business review

february 1963

FEDERAL RESERVE
BANK OF DALLAS

contents

the president's tax proposals and the federal budget

In January the President of the United States submitted to the Congress important proposals relating to spending and taxes. Changes in the tax structure which are proposed by the President would affect the future levels of disposable consumer income and after-tax business profits. In addition, a change in the tax system would have an important impact on Government tax receipts.

the tax proposals

Under the President's tax program, the tax rates on the incomes of individuals would be reduced in three steps from the current range of 20 to 91 percent to a new range of 14 to 65 percent. The three-stage reduction would become fully effective at the beginning of calendar year 1965. A new low-level bracket, taxed at the 14-percent rate, would be established for single persons having taxable income of $1,000 or less and for married couples filing joint returns on taxable income of $2,000 or less.

Certain reforms relative to income taxes on individuals also are suggested. To arrive at his taxable income, a taxpayer currently may deduct from his adjusted gross income (within certain limitations) such itemized outlays as medical payments, contributions, state and local taxes, and interest payments, as well as $600 for himself and each of his dependents.

As an alternative to itemizing expenses, a taxpayer may take a standard 10-percent deduction from his adjusted gross income up to a maximum of $1,000. The President's new program would permit a taxpayer to continue itemizing his deductible expenses as in the past but would require that the total of all itemized expenses be reduced by 5 percent of his adjusted gross income. The $600 deduction for a taxpayer and each of his dependents would be retained.

The new structure would establish a minimum deduction— $300 for a single person or married couple and an additional $100 for each dependent — that one could automatically claim. Such a deduction would be allowed regardless of the level of adjusted gross income. Currently, if a taxpayer without dependents has deductible expenses of less than 10 percent of his adjusted gross income and such income is, for example, $2,000, his total deduction would be $200. Under the new plan, the taxpayer could deduct the minimum $300. The maximum amount a taxpayer could deduct from his income by means of the standard 10-percent allowance would remain at $1,000. Other income tax changes affecting individuals relate, in part, to modifications of deductions for medical expenses, sick pay, casualty losses, and child care.

Currently, the first $25,000 of taxable corporate income is taxed at 30 percent, and earnings of more than $25,000 are taxed at a rate of 52 percent. The President proposes that the tax rate on corporate earnings of $25,000 or less be reduced immediately from 30 percent to 22 percent. For calendar year 1963, the 52-percent rate would continue to apply to earnings over $25,000. During calendar year 1964, however, a rate of 50 percent would be applied to earnings in excess of $25,000. In 1965, this rate would be reduced to 47 percent. In addition, the tax payments of larger corporations would be placed on a more current basis beginning in 1964 so that, within a 5-year transitional period, such corporations would be paying taxes on as current a basis as individuals.

Taxes on production of oil and gas are obviously of particular importance to the southwestern economy. The President's plan calls for higher taxes without a reduction in the percentage depletion allowance. At the present time, a producer may deduct 27.5 percent of gross income from a given property, provided this amount does not exceed 50 percent of his net income from that property. A proposal to change the basis for computing net income would provide a large portion of an estimated $280 million in additional annual tax payments by the petroleum industry. The major change in the proposed tax computation for income from oil and gas properties would involve a subtraction of drilling and developmental costs from net income, which, in effect, reduces the maximum dollar depletion allowance a producer can claim. Currently, the net income computation does not require such a reduction.

The capital gains tax on profits from sales of such items as securities and houses would be taxed at a range of 4.2 to 19.5 percent, instead of the current 10.0 to 25.0 percent. Presently, property must be held at least 6 months prior to sale to qualify for capital gains treatment. The President's plan would extend the minimum holding period to 1 year.

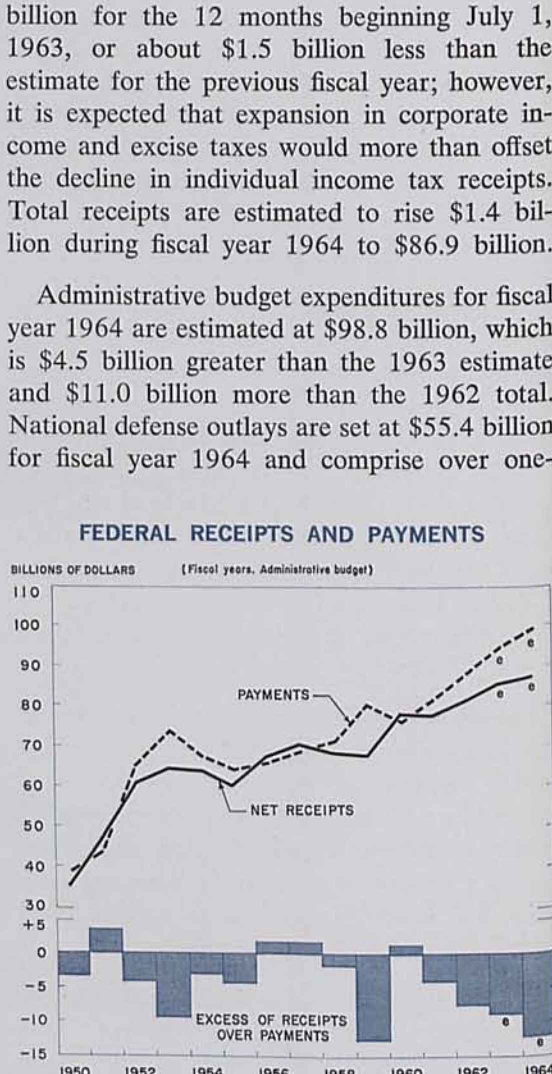
The net effect of the changes in the tax laws, according to the President, would be "... a cut in tax liabilities of $13.6 billion — $11 billion for individuals and $2.6 billion for corporations. Other adjustments, some of which lose and some of which gain revenue, would, on balance, produce a revenue gain of $3.4 billion, leaving a net reduction of $10.2 billion."

the 1964 federal budget

An administrative budget deficit of $6.4 billion was recorded during fiscal year 1962, and an $8.8 billion deficit is estimated for 1963. According to the President's Budget Message, Federal payments for fiscal year 1964 would exceed receipts by $11.9 billion. Over one-half of the budgeted receipts — under the proposed tax system — for fiscal year 1964 would come from individual income taxes. Individual income taxes are estimated at $45.8 billion for the 12 months beginning July 1, 1963, or about $1.5 billion less than the estimate for the previous fiscal year; however, it is expected that expansion in corporate income and excise taxes would more than offset the decline in individual income tax receipts. Total receipts are estimated to rise $1.4 billion during fiscal year 1964 to $86.9 billion.

Administrative budget expenditures for fiscal year 1964 are estimated at $98.8 billion, which is $4.5 billion greater than the 1963 estimate and $11.0 billion more than the 1962 total. National defense outlays are set at $55.4 billion for fiscal year 1964 and comprise over one-

FEDERAL RECEIPTS AND PAYMENTS



e-Estimated.
SOURCE: The Budget of the United States Government, 1964.

SUMMARY OF FEDERAL RECEIPTS AND PAYMENTS

(Fiscal years. In billions)

Description	1962 actual	1963 estimate	1964 estimate
FEDERAL RECEIPTS			
Administrative budget receipts	$ 81.4	$ 85.5	$ 86.9
Trust fund receipts	24.3	26.9	29.5
Deduct: Intragovernmental transactions	3.8	3.9	4.2
Total cash receipts from the public	101.9	108.4	112.2
Add: Adjustment from cash to accrual basis	2.5	1.4	—0.1
Deduct: Receipts from loans, property sales, and other adjustments	0.4	1.0	0.7
National income account receipts—Federal sector	104.0	108.8	111.4
FEDERAL PAYMENTS			
Administrative budget expenditures	87.8	94.3	98.8
Trust fund expenditures (including Government-sponsored enterprises)	25.2	27.3	28.4
Deduct: Intragovernmental transactions and other adjustments	5.3	4.8	4.7
Total cash payments to the public	107.7	116.8	122.5
Add: Adjustment from cash to accrual basis	0.9	0.3	—0.1
Deduct: Disbursements for loans, land purchases, and other adjustments	2.9	3.9	3.4
National income account expenditures—Federal sector	105.7	113.2	119.0
EXCESS OF RECEIPTS (+) OR PAYMENTS (—)			
Administrative budget	—6.4	—8.8	—11.9
Receipts from and payments to the public	—5.8	—8.3	—10.3
National income accounts—Federal sector	—1.7	—4.3	—7.6

NOTE.—Receipts, including those on a national income account basis, reflect retroactively to January 1, 1962, revenue losses occasioned by both the Revenue Act of 1962 and the 1962 administrative depreciation reform. To this extent, receipts shown for fiscal 1962 differ from those published to date by the Department of Commerce in the national income accounts.

SOURCE: *The Budget of the United States Government, 1964.*

half of proposed total Federal outlays. Certain national defense projects receive special note in the Budget Message. According to the President, additional land-based Minuteman missiles will be acquired during fiscal year 1964; six more Polaris submarines will be added to the existing fleet; and the antibomber defense system and the ballistic missile warning systems will be strengthened. More powerful and flexible conventional forces are mentioned, as is an expansion of the civil defense fallout shelter program. The President also states that soon he will submit to Congress his proposal for a general military pay increase.

Proposed space and space-related activities show an increase of $1.8 billion for fiscal year 1964 and are estimated to reach a total of $4.2 billion. Funds are proposed for the continued development of the Apollo spacecraft and the Saturn launch vehicle for use in lunar exploration.

In the Budget Message, it is estimated that interest on the public debt will increase from $9.8 billion in fiscal year 1963 to $10.1 billion in fiscal year 1964. Outlays for international affairs and agriculture, however, are estimated to decrease somewhat from fiscal year 1963. The President recommends a program which would provide over $1 billion for the countries participating in the Alliance for Progress program through the Agency for International Development, the Inter-American Development Bank, the Export-Import Bank, and the Food for Peace program. The President indicates that he will propose legislation to extend the operations of the Export-Import Bank for an additional 5 years and to increase the Bank's resources.

In the administrative budget, Federal payments for agricultural programs are set at $5.7 billion for fiscal year 1964, or $1.0 billion below the 1963 level. An anticipated increase in cotton sales by the Commodity Credit Corporation would be partly responsible for the reduction. Among other recommendations of the President are provisions for water resources development, a new program specifically aimed at stimulating innovation in civilian industrial technology through research, and continuation of the development and rehabilitation of urban areas.

Certain of the funds necessary to finance the administrative budget outlays for fiscal year 1964, amounting to $11.8 billion, do not require current congressional action. However, the President has requested authorization by Congress for funds totaling $96.1 billion. Thus, new obligational authority for administrative budget funds totals $107.9 billion for fiscal year 1964, compared with $103.2 billion for the previous fiscal year.

If both receipts and payments estimates on which the budget are based materialize, the public debt would expand about $12.0 billion during fiscal year 1964 to a level of $315.6 billion. Under the present law, the debt is temporarily limited to $308 billion. This limit declines to $305 billion on April 1 and to $300 billion on June 25. After June 30, 1963, the permanent debt ceiling of $285 billion will again become effective. The President indicates that he will request an increase in the ceiling for fiscal year 1964 to meet the financial needs of the Federal Government.

SANFORD R. SINGER
General Economist

time and savings deposit growth during 1962

Time and savings deposits at commercial banks in the Nation increased approximately 20 percent during 1962 and reached a record level of $98 billion. Although the rate of advance was paced by banks in major financial centers, the greater part of the total dollar gain occurred at country banks. In the Eleventh District, member banks reported growth in time and savings deposits at a rate somewhat in excess of that for the Nation.

The sharp increase in time and savings deposits during 1962 stemmed from a number of factors. Perhaps the most stimulative was the change in regulation Q which *permitted* member banks to pay a maximum of 4 percent on time and savings accounts held for 12 months or more. The rate increases following this change attracted personal and other savings which were held in demand deposit accounts, short-term Government securities, and other money market instruments, as well as substantial new accruals of savings funds. The higher rates also attracted funds from other savings institutions.

During the first quarter of 1962, demand deposits at commercial banks declined somewhat more than seasonally. This development reflected, in part, transfers of funds from demand deposits to savings-type accounts. Businesses — which are usually more responsive to interest rate changes than individual savers — actively moved funds into time accounts. Notable transfers of deposits by both corporations and individuals occurred at the larger banks in major financial centers in the Nation.

Some additional growth in time and savings accounts was stimulated by the suspension in October 1962 of regulation Q with respect to certain foreign deposits. This change suspended rate ceilings on time and savings accounts held by foreign governments, foreign monetary and financial authorities, and certain international financial institutions.

Changes in regulation Q improved the competitive position of earnings on savings-type deposits at commercial banks in comparison with yields on funds placed in short-term Government securities and other money market instruments. Businesses channeled growing proportions of liquid assets into time accounts in order to take advantage of favorable rates of return and to avoid the risks of market price fluctuations. For firms that desired marketable investments, negotiable time certificates of deposit were generally available in major financial centers. These negotiable deposits were often used as temporary outlets for liquid assets to be used in normal business activities, as interim investments pending development of improved prospects for longer-term investments, or for quick profits realized by sale of certificates in the secondary market. Negotiable time certificates of deposit outstanding rose significantly during 1962, with those issued by money market banks in New York and Chicago increasing over $1 billion to a level of approximately $3 billion.

Transfers of funds from savings and loan associations and mutual savings banks to time and savings accounts at commercial banks were not of substantial proportions during 1962. Individuals apparently were reluctant to shift savings funds from these institutions to commercial banks since rate differentials were generally small and mostly unfavorable to commercial banks. Nevertheless, a significant share of newly saved funds was channeled to commercial banks, rather than competitive outlets, as preferences for bank deposits often appeared where rate differentials were small and savings ties with competitive institutions were weak or nonexistent. The slackened rate of inflow of funds at savings and loan associations during 1962 (especially during the early part of the year) was due partly to increased competitive pressures exerted by commercial banks for new savings.

Commercial banks and savings and loan associations also experienced notable deposit competition within their respective spheres. Intra-industry competition for funds often appeared more intensive than rivalries among different types of savings institutions. Nonrate considerations — such as traditionally followed savings policies, customer convenience, adequacy and attractiveness of operating facilities, and the breadth, quality, and dependability of services— often outweighed small rate differentials in attracting funds.

The sizable liquidation of equity investments, primarily common stock holdings, by individual and institutional investors during the first half of 1962 also had an impact upon the growth of time and savings accounts. Some sellers of stock placed the proceeds in savings-type accounts mainly as a temporary haven for funds, rather than for preservation of principal and stability of income. If renewed confidence in the stock market, improved investment opportunities, and a resumption of inflationary pressures should occur, a return flow of such savings funds to equity investments could develop.

Continued growth in disposable personal income during 1962 and a relatively high propensity to save provided additional impetus to the time and savings deposit inflow at commercial banks. Consumers gave evidence of conservatism in buying habits as international crises, bearish stock market tendencies, and the failure of economic growth to attain expected levels limited consumption expenditures. It is probable that a sizable share of funds saved during 1962 represented additions to precautionary balances. The consumer's propensity to save appeared little influenced by regulation Q revisions, but the allocation of new accruals of funds among savings institutions was noticeably affected by the changes.

The reduction of reserve requirements on time and savings deposits from 5 percent to 4 percent in October 1962 increased the potential of member banks to expand loans and investments. The additional income derived from new earning assets facilitated coverage of rising deposit costs.

Time and savings deposits at District member banks increased approximately 25 percent during 1962, attaining a level of about \$3.5 billion. Country banks attracted a larger proportion of new savings than reserve city banks, despite nominal deposit rate increases by many of the former. Country member banks held 49 percent of District member bank time and savings accounts at the beginning of 1962 and 51 percent by the close of the year. The growth in savings-type deposits at reserve city banks was substantial, but a midyear withdrawal of funds limited the advance. The rise in time and savings deposits at country banks apparently included only a moderate shifting of funds from demand to time and savings accounts, but reserve city banks showed notable transfers.

LEONARD JAY SANTOW
Financial Economist

the crude oil import program

In the years immediately following World War II, the demand for petroleum products expanded appreciably. Motor fuel consumption was stimulated by the increased number of automobiles, the more powerful car engines, and the more extensive use of automobiles. Railroads began their conversion from coal to diesel fuel, and consumption of aviation fuel and heating and industrial oils grew significantly.

To meet the increasing requirements for petroleum products in the early 1950's, expanded domestic production of crude oil was augmented by an increasing inflow of foreign-produced crude. During the 1950-54 period, crude oil output in the Nation rose at an average rate of almost 4 percent annually, and imports expanded 9 percent per year.

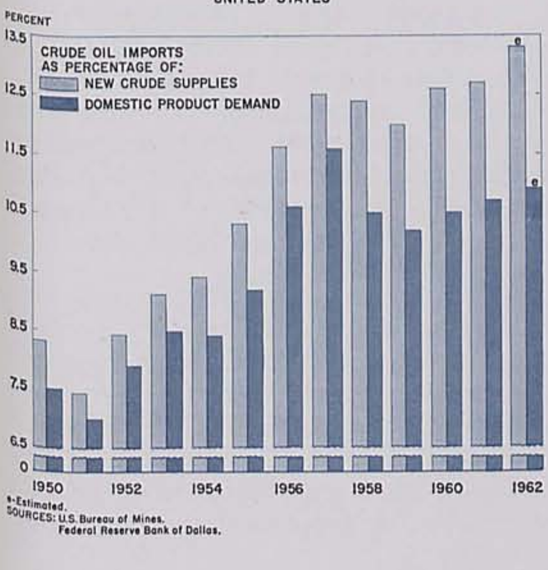
Rapidly rising imports in the mid-1950's evoked concern about the impact of this inflow on the domestic producing industry. Since crude oil output in Louisiana, New Mexico, Oklahoma, and Texas has accounted for about two-thirds of total domestic production in recent years, the level of crude oil imports is especially meaningful to these oil-producing states of the Southwest.

A Cabinet Committee on Energy Supplies and Resources, composed of the Director of the Office of Defense Mobilization and several Cabinet members, was established in 1954 to assess the effect of the rising level of crude oil imports on the domestic petroleum industry, commensurate with national security needs. The Committee report advocated that importers voluntarily adjust their inflow of crude oil into the United States to a level which would maintain their 1954 ratio of imports to domestic production.

The overall legislative framework for the establishment of import barriers to avoid the impairment of national security was established in the Trade Agreements Extension Acts of 1954 and 1955. In 1954, Congress stipulated that no action should be taken to effect a tariff reduction which would be detrimental to national defense. In the 1955 act, Congress stipulated that, if an article were being imported into the United States in quantities which might impair national security, the President should take any action necessary to adjust the import level appropriately in order to eliminate this threat. The Office of Defense Mobilization was given the power to investigate particular situations that might be injurious. Acting under the newly acquired authority, the Director of the Office of Defense Mobilization requested that importers of crude oil voluntarily restrict their incoming shipments.

CRUDE OIL IMPORTS RELATED TO NEW SUPPLIES AND PRODUCT DEMAND

UNITED STATES



e-Estimated.
SOURCES: U.S. Bureau of Mines.
Federal Reserve Bank of Dallas.

The upward trend of imports was reversed during the final quarter of 1956 and the first quarter of 1957 because of the Suez blockade. At the same time, domestic production expanded appreciably. As a result, the need for import controls was reduced. By mid-1957, the international climate changed. According to a trade source in August 1957, petroleum firms planned an inflow of foreign oil which would approach 18 percent of domestic production in late 1957 and an even higher level thereafter. After reviewing the situation, the Cabinet Committee felt that the level of crude oil imports for the latter half of 1957 and early 1958 would threaten the national security. The Administration chose, at that time, to continue voluntary import restriction, rather than inaugurate a compulsory quota system. The voluntary program of 1957 was designed to limit total imports to 12 percent of domestic production.

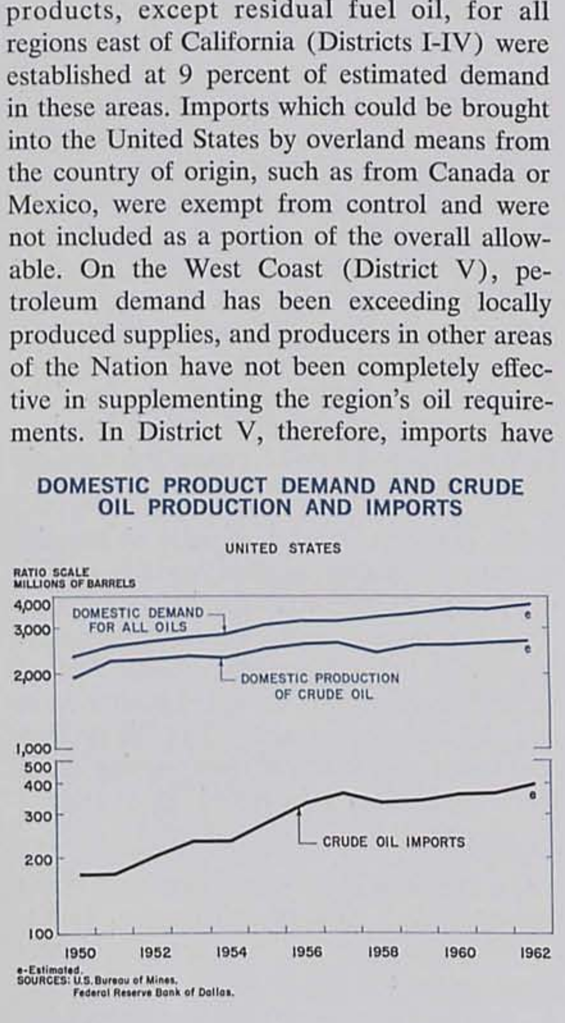
The portion of total new crude oil supplies — domestic production plus imports — which was imported between 1957 and 1959 averaged somewhat greater than 12 percent annually. During the 1954-59 period, domestic demand for petroleum products expanded at an average rate of 3.5 percent annually; domestic production rose 1.5 percent each year during the 5 years; and imports increased at a rate of 7.8 percent.

On March 10, 1959, a compulsory quota was established for crude oil imports. In announcing the program, President Eisenhower stated, in part:

> The new program is designed to insure a stable, healthy industry in the United States capable of exploring for and developing new hemisphere reserves to replace those being depleted. The basis of the new program, like that for the voluntary program, is the certified requirements of our national security which make it necessary that we preserve to the greatest extent possible a vigorous, healthy petroleum industry in the United States.

Under the compulsory 1959 program, crude oil imports— except on the West Coast — were based on a semiannual U. S. Bureau of Mines estimate of domestic demand for petroleum products. Semiannual import levels of crude oil and finished and unfinished petroleum products, except residual fuel oil, for all regions east of California (Districts I-IV) were established at 9 percent of estimated demand in these areas. Imports which could be brought into the United States by overland means from the country of origin, such as from Canada or Mexico, were exempt from control and were not included as a portion of the overall allowable. On the West Coast (District V), petroleum demand has been exceeding locally produced supplies, and producers in other areas of the Nation have not been completely effective in supplementing the region's oil requirements. In District V, therefore, imports have been allowed to fill the gap between regional needs and production.

DOMESTIC PRODUCT DEMAND AND CRUDE OIL PRODUCTION AND IMPORTS



e-Estimated.
SOURCES: U.S. Bureau of Mines.
Federal Reserve Bank of Dallas.

Despite some moderation in the rate of advance of crude oil imports, the proportion of total new supplies imported into the United States increased from 12.0 percent in 1959 to 13.3 percent in 1962. This advance is explained by the fact that import levels were based on product demand, which grew at a greater rate than national output between 1959 and 1962. Nevertheless, the ratio of crude oil imports to domestic product demand also trended upward, partly because crude oil entering the country under overland exemption boosted overall imports.

After more than a year of study, the quota system was modified by Presidential proclamation on November 30, 1962. This action marked the beginning of a new stage in the import program, the first major change since mandatory controls were established in mid-1959. In his recent order, President Kennedy alludes to "the ability of the petroleum industry to meet possible national security demands."

The new program, which is effective for the first half of this year, leaves the basis for District V imports unchanged. For Districts I-IV, however, crude oil imports are related to domestic crude oil output, rather than product demand. For the first half of 1963, the import level for crude oil and petroleum products, excluding residual fuel oil, has been set at 12.2 percent of domestic crude oil production during the first half of 1962, which averaged about 7.4 million barrels daily.

As was the case in the 1959 program, foreign oil entering the United States by overland transportation from the countries of origin may enter without a quota restriction. Now, however, overland imports are included as a part of the total allocation. If overland imports were to expand appreciably, the quota on all other imports would be adjusted downward sufficiently in the next allocation period to compensate for the expanded overland inflow.

Imports for the first half of 1963, at slightly over 900,000 barrels daily, will be little changed from those in the last half of 1962. Nevertheless, the new formula may yield an import level about 8 percent lower than the total would have been under the 1959 program.

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General Economist

district highlights

Economic activity in the Eleventh District during January was dominated by the passage of three arctic cold fronts that plummeted temperatures to below-zero readings in many sections and resulted in crop and livestock losses. Few areas of the District escaped the injurious effect of the low temperatures, but the most concentrated damage occurred in the commercial vegetable areas in the Rio Grande Valley and in many other sections of southern Texas.

Citrus trees apparently suffered relatively little damage, particularly as compared with the severe losses sustained last year. Considerable leaf burn is evident on citrus trees, and some defoliation is expected on young growth. However, little wood or twig splitting is apparent at present, and it is too early to determine if buds were injured.

The below-freezing temperatures in all south Texas vegetable areas on January 23 and 24 resulted in extensive losses of tender vegetables, such as tomatoes, spring peppers, and lettuce. Approximately 4,900 acres of tomatoes were destroyed, and most acreages of spring peppers were damaged except for a few fields which had been covered. The tops of beets, carrots, and onions were frozen, but overall losses are expected to be light. Much of the broccoli and cauliflower had been harvested, and some of the remaining crops will be salvageable. The dollar losses to vegetable growers are difficult to estimate since higher prices on the remaining production will be partially offsetting. For example, prices of cauliflower increased 40 percent following the freeze, and quotations on green peppers were 17 percent higher.

The freezing weather was especially unfavorable for livestock growers and producers of small grains. Grazing on winter wheat in the High Plains of New Mexico and Texas was brought to a standstill. Wheat stands were flattened by the successive cold fronts, and a period of warm weather will be required before a full damage assessment can be made or before any significant grazing can be expected. Similarly, oat fields extending from the central parts of Texas into Louisiana were damaged, and it is likely that winterkill was considerable. As livestock were pulled off native pastures and small grain fields, supplemental feeding of hay and proteins was stepped up to reduce weight shrinkage and death losses.

The weather also affected the petroleum industry in January. Natural gas was used so extensively in the District that deliveries were curtailed to several commercial and industrial customers who purchase the fuel on an interruptible-contract basis. In addition, a greater than anticipated demand for heating oils throughout most of the Nation paced an expansion in petroleum product demand.

Stocks of kerosene and distillate fuel oils in the Nation at the end of January were over 30 million barrels below a month earlier. East Coast stocks decreased 11 million barrels during the month, and Middle West stocks were reduced about 10 million barrels. Almost without exception, refinery postings for light heating oils in the Middle West at the end of January were increased, and tank-wagon consumer price discounts have been virtually eliminated. Colder weather on the eastern seaboard has strengthened kerosene and distillate fuel oil prices, while heating oil prices in the Gulf Coast area have remained firm.

One major District petroleum firm indicated in late January that it would boost refinery output to help meet a critical heating oil shortage in Europe. Another refinery indicated that a similar step would be taken, depending upon the availability of tankers to move the cargo.

Crude oil production in the Eleventh District, however, rose only fractionally in January, but some increase is expected in February since Texas allowable production has been expanded. The February allowable has been set at about 2.9 million barrels daily, in accordance with the new method adopted in December 1962 for establishing allowables. For February, the Texas Railroad Commission has authorized prorated wells to produce 29 percent of what would be their full allowable output if sufficient market demand existed — in other words, their Maximum Efficient Rate of production. The new percentage method thus provides a means of fitting Texas output more closely to market demand than was possible under the shutdown-day system. In effect, the 29-percent allowable factor permits a production schedule of somewhat more than 8 days but fewer than 9 days.

Processing of crude oil in the area edged downward slightly in early January but may show an increase for the latter part of the month. District drilling operations decreased appreciably, as both well completions and total footage drilled during the first half of January were about one-third below the last half of December.

Outdoor employment and construction activity were sharply reduced by the freezing, damp January weather. Nevertheless, the construction outlook for early 1963 is brightened by a significant advance in contract awards for future building. Compared with a year earlier, December 1962 contracts in the five southwestern states were one-third greater. Most of the strength was in public works and utilities, but a major December contract in the Gulf Coast area was awarded for the construction of a new chemical plant.

Department store sales in the District expanded during January despite adverse weather conditions. The dollar volume of sales during the 4 weeks ended January 26 was 7 percent above a year ago.

new par bank

The First State Bank, Tulia, Texas, a nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, January 24, 1963. The officers are: Perry Whittemore, President; John E. Simpson, Jr., Vice President; and Sam G. Lusk, Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

February 1963

FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Jan. 23, 1963	Dec. 26, 1962	Jan. 24, 1962
ASSETS			
Commercial and industrial loans	1,831,428	1,847,096	1,744,618
Agricultural loans	48,400	49,110	51,119
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities	274	40,274	274
Other securities	46,950	52,864	60,461
Other loans for purchasing or carrying:			
U. S. Government securities	2,113	2,791	4,877
Other securities	213,350	206,667	169,556
Loans to domestic commercial banks	75,590	113,755	82,550
Loans to foreign banks	1,395	1,269	251
Loans to other financial institutions:			
Sales finance, personal finance, etc.	91,778	106,808	87,078
Savings banks, mtge. cos., ins. cos., etc.	213,920	213,130	163,928
Real estate loans	284,441	278,156	242,257
All other loans	834,566	839,101	771,976
Gross loans	3,644,205	3,751,021	3,378,945
Less reserves and unallocated charge-offs	68,203	60,581	62,174
Net loans	3,576,002	3,690,440	3,316,771
Treasury bills	161,784	157,491	131,486
Treasury certificates of indebtedness	105,997	105,586	54,140
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year	191,589	182,276	222,717
After 1 but within 5 years	640,088	662,781	769,052
After 5 years	499,224	466,649	356,652
Other securities	537,200	533,227	423,394
Total investments	2,135,882	2,108,010	1,957,441
Cash items in process of collection	612,718	668,653	567,955
Balances with banks in the United States	498,976	552,703	541,734
Balances with banks in foreign countries	2,568	3,252	2,195
Currency and coin	63,570	68,952	58,717
Reserves with Federal Reserve Bank	569,168	571,059	567,155
Other assets	227,996	222,029	217,177
TOTAL ASSETS	7,686,880	7,885,098	7,229,145
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations	3,174,528	3,285,678	3,137,183
Foreign governments and official institutions, central banks, and international institutions	3,787	5,706	2,982
U. S. Government	84,388	135,487	71,500
States and political subdivisions	268,394	261,024	230,705
Banks in the United States, including mutual savings banks	1,105,598	1,160,402	1,137,331
Banks in foreign countries	16,354	15,644	12,827
Certified and officers' checks, etc.	55,866	54,607	49,994
Total demand deposits	4,708,915	4,918,548	4,642,522
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits	1,009,135	994,149	845,803
Other time deposits	769,691	745,322	600,544
Foreign governments and official institutions, central banks, and international institutions	1,509	2,509	3,006
U. S. Government, including postal savings	6,287	6,487	7,317
States and political subdivisions	316,885	287,493	329,666
Banks in the United States, including mutual savings banks	4,553	7,250	4,203
Banks in foreign countries	2,150	2,150	2,200
Total time and savings deposits	2,110,210	2,045,360	1,792,739
Total deposits	6,819,125	6,963,908	6,435,261
Bills payable, rediscounts, etc.	106,915	140,775	72,420
All other liabilities	110,160	126,229	102,403
Capital accounts	650,680	654,186	619,061
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	7,686,880	7,885,098	7,229,145

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Jan. 23, 1963	Dec. 26, 1962	Jan. 24, 1962
Total gold certificate reserves	628,054	695,043	657,516
Discounts for member banks	16,450	9,090	159
Other discounts and advances	57	56	1,509
U. S. Government securities	1,213,765	1,196,214	1,142,771
Total earning assets	1,230,272	1,205,360	1,144,439
Member bank reserve deposits	937,984	919,947	954,146
Federal Reserve notes in actual circulation	888,573	908,973	846,866

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Jan. 2, 1963	4 weeks ended Dec. 5, 1962	4 weeks ended Jan. 3, 1962
RESERVE CITY BANKS			
Total reserves held	607,905	595,095	606,917
With Federal Reserve Bank	561,816	551,615	563,882
Currency and coin	46,089	43,480	43,035
Required reserves	599,869	590,901	600,663
Excess reserves	8,036	4,194	6,254
Borrowings	16,464	786	8,969
Free reserves	—8,428	3,408	—2,715
COUNTRY BANKS			
Total reserves held	535,359	530,858	544,133
With Federal Reserve Bank	419,169	418,581	436,089
Currency and coin	116,190	112,277	108,044
Required reserves	486,479	475,609	481,269
Excess reserves	48,880	55,249	62,864
Borrowings	3,982	6,800	341
Free reserves	44,898	48,449	62,523
ALL MEMBER BANKS			
Total reserves held	1,143,264	1,125,953	1,151,050
With Federal Reserve Bank	980,985	970,196	999,971
Currency and coin	162,279	155,757	151,079
Required reserves	1,086,348	1,066,510	1,081,932
Excess reserves	56,916	59,443	69,118
Borrowings	20,446	7,586	9,310
Free reserves	36,470	51,857	59,808

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
Date	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1960: December	8,044	4,030	4,014	2,482	1,263	1,219
1961: December	8,505	4,179	4,326	2,839	1,421	1,418
1962: 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
October	8,337	4,170	4,167	3,398	1,688	1,710
November	8,370	4,113	4,257	3,435	1,701	1,734
December	8,496	4,180	4,316	3,497	1,718	1,779

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Dec. 26, 1962	Nov. 28, 1962	Dec. 27, 1961
ASSETS			
Loans and discounts	6,111	5,994	5,554
U. S. Government obligations	2,920	2,911	2,853
Other securities	1,163	1,141	984
Reserves with Federal Reserve Bank	919	923	1,010
Cash in vault[e]	167	181	173
Balances with banks in the United States	1,226	1,140	1,299
Balances with banks in foreign countries[e]	4	3	3
Cash items in process of collection	747	621	775
Other assets[e]	367	273	344
TOTAL ASSETS[e]	13,624	13,187	12,995
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,335	1,305	1,494
Other demand deposits	7,319	6,985	7,317
Time deposits	3,520	3,456	2,855
Total deposits	12,174	11,746	11,666
Borrowings[e]	144	148	107
Other liabilities[e]	171	161	165
Total capital accounts[e]	1,135	1,132	1,057
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	13,624	13,187	12,995

e — Estimated.

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]			
		Percent change from			Annual rate of turnover		
	December 1962	Nov. 1962	Dec. 1961	Dec. 31, 1962	Dec. 1962	Nov. 1962	Dec. 1961
ARIZONA							
Tucson	$ 362,038	7	5	$ 172,186	26.0	26.0	26.6
LOUISIANA							
Monroe	89,687	1	—1	62,477	18.7	20.8	19.1
Shreveport	363,427	12	11	191,949	23.6	22.4	20.6
NEW MEXICO							
Roswell	53,287	—9	0	39,383	16.3	17.9	16.3
TEXAS							
Abilene	112,857	6	4	76,829	18.2	17.5	17.6
Amarillo	240,481	—1	3	131,460	22.7	23.4	22.9
Austin	238,744	—14	—5	176,164	17.2	21.0	18.7
Beaumont	183,220	9	—1	111,181	20.4	19.4	20.3
Corpus Christi	203,808	1	—4	118,365	21.5	21.8	22.0
Corsicana	19,645	6	7	22,254	10.9	10.6	10.4
Dallas	3,789,334	11	—1	1,456,416	33.0	31.4	34.3
El Paso	383,487	7	—4	205,266	23.5	23.4	25.7
Fort Worth	840,289	4	—1	406,871	25.3	24.7	25.3
Galveston	96,114	5	—8	63,905	18.5	17.9	18.7
Houston	3,459,256	13	9	1,634,327	26.9	25.7	26.2
Laredo	37,438	10	22	26,344	17.2	15.8	15.7
Lubbock	306,342	21	0	147,478	26.8	24.4	27.8
Port Arthur	65,243	4	1	43,575	17.5	16.4	17.2
San Angelo	56,083	5	4	48,286	14.0	13.4	12.7
San Antonio	729,267	9	10	451,080	20.0	19.4	19.7
Texarkana[2]	26,466	0	5	18,857	17.4	18.1	17.3
Tyler	100,379	4	12	71,119	17.9	18.1	16.6
Waco	123,525	10	3	75,176	19.7	18.1	19.8
Wichita Falls	120,539	2	1	103,397	14.6	15.1	13.8
Total—24 cities	$12,000,956	9	3	$5,854,345	25.8	24.8	25.2

[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 $59,859,000 for the month of December 1962.

ANNUAL BANK DEBITS AND ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts[1]			Demand deposits[1] Annual rate of turnover	
	1962	1961	Percent change	1962	1961
ARIZONA					
Tucson	$ 4,367,839	$ 3,165,487	38	27.7	22.6
LOUISIANA					
Monroe	1,112,981	1,023,114	9	21.1	19.6
Shreveport	4,022,266	3,973,601	1	22.3	21.9
NEW MEXICO					
Roswell	673,435	578,531	16	17.4	15.9
TEXAS					
Abilene	1,342,413	1,218,093	10	18.1	17.6
Amarillo	2,839,511	2,726,646	4	23.6	23.1
Austin	3,202,440	2,789,660	15	20.5	18.1
Beaumont	2,146,668	2,012,809	7	20.6	19.8
Corpus Christi	2,451,066	2,360,622	4	21.7	21.5
Corsicana	212,870	203,354	5	10.5	10.3
Dallas	41,316,580	37,429,400	10	31.6	30.8
El Paso	4,253,176	4,193,468	1	23.0	23.7
Fort Worth	10,037,705	9,552,312	5	25.6	25.0
Galveston	1,158,467	1,101,135	5	18.3	17.5
Houston	37,292,484	32,968,719	13	26.0	24.7
Laredo	410,785	336,758	22	16.1	15.3
Lubbock	2,726,967	2,556,851	7	21.5	21.9
Port Arthur	767,248	773,585	—1	17.2	17.6
San Angelo	675,289	646,812	4	14.0	13.6
San Antonio	8,286,816	7,607,684	9	20.3	19.6
Texarkana[2]	310,159	271,842	14	17.4	15.8
Tyler	1,158,895	1,046,039	11	18.2	17.0
Waco	1,439,801	1,310,447	10	20.1	18.8
Wichita Falls	1,436,465	1,404,788	2	14.9	14.1
Total—24 cities	$133,642,326	$121,251,757	10	25.2	24.1

[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 $681,011,000 during 1962 and $615,583,000 during 1961.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons			Percent change Dec. 1962 from	
	December 1962e	November 1962	December 1961r	Nov. 1962	Dec. 1961
Total nonagricultural wage and salary workers	4,630,400	4,588,700	4,540,600	0.9	2.0
Manufacturing	788,900	795,800	779,500	—.9	1.2
Nonmanufacturing	3,841,500	3,792,900	3,761,100	1.3	2.1
Mining	233,800	232,800	242,600	.4	—3.6
Construction	289,100	294,300	275,800	—1.8	4.8
Transportation and public utilities	390,600	388,200	391,000	.6	—.1
Trade	1,152,300	1,106,900	1,130,600	4.1	1.9
Finance	230,100	229,900	223,200	.1	3.1
Service	622,100	623,600	607,000	—.2	2.5
Government	923,500	917,200	890,900	.7	3.7

[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, 1957-59 = 100)

Area and type of index	December 1962p	November 1962	October 1962	December 1961
TEXAS				
Total industrial production	111	112	112	109
Manufacturing	125	124	122	119
Durable	120	118	117	115
Nondurable	129	129	126	122
Mining	93	97	98r	96
UNITED STATES				
Total industrial production	120	120	120	116
Manufacturing	120	120	120	116
Durable	119	119	119	115
Nondurable	121	121	121	118
Mining	102	105	107	105
Utilities	135	135	134	127

p — Preliminary.
r — Revised.
SOURCES: Board of Governors of the Federal Reserve System.
Federal Reserve Bank of Dallas.

BUILDING PERMITS

Area	NUMBER		VALUATION (Dollar amounts in thousands)		Percent change: Dec. 1962 from		
	Dec. 1962	12 mos. 1962	Dec. 1962	12 mos. 1962	Nov. 1962	Dec. 1961	12 months, 1962 from 1961
ARIZONA							
Tucson	444	8,625	$ 1,955	$ 40,368	—54	0	—9
LOUISIANA							
Shreveport	156	3,391	1,004	19,650	—33	98	—35
TEXAS							
Abilene	85	1,599	632	19,628	—34	—39	20
Amarillo	184	3,263	4,699	39,329	2	47	—4
Austin	218	4,031	2,822	63,192	—68	6	10
Beaumont	194	3,597	587	15,932	—37	—45	—32
Corpus Christi	209	3,459	3,895	28,319	20	254	16
Dallas	1,557	28,319	17,612	251,548	—3	114	30
El Paso	235	5,264	2,003	40,082	—50	—72	—40
Fort Worth	399	7,462	2,692	40,948	38	32	—16
Galveston	66	2,239	539	19,848	—26	—24	181
Houston	1,108	26,388	21,558	337,983	—12	70	36
Lubbock	110	2,606	1,557	37,138	—21	—70	—16
Midland	47	1,255	626	17,320	—80	—49	15
Odessa	31	940	198	10,320	—58	—85	—21
Port Arthur	71	1,685	228	6,833	—80	—42	—11
San Antonio	779	15,201	9,083	65,867	102	114	21
Waco	162	2,652	1,388	14,804	11	—34	—5
Wichita Falls	133	1,530	1,655	12,899	14	126	—40
Total—19 cities	6,188	123,506	$74,733	$1,082,008	—15	30	11

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	December 1962p	November 1962	December 1961	January—December 1962p	January—December 1961
FIVE SOUTHWESTERN STATES[1]	359	327	270	4,395	3,987
Residential building	130	143	120	1,865	1,663
Nonresidential building	83	87	85	1,280	1,235
Public works and utilities	145	96	65	1,250	1,088
UNITED STATES	3,198	3,188	2,712	41,303	37,135
Residential building	1,166	1,361	1,125	18,039	16,123
Nonresidential building	921	1,066	883	13,010	12,115
Public works and utilities	1,111	761	704	10,255	8,897

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.

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	December 1962p	November 1962p	December 1961
CRUDE OIL RUNS TO REFINERY STILLS (Daily average)	109	108	107
DEMAND (Daily average)			
Gasoline	108	107	105
Kerosene	125	147	115
Distillate fuel oil	97	112	98
Residual fuel oil	90	90	94
Four refined products	102	106	102
STOCKS (End of month)			
Gasoline	108	108	106
Kerosene	117	112	118
Distillate fuel oil	107	101	109
Residual fuel oil	90	86	79
Four refined products	106	103	104

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

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	December 1962p	November 1962p	December 1961	Percent change from November 1962	Percent change from December 1961
ELEVENTH DISTRICT	2,905.8	2,932.2	3,033.8	—0.9	—4.2
Texas	2,497.5	2,524.2	2,637.8	—1.1	—5.3
Gulf Coast	472.4	478.8	496.1	—1.3	—4.8
West Texas	1,117.3	1,125.3	1,199.4	—.7	—6.9
East Texas (proper)	105.9	113.0	130.7	—6.3	—19.0
Panhandle	101.8	102.8	99.5	—1.0	2.3
Rest of State	700.0	704.3	712.1	—.6	—1.7
Southeastern New Mexico	269.1	267.1	265.9	.7	1.2
Northern Louisiana	139.2	140.9	130.1	—1.2	—7.0
OUTSIDE ELEVENTH DISTRICT	4,432.4	4,413.6	4,277.0	.4	3.6
UNITED STATES	7,338.2	7,345.8	7,310.8	—.1	.4

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

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State and crop	Indicated 1962	1961	Average 1956-60
ARIZONA			
Oranges	1,200	1,440	1,162
Grapefruit	2,000	2,270	2,462
LOUISIANA			
Oranges	15	255	215
TEXAS			
Oranges	80	2,300	2,420
Grapefruit	200	2,700	4,500

SOURCE: U. S. Department of Agriculture.

MARKETED PRODUCTION OF NATURAL GAS

Area	In millions of cubic feet: Third quarter 1962	Second quarter 1962	Third quarter 1961	Seasonally adjusted index (1957-59=100): Third quarter 1962	Second quarter 1962	Third quarter 1961
Louisiana	803,700	813,100	710,800	160	162	142
New Mexico	178,600	183,700	183,600	106	107	109
Oklahoma	187,400	215,800	170,500	125	126	114
Texas	1,404,000	1,422,600	1,382,800	108	109	107
Total	2,573,700	2,635,200	2,447,700	122	123	116

SOURCES: U. S. Bureau of Mines.
Federal Reserve Bank of Dallas.

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	December 1962 from November 1962	December 1962 from December 1961	12 months, 1962 from 1961
Total Eleventh District	53	5	6
Corpus Christi	61	2	—3
Dallas	57	4	6
El Paso	52	14	9
Houston	59	4	8
San Antonio	48	9	9
Shreveport, La.	45	2	8
Waco	53	5	8
Other cities	48	7	8

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1957-59 = 100)

Date	SALES (Daily average) Unadjusted	SALES Seasonally adjusted	STOCKS (End of month) Unadjusted	STOCKS Seasonally adjusted
1961: December	183r	106	97r	105r
1962: July	102	112	109	114
August	108	107	115	112
September	109	113	117	110
October	102	100	127	113
November	126r	109	128	112
December	193	112	101p	110p

r — Revised.
p — Preliminary.