business review

august 1963

FEDERAL RESERVE
BANK OF DALLAS

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contents

the nation's economy — growth through midyear

At midyear the Nation's economy was expanding and, thus, continuing the advance which began in early 1961. Gross national product — the most comprehensive measure of economic performance — reached $572 billion during the first quarter, or slightly less than $7 billion above the level in the last 3 months of 1962 and almost $26 billion above that in the comparable period a year ago. Gross national product increased further in the second quarter of 1963 and reached a level of $579 billion. The upward movement in the economy through midyear featured new record levels of industrial production, employment, total construction, and personal income. Total business profits rose substantially in the second quarter.

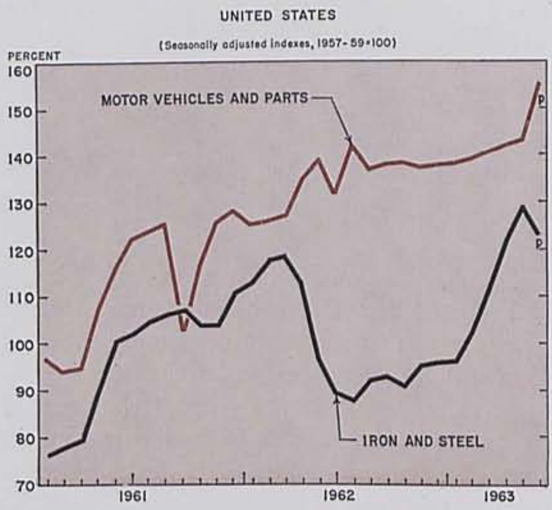
Increases in important statistical measures of economic activity were also accompanied by an improvement in overall business sentiment and expectations for the future. The emergence of a more favorable attitude on the part of businessmen contrasts rather sharply with the cautious and somewhat pessimistic outlook which prevailed late last year and in early 1963. Although business activity was at a high level at that time, overall growth in the economy had slowed to a virtual standstill in the last 6 months of 1962. Thus, as major indicators actually moved upward from the prevailing high levels, rapid improvement in the outlook occurred.

Despite the rise in economic activity during the first half of 1963, the Nation continues to be faced with a number of persistent and difficult problems. The rate of utilization of plant and equipment remains below the desired level, and the number of persons in the ranks of the unemployed is a matter of continuing concern. Competition both here and abroad remains intense. The deficit in the Nation's balance of payments is seriously large and persistent in character, and the evidence of basic improvement at this time is disappointing.

The trend in industrial production during the first half of the year mirrors some of the important areas of strength which contributed to the rise in business activity. In January the industrial production index was at 119 percent of the 1957-59 average, a level around which the index had fluctuated narrowly since July 1962. Industrial production began to move vigorously upward in February from its high-level plateau and reached 125 in June. During the latter part of May, the exceptionally high level of steel orders began to subside as users anticipated that a disruptive work stoppage would be avoided. However, the expansion in the outturn of other industries, notably automobiles, more than counterbalanced the decline in steel output. In mid-1963, industrial production was 6 percent above a year ago.

Unusual developments in the steel industry had a sharp impact upon the economy during the first half of this year in a manner somewhat similar to, but less pronounced than, that in 1962. Following the signing of the labor agreement in the spring of 1962, steel production declined sharply as inventories which had been built up since the previous fall were liquidated. After reaching a low point of 74 million tons in

OUTPUT OF SELECTED KEY INDUSTRIES



p-Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

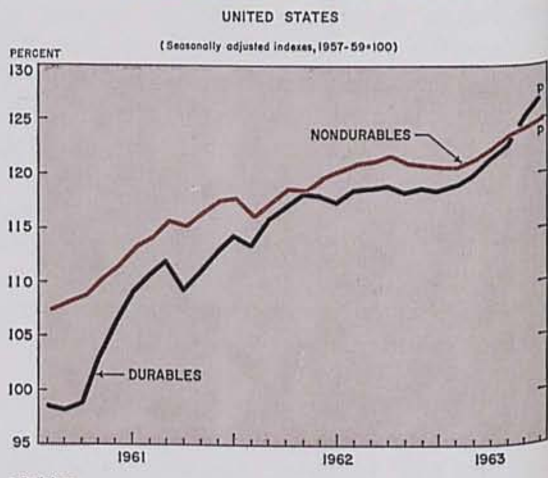
July 1962, the annual rate of production rose steadily to a level of almost 97 million tons by year-end. In the first 2 months of 1963, steel output rose somewhat further but began to increase sharply in March under the impact of purchases for strike-hedge stockpiling and high-level consumption, especially by automobile manufacturers. Output peaked in May at an annual rate of almost 138 million tons and subsequently began to trend downward.

Several factors may hold steel operations at a higher level during the remainder of 1963 than was the case in the last half of the past year. Inventory accumulation in the first 6 months of this year did not reach the January-June 1962 magnitude, and consumption of steel was somewhat greater than in 1962. The continuation of high-level automobile production, the growing strength in construction, and the anticipated upturn in business capital spending could facilitate the rapid digestion of current steel stocks.

The automobile industry also has been a major economic bright spot, as consumers appear to be in the mood to dispel the often-expressed notion that two consecutive years of high-level passenger automobile sales are most unlikely. Domestic factory sales of new 1963-model U. S. passenger automobiles have been maintained at a rapid rate since their introduction last fall, with much of the interest centered upon the higher-priced models of each line. With deliveries during the first half of this year totaling over 4 million units, or 11 percent above a year earlier, 1963 marks only the second year in which new car sales exceeded 4 million units during the first 6 months. In addition, domestic sales of trucks and buses exceeded the year-earlier levels by significant amounts. Buoyed by public acceptance of the new models, total production of motor vehicles and parts rose each month during the first half of 1963 and, in June, was 13 percent above December 1962. The higher rate of new automobile assemblies was achieved with little overall excess stocking at dealers. In fact, shortages of some models and makes developed from time to time.

Although much of the February-June gain in industrial production reflected strike-hedge buying of steel and the very favorable sales of 1963-model automobiles, there was an advance in output in a wide range of industries, indicat-

PRODUCTION OF DURABLE AND NONDURABLE MANUFACTURES



p-Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

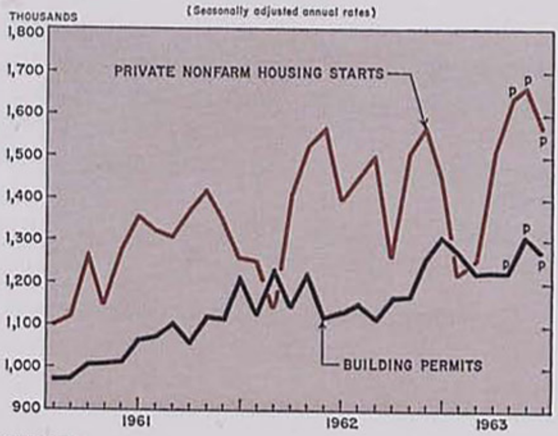
ing that the upward movement of the economy was broadly based. In addition to increased activity in the durable goods sector, new orders for nondurables rose from January to June, reaching a level about $1 billion above a year earlier. As a consequence, the production of nondurable manufactures made strong gains, particularly chemicals, rubber and plastics, and textiles. With the resurgence in construction, the output of construction materials in recent months showed especially large advances, rising well above the level for any month in 1962.

Following a fairly strong January showing, new construction put in place declined irregularly, partly reflecting adverse outdoor working conditions. However, outlays began to advance in May and reached a new record annual rate of $63.7 billion in June. Construction spending during the first half of 1963 exceeded that in the same period last year by about 4 percent but was 1 percent below the high level reached during the latter half of 1962. Private building, rather than public outlays, was a major feature of the advance during the first half. Nevertheless, public outlays thus far this year were somewhat greater than those in the final quarter of 1962, despite a slight decline in spending for highways.

Private residential building, especially of multifamily units, was an important factor in the construction picture in the first half of 1963, accounting for about 40 percent of total public and private construction outlays. Private nonfarm housing starts increased almost every month from their low January level and, in May, reached a seasonally adjusted annual rate of 1.7 million units — well above any other month of record. Although they weakened in June, housing starts were at almost as high a level as in November, the peak month in 1962. The availability of mortgage funds at relatively attractive rates was conducive to an increase in home building in the first half. After easing from the levels reached in the last half of 1962 and in January 1963, private commercial and

PRIVATE NONFARM HOUSING STARTS AND BUILDING PERMITS

UNITED STATES



p-Preliminary.
SOURCE: U.S. Department of Commerce.

industrial construction has shown little change, although contracts for future construction suggest a modest improvement.

The decline in capital spending which began in the final quarter of 1962 and extended into the first quarter of the current year exerted a major negative influence upon the economy during the first 6 months. Various surveys of spending plans of businessmen this spring suggest, however, that investment in plant and equipment may rise. A survey by the Securities and Exchange Commission and U. S. Department of Commerce points to an increase during the remainder of 1963, which is expected to bring average outlays for the year to $39.2 billion, or 5 percent above 1962. Increased investment is programmed by a wide variety of industries, with only the transportation (other than railroads) and mining industries expecting smaller outlays than in 1962. Liberalized depreciation schedules and the investment tax credit, as well as the expectation of rising sales, are among the major factors contributing to the improvement in business investment plans.

If the expected spending plans materialize, such expenditures will fall short of the 9-percent gain in plant and equipment outlays that occurred in 1962, when expenditures were rising from the low level reached in the previous year. The rather modest rise anticipated in new investment reflects the underutilized capacity in many industries. Much of the spending will be centered in replacing machinery and equipment, rather than in constructing new plants or enlarging existing ones. Recent strength in the output of business equipment, machinery, and some fabricated metal products tends to bear out this probability.

The advance in business activity through mid-1963 was accompanied by an improvement in total employment, but the rate of unemployment remained about unchanged. Total nonagricultural employment expanded in the January-June period, but the civilian labor force also expanded. As a consequence, the unemployment rate during the first 6 months of this year averaged about 5.8 percent of the civilian labor force, a level slightly above the average for 1962. Joblessness is notably acute among the inexperienced and least skilled workers, especially teen-agers, as the unemployment rate among experienced workers has receded slightly.

Between December 1962 and June 1963, the most significant improvement in employment occurred in the manufacturing industries, with the number of wage and salary workers rising about 350,000 on a seasonally adjusted basis. Much of this gain — over 250,000 workers — was accounted for by durable goods manufacturing, especially the primary metals industry. However, employment gains were registered by a wide variety of nondurable goods producers. Among nonmanufacturing sectors, contract construction, trade, and services showed employment strength.

Personal income continued to increase through midyear, reaching $462.1 billion on an annual-rate basis by June. With the exception of farming and rental income of persons (which has been stable for over a year), each of the major categories of income was above its level at the beginning of the year. Wage and salary disbursements, which account for about two-thirds of total personal income, advanced almost $10 billion, with manufacturing payrolls providing about one-third of the gain. The expansion in salaries and wages during the first half of the year arose mainly from gains in the number of workers and higher per hour earnings, as the average hours worked per week (seasonally adjusted) were little different from the fourth-quarter average for 1962. Average factory wages in June exceeded $100 per week for the first time of record.

Consumer spending continued to increase during the first half of 1963 in response to higher personal income and improved employment. Total personal consumption expenditures in the first quarter rose $4.5 billion over the level reached in the final 3 months of 1962 and advanced $2.6 billion during the second quarter of 1963. Spending for nondurable goods and for services accounted for the largest part of the quarter-to-quarter gains, as consumer purchases of durable goods increased only slightly. Retail sales during the first half of the current year, at $20.3 billion, were slightly above the last 6 months of 1962. Spurred by sales of automobiles and other consumer hard goods, expenditures for durables rose; moreover, widespread increases occurred in sales of soft goods.

The expansion in consumer purchases was accompanied by an increase in instalment debt. After the 1963-model automobiles were introduced last fall, the amount of new consumer instalment credit extended reversed a short-lived, erratic decline and moved upward in each month except one (December) until May, when extensions eased. By the end of May, consumer instalment debt outstanding had risen to almost $49.5 billion, or about $5.0 billion above a year earlier.

The performance of the economy during the past several months provides a basis for optimism that business activity may show a further rise. Some dampening in industrial output following the settlement of the steel wage issues generally was anticipated by the business community and may be taken in stride. Inventory accumulation has been relatively modest, and stock-sales ratios have shown little change during the past several months, with stocks equal to about 1½ months' supply at current sales rates. Important determinants of additional expansion will center upon trends in consumer spending and capital investment.

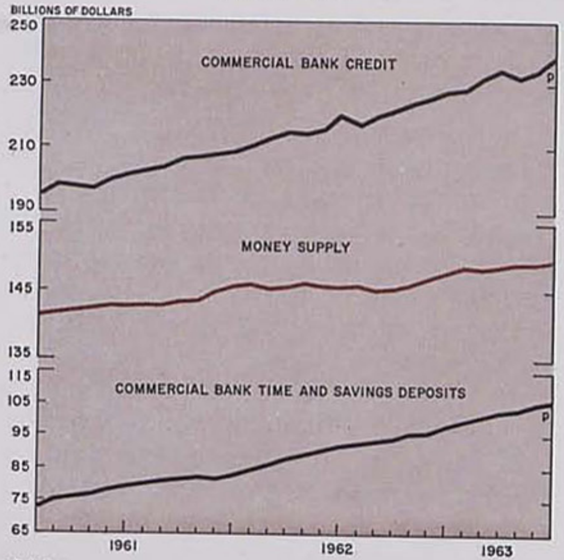
The improvement in business conditions during the first half of 1963 was reflected in substantial demands upon credit markets and by a flow of savings funds into financial institutions which exceeded that of the previous year. Interest rates showed little change, however, although reserve availability at commercial banks was reduced during the period. The U. S. balance-of-payments deficit (annual rate) through June of this year, before counting receipts from special Government transactions, was at least as large as the comparable figure for the year 1962. Thus, the balance of payments continued to be a problem of genuine concern and major consideration in the formulation of monetary policy.

On a seasonally adjusted basis, total bank credit rose over $11 billion during the first half of 1963, or slightly more than in the comparable period a year earlier. Gains were realized in both loans and investments. Loans adjusted expanded to approximately $141 billion, with real estate and consumer loans showing the greatest strength. Total investments reached almost $99 billion, as holdings of both Government and non-Government securities moved to higher levels.

Commercial banks responded to a heavy inflow of time and savings deposits by adding substantially to their real estate loans. The expansion in these loans during the January-June period of 1963 approximated the gain recorded for the comparable period of 1962. Consumer-type loans moved notably higher during the first 6 months of 1963, with the increase being second only to the gain in real estate credit. Largely reflecting dealer financing needs growing out of the June sale of $1.9 billion of Treasury bonds, loans for purchasing or carrying securities also moved substantially higher.

SELECTED FINANCIAL INDICATORS

UNITED STATES



p-Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

Business loans grew at a rather modest pace during the first half of 1963. The weakness in commercial and industrial loans was apparent in loans to manufacturing firms; loans to mining firms, public utilities, and service establishments, on the other hand, displayed noteworthy strength. The salutary effects of strike-hedge buying upon business loans were largely offset by the moderate pace of economic expansion, the favorable liquidity position of corporations, and the opportunity for many firms to raise working capital at lower costs in the open market.

After showing virtually no change during the first 5 months of 1963, holdings of U. S. Government securities rose almost $2 billion in June on a seasonally adjusted basis. This increase principally reflected substantial commercial bank purchases of securities involved in the June sale of $1.9 billion of 7-year 2-month Government bonds.

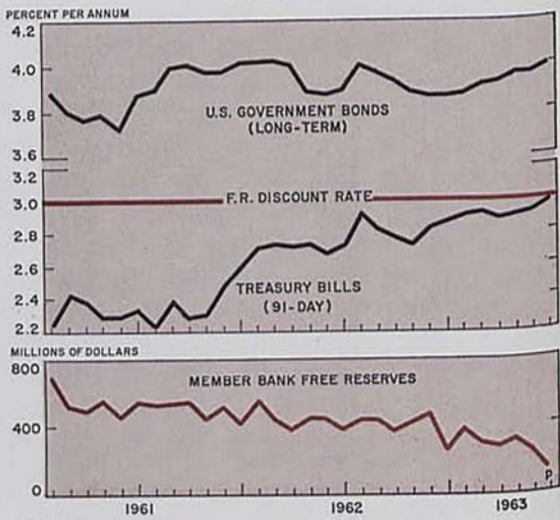
During the first half of 1963, commercial banks continued to channel large amounts into non-Government securities in response to a steady inflow of savings funds. On a seasonally adjusted basis, these investments rose approximately $3.5 billion, and the rate of growth accelerated as the year progressed. After acquiring non-Government securities at an average monthly rate of about $500 million during the first quarter of the year, banks accelerated their purchases in the second quarter to a monthly average of $700 million. The increase in holdings of non-Government securities was weighted heavily by additions of municipal obligations.

The money supply rose at an annual rate of about 2½ percent during the first 6 months of 1963, which is noticeably above the rate of increase during 1962 as a whole. Time and savings deposits continued to expand in the first half of the current year, but the rate of increase became slower as the year progressed; through June 1963, total time and savings deposits advanced at a substantially slower rate than in the first half of 1962. In the latter period, however, the expansion was heavily influenced by an especially sharp inflow of new deposits stimulated by the increases in rates paid on time and savings deposits following the change in Federal Reserve Board Regulation Q.

Bank reserves moved steadily lower in the first 6 months of 1963, as reserves absorbed by market factors exceeded those supplied through System operations. Largely reflecting the state of reserve availability, the money market was somewhat less easy than it had been in 1962. Excess reserves averaged $423 million in the second quarter of the year — compared with $460 million in the first quarter and $549 million in the fourth quarter of 1962 — but declined to a level of approximately $377 million in June. Member bank borrowings increased, moving from an average of $142 million in the first quarter of 1963 to $189 million in the second quarter. As a result of these movements in excess reserves and borrowings, free reserves decreased to $234 million in the second quarter of 1963, down $84 million from their first-quarter level.

INTEREST RATES AND FREE RESERVES

UNITED STATES



p-Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

The volume of new security financing by states and municipalities reached a record $5.6 billion in the first half of 1963 — 9 percent above the previous high established in the comparable period of 1962. Commercial banks continued to be large purchasers of tax-exempt issues, reflecting a need to employ profitably the continuing inflow of time and savings deposits. The municipal securities sold in the January-June period of 1963 were generally well received, and yields on outstanding issues moved slightly higher.

The corporate bond market had a fairly firm tone during the first 6 months of 1963, and yields showed little change. New security offerings by corporations, excluding issues for retirement of bonds, totaled $5.8 billion in the first half of this year, or 3.2 percent above the level in the comparable period of 1962. Equity financings were substantially less this year than last year, however, possibly reflecting a carry-over from 1962 of some uncertainty in the stock market.

Treasury debt operations were an important factor in the capital market during the first half of 1963. The Treasury raised about $6.2 billion in new cash in the first 6 months of the year and refinanced outstanding obligations totaling almost $31.0 billion, exclusive of weekly auctions of Treasury bills. Largely as a result of refinancing operations and a $7.7 billion advance refunding, the average maturity of the marketable public debt reached 5 years 1 month at the end of March, the longest average maturity since 1956.

Treasury offerings to raise new cash were concentrated in short-term maturities during the first 6 months of 1963, but about $2.5 billion was obtained by selling longer-dated bonds. The latter included two long-term bond issues sold under competitive bidding arrangements, a technique employed by the Treasury for the first time in January and repeated in April.

Reflecting the improvement in economic activity, total demands for credit moved up substantially in the first 6 months of 1963. As previously noted, however, the growth in time and savings deposits at commercial banks during this period fell short of the rapid expansion a year earlier. Nevertheless, the flow of funds into savings and loan associations and mutual savings banks reached record levels this year, and the combined increase in time and savings deposits for all three types of institutions exceeded that for the same period in 1962. Partly because of these developments, interest rates were almost unchanged during the first half of 1963 except in the Government securities market, where rates on some issues rose as much as one-eighth of 1 point. Mortgage rates, on the other hand, remained under downward pressure as financial institutions continued to channel large amounts into the mortgage market. In late June and early July, short-term interest rates were noticeably influenced by persistent rumors that, out of concern for the U. S. balance of payments, the Federal Reserve banks would raise their discount rates in the very near future.

The deficit in the U. S. balance of payments totaled $3.2 billion in the first quarter of 1963 on an annual-rate basis, and incomplete data indicate that a larger deficit was recorded for the second quarter of the year. The dock strike at the end of 1962 had a retarding effect on exports in the first quarter of the current year but probably caused second-quarter exports to perform better than would normally be expected. Data for the first 5 months of 1963 indicate that exports were at an annual rate of $21.4 billion while imports were at an annual rate of $16.6 billion. As a result, the surplus on trade account, as given by Census Bureau data, amounted to $4.8 billion, or virtually the same as in the comparable period of 1962.

Outflows of both short- and long-term capital were substantial in the first 6 months of this year, as foreigners marketed large amounts of new securities in the U. S. capital market and certain countries relied heavily on acceptance credits extended by commercial banks in the United States. In addition, U. S. direct and portfolio investments abroad moved noticeably higher. The gold stock decreased $245 million in the first half of 1963 — $100 million in the first quarter and $145 million in the second quarter — and stood at $15,733 million at the end of June.

Monetary policy in the first half of 1963 included the twin objectives of providing sufficient reserves to the commercial banking system for further expansion in bank credit and, at the same time, maintaining short-term rates at a high enough level to discourage the outflow of funds internationally. Treasury operations served to reinforce efforts of the Federal Reserve System which were designed to discourage or minimize the flow of short-term funds abroad, especially by increasing the amount of new cash borrowing by means of issues with shorter maturities and by utilizing advance refunding in order to lengthen the overall maturity of the public debt.

Although a number of official measures to reduce the deficit were taken in 1962, improvement in the U. S. balance of payments thus far has been disappointing. The domestic economy, on the other hand, has recovered some of its lost momentum, and earlier fears of a downturn in the latter part of 1963 have largely disappeared.

With available information indicating that the outflow of short-term funds again contributed materially to the U. S. balance-of-payments deficit in the second quarter of 1963, the System determined that additional measures were required to deal with this important international problem. Accordingly, on July 16 the Board of Governors announced approval of increases of one-half of 1 percent in the discount rates of 7 of the 12 Federal Reserve banks, effective the following day. Approval of similar increases at the other Reserve banks was announced subsequently. The establishment of the new rate of 3½ percent marks the first change in the rate since the August-September period of 1960. International considerations also prompted the System to amend regulation Q to permit member banks to pay a maximum 4-percent rate of interest on time deposits having a maturity as short as 90 days. Prior to this change, which was also effective July 17, only time deposits held by banks for 1 year or more were eligible for the maximum 4-percent rate.

These moves by the System were made out of consideration for the balance-of-payments problem and in no way reflected an assessment that the domestic economy was in need of restraint. Announcement of these steps by the Board of Governors includes the following comment: "These actions to help in relieving the potential drain on United States monetary reserves associated with the long-persistent deficit in the balance of payments do not constitute a change in the System's policy of maintaining monetary conditions conducive to fuller utilization of manpower and other resources in this country."

new par banks

The DeSoto State Bank, DeSoto, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, July 6, 1963. The officers are: V. F. Chase, Jr., Chairman of the Board; Vernon W. Thames, President; and Carson M. Cooper, Vice President and Cashier.

The Bank of Commerce, College Station, 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, July 13, 1963. The officers are: John R. Naylor, Chairman of the Board; W. E. Edgar, President; P. G. Longmire, Vice President (Inactive); and Bill Holt, Vice President and Cashier.

The First State Bank, Trinidad, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, July 22, 1963. The officers are: Harris R. Fender, Chairman of the Board; C. D. Wheatley, Vice Chairman of the Board; R. C. Smith, President; and Glover McClintock, Vice President and Cashier.

district highlights

Effective July 17, the Federal Reserve Bank of Dallas and six other Reserve banks raised their discount rates from 3 percent to 3½ percent. Subsequently, increases were announced for the other Reserve banks. In approving the rate changes, the first since August-September 1960, the Board of Governors of the Federal Reserve System emphasized that the action was taken to aid in efforts to combat the U. S. balance-of-payments problem and does not constitute a change in the System's policy of maintaining monetary conditions conducive to fuller utilization of manpower and other resources.

The discount rate increase was accompanied by a change in regulation Q of the Board of Governors, raising to 4 percent the maximum rate of interest that member banks are permitted to pay on time deposits and on certificates of deposit with maturities of 90 days and longer. Maximum rates that banks are allowed to pay on savings deposits and on time deposits and certificates of deposit maturing in less than 90 days were not changed. This action by the Board is aimed at permitting banks to continue to compete effectively to attract or retain foreign and domestic funds for lending or investing.

The seasonally adjusted index of Eleventh District department store sales rose 5 percent during June to 115 percent of the 1957-59 average, reaching a level 8 percent above a year ago. Sales during the first 6 months of the year were 4 percent more than in the comparable period last year.

New car registrations in four major Texas markets declined 8 percent in June from the record May level as reductions of 13 percent, 7 percent, and 6 percent were reported in the Houston, Fort Worth, and Dallas markets, respectively. San Antonio recorded a 3-percent increase during the month. Compared with June 1962, registrations in all four markets showed substantial increases.

The Texas industrial production index recorded its third consecutive monthly gain in June, increasing 1 point above the previous month to 119 percent of the 1957-59 base. The advance was due almost exclusively to durable goods manufacturing.

Petroleum activity in the District gained modestly during the first half of 1963. Crude oil production edged upward from the same period last year to a daily average of 2,996,653 barrels; crude runs to refinery stills rose almost 5 percent. Stocks of crude oil in the District at the end of June were 4 percent lower than a year earlier, in contrast to a 2-percent increase for the Nation. Inventories of refined products rose 4 percent, with most of the change accounted for by a 7-percent gain in gasoline stocks.

Southwestern farmers expect to harvest 4 percent fewer acres of crops in 1963 than last year. Acreage reductions from 1962 are shown for all of the major crops except rye, rice, sorghums, flaxseed, and Irish potatoes. Of nine principal crops for which 1963 production estimates have been released, decreases from 1962 are indicated for six (winter wheat, corn, oats, barley, hay, and sweet potatoes), but outturns are expected to be higher for the other three (rice, flaxseed, and Irish potatoes). Plantings for the 1963 cotton crop in the District states are placed, as of July 1, at 8 million acres, or 9 percent less than the 1962 seedings and 3 percent below the 1957-61 average. Compared with 1962, cotton plantings are down 4 percent in Arizona, 5 percent in New Mexico, 7 percent in Oklahoma, and 10 percent in both Louisiana and Texas.

new member banks

The Midway National Bank of Grand Prairie, Grand Prairie, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business July 8, 1963, as a member of the Federal Reserve System. The new member bank has capital of $200,000, surplus of $200,000, and undivided profits of $100,000. The officers are: I. Boyd Ridgway, Chairman of the Board; A. K. Waldrep, President; John H. Pittman, Executive Vice President and Cashier; Jack Akins, Vice President; and Craig E. Thornhill, Jr., Assistant Cashier.

The Citizens National Bank of Breckenridge, Breckenridge, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business July 19, 1963, as a member of the Federal Reserve System. The new member bank has capital of $150,000, surplus of $100,000, and undivided profits of $50,000. The officers are: Albert Reck, Chairman of the Board; Harry C. Logan, President; C. D. Dofflemyer, Vice President; and Gene Rodgers, Vice President and Cashier.

The White Rock National Bank of Dallas, Dallas, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business July 22, 1963, as a member of the Federal Reserve System. The new member bank has capital of $200,000, surplus of $200,000, and undivided profits of $100,000. The officers are: James H. Clark, Chairman of the Board; R. B. White, Jr., President; James H. Clark, Jr., Vice President; and G. Randall Jacobs, Vice President and Cashier.

The Everman National Bank of Fort Worth, Fort Worth, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business July 25, 1963, as a member of the Federal Reserve System. The new member bank has capital of $200,000, surplus of $100,000, and undivided profits of $100,000. The officers are: Charles H. Bryant, Chairman of the Board; Roger E. Souder, Vice Chairman of the Board; J. V. Brookshear, President; Daniel B. Meyer, Vice President; and Curtis E. Francis, Cashier.

The Plano National Bank, Plano, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business July 26, 1963, as a member of the Federal Reserve System. The new member bank has capital of $125,000, surplus of $125,000, and undivided profits of $50,000. The officers are: John K. Ferguson, Chairman of the Board and President; Mary Virginia Wyatt, Cashier; and O. D. Carpenter, Assistant Cashier.

The First National Bank of Plainview, Plainview, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business August 1, 1963, as a member of the Federal Reserve System. The new member bank has capital of $300,000, surplus of $300,000, and undivided profits of $150,000. The officers are: T. E. Mitchell, Chairman of the Board; Bob C. Williams, President; Harold A. Hubbard, Vice President; and Bill E. English, Cashier.

The Commercial National Bank of Victoria, Victoria, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business August 1, 1963, as a member of the Federal Reserve System. The new member bank has capital of $200,000, surplus of $200,000, and undivided profits of $100,000. The officers are: A. B. J. Hammett, Chairman of the Board; Burke Kirkpatrick, President; and Jerry S. Bennett, Vice President and Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

August 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	July 24, 1963	June 19, 1963	July 25, 1962
ASSETS			
Commercial and industrial loans	1,786,072	1,818,188	1,763,525
Agricultural loans	43,383	44,661	49,727
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities	274	274	274
Other securities	59,596	60,069	51,543
Other loans for purchasing or carrying:			
U. S. Government securities	2,169	2,194	2,481
Other securities	240,612	235,007	179,128
Loans to domestic commercial banks	37,477	38,385	70,065
Loans to foreign banks	3,103	2,580	72
Loans to other financial institutions:			
Sales finance, personal finance, etc.	102,593	103,113	84,128
Savings banks, mtge. cos., ins. cos., etc.	246,408	237,022	193,635
Real estate loans	315,535	312,424	262,647
All other loans	895,714	901,305	821,117
Gross loans	3,732,936	3,755,222	3,478,342
Less reserves and unallocated charge-offs	69,731	69,319	62,347
Net loans	3,663,205	3,685,903	3,415,995
Treasury bills	137,266	126,787	111,907
Treasury certificates of indebtedness	110,799	125,154	58,913
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year	133,902	135,311	278,607
After 1 but within 5 years	716,345	712,664	652,778
After 5 years	471,020	462,765	444,687
Other securities	594,682	579,618	481,835
Total investments	2,164,014	2,142,299	2,028,727
Cash items in process of collection	608,153	671,082	525,368
Balances with banks in the United States	485,229	537,663	473,867
Balances with banks in foreign countries	5,968	5,282	2,073
Currency and coin	65,248	62,810	63,982
Reserves with Federal Reserve Bank	578,284	555,134	568,057
Other assets	232,892	224,339	202,647
TOTAL ASSETS	7,802,993	7,884,512	7,280,716
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations	3,127,462	3,095,752	3,080,164
Foreign governments and official institutions, central banks, and international institutions	2,513	3,497	3,808
U. S. Government	130,392	170,321	119,384
States and political subdivisions	259,748	257,772	240,536
Banks in the United States, including mutual savings banks	1,021,266	1,122,281	1,021,775
Banks in foreign countries	15,046	14,652	13,990
Certified and officers' checks, etc.	68,333	71,238	48,904
Total demand deposits	4,624,760	4,735,513	4,528,561
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits	1,076,652	1,064,183	945,229
Other time deposits	907,452	896,108	695,117
Foreign governments and official institutions, central banks, and international institutions	508	511	2,511
U. S. Government, including postal savings	6,187	6,187	6,617
States and political subdivisions	301,298	311,138	247,313
Banks in the United States, including mutual savings banks	13,391	13,460	6,436
Banks in foreign countries	2,850	2,350	2,350
Total time and savings deposits	2,308,338	2,293,937	1,905,573
Total deposits	6,933,098	7,029,450	6,434,134
Bills payable, rediscounts, etc.	101,805	82,225	117,500
All other liabilities	94,531	106,223	93,834
Capital accounts	673,559	666,614	635,248
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	7,802,993	7,884,512	7,280,716

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 24, 1963	June 19, 1963	July 25, 1962
Total gold certificate reserves	615,127	571,594	630,909
Discounts for member banks	10,180	25,455	14,960
Other discounts and advances	0	0	840
U. S. Government securities	1,298,393	1,274,740	1,179,199
Total earning assets	1,308,573	1,300,195	1,194,999
Member bank reserve deposits	948,205	912,928	940,752
Federal Reserve notes in actual circulation	929,742	914,245	866,727

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended July 3, 1963	5 weeks ended June 5, 1963	4 weeks ended July 4, 1962
RESERVE CITY BANKS			
Total reserves held	590,874	583,766	602,653
With Federal Reserve Bank	548,718	543,111	561,900
Currency and coin	42,156	40,655	40,753
Required reserves	588,837	577,090	596,575
Excess reserves	2,037	6,676	6,078
Borrowings	5,446	6,327	1,461
Free reserves	—3,409	349	4,617
COUNTRY BANKS			
Total reserves held	530,252	524,306	539,612
With Federal Reserve Bank	415,405	412,410	432,844
Currency and coin	114,847	111,896	106,768
Required reserves	485,042	484,032	476,218
Excess reserves	45,210	40,274	63,394
Borrowings	3,058	3,443	2,023
Free reserves	42,152	36,831	61,371
ALL MEMBER BANKS			
Total reserves held	1,121,126	1,108,072	1,142,265
With Federal Reserve Bank	964,123	955,521	994,744
Currency and coin	157,003	152,551	147,521
Required reserves	1,073,879	1,061,122	1,072,793
Excess reserves	47,247	46,950	69,472
Borrowings	8,504	9,770	3,484
Free reserves	38,743	37,180	65,988

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
1961: June	7,752	3,829	3,923	2,745	1,380	1,365
1962: June	8,144	4,062	4,082	3,267	1,651	1,616
1963: January	8,711	4,234	4,477	3,602	1,771	1,831
February	8,354	4,007	4,347	3,706	1,811	1,895
March	8,317	4,051	4,266	3,783	1,854	1,929
April	8,284	4,016	4,268	3,836	1,886	1,950
May	8,126	3,979	4,147	3,907	1,935	1,972
June	8,235	4,067	4,168	3,948	1,957	1,991

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	June 26, 1963	May 29, 1963	June 27, 1962
ASSETS			
Loans and discounts	6,345	6,192	5,784
U. S. Government obligations	2,861	2,839	2,789
Other securities	1,253	1,208	1,048
Reserves with Federal Reserve Bank	874	929	963
Cash in vault[e]	180	173	168
Balances with banks in the United States	1,120	1,012	1,123
Balances with banks in foreign countries[e]	6	6	3
Cash items in process of collection	642	615	590
Other assets[e]	355	342	304
TOTAL ASSETS[e]	13,636	13,316	12,772
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,263	1,173	1,271
Other demand deposits	7,053	6,846	6,892
Time deposits	3,955	3,926	3,286
Total deposits	12,271	11,945	11,449
Borrowings[e]	65	73	89
Other liabilities[e]	143	144	146
Total capital accounts[e]	1,157	1,154	1,088
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	13,636	13,316	12,772

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] June 1963	Percent change from May 1963	Percent change from June 1962	Demand deposits[1] June 30, 1963	Annual rate of turnover June 1963	Annual rate of turnover May 1963	Annual rate of turnover June 1962
ARIZONA							
Tucson	$ 331,464	—11	—22	$ 157,520	24.8	27.5	30.6
LOUISIANA							
Monroe	86,743	—15	—1	56,640	19.6	22.9	19.8
Shreveport	316,564	—8	0	195,431	20.5	23.2	21.7
NEW MEXICO							
Roswell	49,589	—8	—14	35,344	16.9	18.4	17.8
TEXAS							
Abilene	96,578	—8	—15	72,621	16.1	17.4	18.0
Amarillo	246,481	5	6	120,188	25.1	23.9	24.1
Austin	240,972	—29	—8	159,439	18.5	24.8	21.6
Beaumont	179,598	—11	1	108,323	20.4	23.0	21.2
Corpus Christi	201,548	—6	—1	112,676	21.0	21.8	22.1
Corsicana	16,929	—8	7	20,423	10.1	10.9	9.7
Dallas	3,332,603	—10	0	1,345,680	30.7	34.8	31.0
El Paso	319,589	—20	—1	186,742	21.1	26.2	21.8
Fort Worth	793,870	—6	—7	405,861	23.4	24.7	26.6
Galveston	98,121	—5	5	58,337	20.4	20.9	18.1
Houston	3,044,127	—10	1	1,513,769	24.7	27.4	25.7
Laredo	35,304	—10	7	24,682	17.3	18.6	15.7
Lubbock	204,325	—7	6	121,080	20.4	21.4	19.1
Port Arthur	60,182	—13	—7	42,478	17.0	18.7	18.1
San Angelo	51,206	—16	—4	49,467	12.6	15.4	13.7
San Antonio	694,888	—15	1	408,818	20.3	23.5	20.9
Texarkana[2]	28,587	—2	6	18,606	18.4	19.1	18.8
Tyler	92,932	—15	—5	71,397	16.1	19.6	18.8
Waco	115,303	—8	—11	66,681	20.3	21.5	22.3
Wichita Falls	117,349	—9	—1	105,788	13.7	15.2	14.8
Total—24 cities	$10,754,852	—11	—1	$5,457,991	24.1	26.9	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 $64,154,000 for the month of June 1963.

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	June 1963 from May 1963	June 1963 from June 1962	6 months, 1963 from 1962
Total Eleventh District	—9	3	4
Corpus Christi	—7	0	2
Dallas	—14	2	3
El Paso	—7	5	0
Houston	—9	5	5
San Antonio	—11	0	6
Shreveport, La.	—7	8	7
Waco	—7	0	3
Other cities	—7	4	5

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1957-59 = 100)

Date	SALES (Daily average) Unadjusted	SALES (Daily average) Seasonally adjusted	STOCKS (End of month) Unadjusted	STOCKS (End of month) Seasonally adjusted
1962: June	96	107	107r	114r
1963: January	83	107	99	113
February	80	109	106	113
March	98	113	114	113
April	108	110	117	114
May	106	110	116	118
June	103	115	112p	119p

r — Revised.
p — Preliminary.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	June 1963p	May 1963	April 1963	June 1962
TEXAS				
Total industrial production	119	118	116r	115
Manufacturing	132	130	130	126
Durable	129	125	124	120
Nondurable	134	134	134	131
Mining	102	102	98r	100
UNITED STATES				
Total industrial production	125	124	123	118
Manufacturing	126	125	123	119
Durable	127	125	123	118
Nondurable	125	124	124r	120
Mining	109	108	107	105
Utilities	137	137	136r	132

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons June 1963p	Number of persons May 1963	Number of persons June 1962r	Percent change June 1963 from May 1963	Percent change June 1963 from June 1962
Total nonagricultural wage and salary workers	4,746,400	4,728,700	4,653,200	0.4	2.0
Manufacturing	823,000	816,400	810,800	.8	1.5
Nonmanufacturing	3,923,400	3,912,300	3,842,400	.3	2.1
Mining	243,100	238,300	245,100	2.0	—.8
Construction	336,000	326,800	320,000	2.8	5.0
Transportation and public utilities	393,400	389,900	393,400	.9	.0
Trade	1,129,200	1,124,300	1,117,100	.4	1.1
Finance	240,300	237,400	231,800	1.2	3.7
Service	669,500	665,300	648,000	.6	3.3
Government	911,900	930,300	887,000	—2.0	2.8

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
p — Preliminary.
r — Revised.
SOURCE: State employment agencies.

BUILDING PERMITS

Area	NUMBER June 1963	NUMBER 6 mos. 1963	VALUATION (Dollar amounts in thousands) June 1963	VALUATION 6 mos. 1963	Percent change June 1963 from May 1963	Percent change June 1963 from June 1962	Percent change 6 months, 1963 from 1962
ARIZONA							
Tucson	656	4,288	$ 2,416	$ 16,818	—45	—16	—8
LOUISIANA							
Shreveport	306	1,676	2,549	16,254	—54	148	59
TEXAS							
Abilene	117	693	1,329	8,981	13	—15	—25
Amarillo	267	1,683	3,165	22,744	—29	—30	9
Austin	353	2,137	5,077	43,048	—6	42	25
Beaumont	246	1,589	1,328	7,804	—15	—1	—17
Corpus Christi	308	1,898	2,029	12,508	6	—18	19
Dallas	2,196	13,560	15,660	132,285	—39	—65	3
El Paso	429	2,583	5,438	22,387	22	13	—12
Fort Worth	646	3,655	9,413	29,833	145	221	16
Galveston	169	958	4,409	9,313	91	376	—22
Houston	1,761	11,731	18,544	175,422	—41	—46	—5
Lubbock	195	1,180	2,785	24,845	17	23	22
Midland	81	617	619	7,457	—49	—80	—28
Odessa	74	457	564	4,031	—14	—53	—20
Port Arthur	94	730	319	2,462	—15	—13	—3
San Antonio	1,058	6,925	5,074	29,883	—6	27	—3
Waco	279	1,457	1,225	9,989	—24	27	12
Wichita Falls	89	652	1,091	7,628	34	2	6
Total—19 cities	9,324	58,469	$83,034	$583,692	—21	—30	1

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	June 1963p	May 1963	June 1962	January-June 1963p	January-June 1962
FIVE SOUTHWESTERN STATES[1]	429	454	425	2,400	2,223
Residential building	197	203	150	1,085	949
Nonresidential building	118	108	130	669	690
Public works and utilities	114	142	145	646	583
UNITED STATES	22,389	18,015	21,047	22,389	21,047
Residential building	10,094	8,132	9,166	10,094	9,166
Nonresidential building	7,231	5,788	6,647	7,231	6,647
Public works and utilities	5,065	4,095	5,234	5,065	5,234

[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.

MARKETED PRODUCTION OF NATURAL GAS

Area	In millions of cubic feet: First quarter 1963	Fourth quarter 1962	First quarter 1962	Seasonally adjusted index (1957–59=100): First quarter 1963	Fourth quarter 1962	First quarter 1962
Louisiana	1,032,900	954,500	898,200	166	174	144
New Mexico	218,200	225,100	233,000	110	120	118
Oklahoma	251,000	243,800	262,200	136	152	142
Texas	1,587,300	1,527,100	1,578,500	111	110	111
Total	3,089,400	2,950,500	2,971,900	127	129	123

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

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS: 1963, estimated July 1	1962	Average 1957-61	FIVE SOUTHWESTERN STATES[1]: 1963, estimated July 1	1962	Average 1957-61
Winter wheat	36,272	43,696	64,329	115,146	121,577	168,296
Corn	24,138	32,612	35,820	35,880	43,654	53,674
Oats	15,998	15,932	30,406	22,692	23,787	48,408
Barley	3,500	3,859	8,564	21,382	22,387	33,989
Rice[2]	15,572	15,801	12,135	31,320	31,295	24,309
Hay[3]	1,904	2,278	2,177	5,861	6,968	6,440
Flaxseed	635	188	729	635	188	729
Irish potatoes[4]	2,484	2,524	2,361	5,782	5,429	5,260
Sweet potatoes[4]	1,125	1,530	1,173	5,131	5,738	5,299

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

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	June 1963p	May 1963p	June 1962	Percent change from May 1963	Percent change from June 1962
ELEVENTH DISTRICT	3,039.7	3,019.0	2,955.4	0.7	2.9
Texas	2,622.3	2,600.9	2,562.0	.8	2.4
Gulf Coast	508.7	503.4	469.7	1.1	8.3
West Texas	1,179.7	1,167.9	1,164.4	1.0	1.3
East Texas (proper)	110.1	110.0	121.5	.1	−9.4
Panhandle	103.4	103.4	101.9	.0	1.5
Rest of State	720.4	716.2	704.5	.6	2.3
Southeastern New Mexico	274.9	278.2	261.4	−1.2	5.2
Northern Louisiana	142.5	139.9	132.0	1.9	8.0
OUTSIDE ELEVENTH DISTRICT	4,464.3	4,464.5	4,301.6	.0	3.8
UNITED STATES	7,504.0	7,483.5	7,257.0	.3	3.4

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

CROP ACREAGE

(In thousands of acres)

Crop	TEXAS: For harvest 1963	Harvested 1962	Harvested Average 1957-61	FIVE SOUTHWESTERN STATES[1]: For harvest 1963	Harvested 1962	Harvested Average 1957-61
Cotton	6,250	6,920	6,518	7,995	8,800	8,217
Winter wheat	2,267	2,731	3,210	5,941	6,792	7,872
Corn	894	1,052	1,405	1,294	1,424	2,026
Oats	711	741	1,189	976	1,114	1,851
Barley	200	227	366	784	931	1,152
Rye	30	23	22	93	81	106
Rice	458	458	394	966	966	829
Sorghums	6,453	5,920	7,809	8,056	7,335	9,542
Hay	1,777	1,846	1,728	4,056	4,140	3,931
Peanuts (alone)	287	293	318	412	419	444
Flaxseed	127	25	69	127	25	69
Irish potatoes	18	18	19	36	35	37
Sweet potatoes	15	18	18	79	83	83

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

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	June 1963p	May 1963p	June 1962
CRUDE OIL RUNS TO REFINERY STILLS (Daily average)	112	109	111
DEMAND (Daily average)			
Gasoline	104	107	106
Kerosene	169	209	171
Distillate fuel oil	114	115	108
Residual fuel oil	97	92	88
Four refined products	107	110	105
STOCKS (End of month)			
Gasoline	110	104	105
Kerosene	118	120	115
Distillate fuel oil	108	107	111
Residual fuel oil	85	90	83
Four refined products	106	104	105

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