
1962: May.....	7,973	3,923	4,050	3,266	1,654	1,612
June.....	8,144	4,062	4,082	3,267	1,651	1,616
July.....	8,111	4,032	4,079	3,291	1,638	1,653
August.....	8,021	3,967	4,054	3,538	1,646	1,892
September.....	8,194	4,096	4,098	3,357	1,666	1,691

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percent change		
	Sept. 1962	9 mos. 1962	Sept. 1962	9 mos. 1962	Sept. 1962 from 1961	9 months, 1962 from 1961	
ARIZONA							
Tucson.....	533	6,901	\$ 1,860	\$ 31,717	-6	-26	-12
LOUISIANA							
Shreveport.....	279	2,685	2,603	16,333	14	116	-41
TEXAS							
Abilene.....	121	1,229	1,333	16,206	-9	43	32
Amarillo.....	247	2,555	2,280	27,621	-12	-38	-17
Austin.....	308	3,155	5,077	48,266	9	31	9
Beaumont.....	285	2,811	848	12,892	-52	-11	18
Corpus Christi.....	213	2,691	2,927	16,991	59	201	-16
Dallas.....	2,102	22,213	15,654	192,655	2	25	23
El Paso.....	313	4,269	1,417	32,138	-40	-75	-40
Fort Worth.....	658	5,957	2,095	34,098	-21	-48	-19
Galveston.....	173	1,902	543	17,320	-42	121	283
Houston.....	1,477	22,120	22,654	263,124	-26	42	35
Lubbock.....	149	2,153	4,329	31,694	13	34	-3
Midland.....	79	1,007	1,352	13,035	63	1	16
Odessa.....	75	769	366	7,640	-63	-64	-24
Port Arthur.....	122	1,369	471	5,124	-72	-7	-16
San Antonio.....	1,193	11,930	5,572	48,691	47	9	19
Waco.....	250	2,077	865	11,573	-26	8	-2
Wichita Falls.....	115	1,189	643	8,903	37	-50	-48
Total—19 cities.....	8,692	98,982	\$72,889	\$836,021	-10	11	9