

business review



march 1964

**FEDERAL RESERVE
BANK OF DALLAS**

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corporate financing developments

Record profits and internally generated funds enabled corporations to expand plant and equipment expenditures, accumulate inventories, and increase working capital in 1963. Despite a noteworthy increase in cash flow, external financing to obtain new money was substantial; offerings of privately placed issues in the capital market reached a record level, and the sale of debt obligations in order to refund outstanding securities was the highest volume in recent years. Furthermore, the increase in outstanding debt to banks was the largest since 1959.

Continuing a trend of several years' duration, corporations depended primarily on internal sources of funds in 1963. Almost 75 percent of corporate financial requirements, totaling \$51.1 billion, were satisfied through retained profits and capital consumption allowances. This proportion is slightly above the average of 71 percent for the previous 2 years. The increased reliance on internal funds in 1963 was made possible partially by the high level of profits. At an estimated \$27.2 billion, corporate profits after taxes were 10.6 percent above a year earlier and reflected not only sales but also slightly wider profit margins.

Depreciation and amortization charges supplied an estimated \$29.4 billion, or \$1.6 billion more than in 1962. This high level reflects, in part, the new depreciation guidelines issued by the U. S. Treasury Department in mid-1962 and the investment tax credit provided in the Revenue Act of 1962. Despite a 7.2-percent increase in dividend payments, retained profits and depletion allowances advanced \$1.2 billion, or over 17 percent, in 1963.

Corporate dividend payments reached a record rate of almost \$19.0 billion in the final quarter of 1963 and averaged \$17.8 billion for the year. The advanced fourth-quarter pace was primarily attributable to increases in the dividend rates of industrial and utility firms and the payment of extra cash dividends at year-end. However, the payout ratio (i.e., the proportion of earnings distributed to stockholders) declined to 65.4 percent of after-tax profits — the lowest since 1959.

To supplement internal sources of funds, corporations raised \$5.3 billion to finance plant and equipment outlays, compared with \$5.7 billion in 1962. Proceeds from new security offerings allocated to working capital increased to a record \$3.7 billion. In addition, approximately \$1.5 billion was used to purchase securities and other assets and to repay long-term bank indebtedness.

Refinancing activity was higher last year than in any other year since 1954. Refunded issues, primarily public utility securities, totaled \$1.5 billion. Almost one-half of total refunding occurred in the second quarter, prior to the general firming of rates in July. After mid-year, refunding activity declined significantly and, in the final quarter, totaled less than \$200 million.

New corporate securities issued for cash aggregated \$12.2 billion in 1963, or \$1.5 billion more than in the preceding year but well below the record \$13.1 billion in 1961. The amount of securities privately placed with institutional investors exceeded publicly offered issues for the first time. Privately placed securities — principally notes and bonds —

amounted to \$6.4 billion, or \$1.8 billion more than in 1962 and \$1.4 billion greater than in 1961. The continued inflow of funds into such financial intermediaries as insurance companies and pension and trust funds was a major factor contributing to the record level of securities placed directly with investors. Publicly offered issues totaled \$5.8 billion in 1963 and included only \$1.1 billion in equity securities.

Corporations took advantage of favorable bond market conditions in 1963 to borrow a record \$10.9 billion. Manufacturing enterprises were responsible for almost 30 percent of the debt financing, and electric, gas, and water utilities borrowed about one-fifth of the total. New debt securities issued by financial and real estate firms amounted to 25 percent of the total and included \$230 million in capital notes and debentures sold by commercial banks.

Although stock prices reached a record high in 1963, new offerings of common stock remained at the depressed levels which have persisted since the sharp decline in stock prices

in May 1962. Last year, 362 new issues were marketed, valued at \$1 billion. In contrast, 1,006 new issues were sold in 1961 and had a value of \$3.3 billion; in 1962, new common stock sales totaled \$1.3 billion. Manufacturing firms and financial and real estate firms accounted for approximately 60 percent of common stock offerings. New preferred stock issues, primarily of public utilities, aggregated about \$300 million, which is well below 1962 offerings. With the exception of 1961, the amount of preferred stock issued has declined for 8 consecutive years.

Costs of security flotation amounted to only \$173 million in 1963, or 1.4 percent of the total amount of securities offered. This percentage is one-fourth less than the 1962 rate and about 40 percent below the average for the previous 5 years. The unusually small spread between the amount received by corporations from the sale of securities and the principal amount of the securities issued mainly reflected the low level of equity financing, on which underwriting spreads are relatively large.

SOURCES AND USES OF CORPORATE FUNDS, 1959-63¹

(In billions of dollars)

Source or use of funds	1959	1960	1961	1962	1963 ²
Total uses	46.8	39.3	42.3	48.1	51.1
Plant and equipment outlays	27.7	30.8	29.6	32.0	33.5
Inventories (book value)	6.6	2.5	1.8	3.8	4.0
Customer net receivables ³	5.6	4.2	3.5	5.8	5.2
Cash and U. S. Government securities	2.9	-1.7	2.5	1.2	1.8
Other assets	4.1	3.5	4.9	5.3	6.6
Total sources	51.9	41.7	43.6	52.3	54.4
Internal sources	31.1	29.1	29.6	34.9	37.6
Retained profits and depletion allowances	9.5	6.2	5.6	7.0	8.2
Depreciation and amortization allowances	21.6	22.9	24.0	27.8	29.4
External sources	20.8	12.6	13.9	17.4	16.8
Federal income tax liability	2.1	-1.6	.6	.9	1.5
Other liabilities	3.7	3.2	1.8	3.2	2.6
Bank loans and mortgage loans	7.1	3.0	2.0	6.1	6.4
Net new issues	7.8	8.0	9.6	7.1	6.3
Discrepancy (uses less sources)	-5.0	-2.4	-1.3	-4.1	-3.3

¹ Excludes banks and insurance companies.

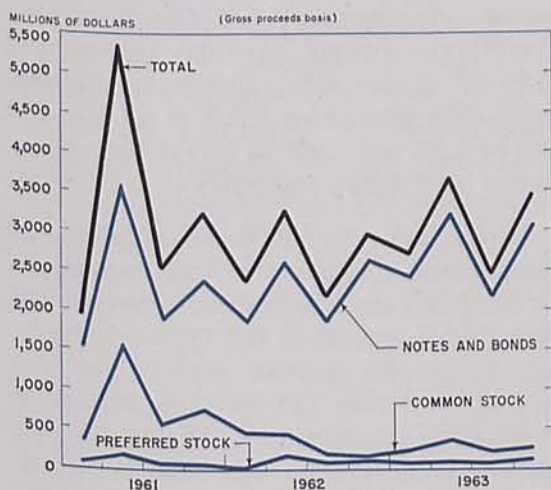
² Preliminary estimates.

³ Receivables are net of payables, which are therefore not shown separately.

SOURCE: *Economic Report of the President, January 1964.*

Yields on corporate bonds closed the year 5 basis points above the December 1962 level, according to Moody's. Rates generally declined through the first three quarters of the year, despite the substantial volume of new offerings reaching the market; but modest advances were registered in the final quarter. Investors actively sought lower-quality issues, and Moody's index of Baa-rated bonds declined 7 basis points. In contrast, the index of Aaa-rated bonds advanced 11 basis points.

NEW CORPORATE SECURITIES OFFERED FOR CASH



SOURCE: Board of Governors, Federal Reserve System.

Several industry groups were particularly active participants in the capital markets in 1963. Largely because of the noteworthy expansion in consumer credit, sales and consumer finance companies tapped the securities market for \$1.4 billion, or double the amount borrowed in the preceding year. Other financial and real estate companies floated \$1.8 billion of new issues, or \$600 million more than in 1962; and largely to finance the acquisition of rolling stock, railroad companies marketed the largest volume of new securities since 1955. In terms of dollar amounts raised, however, manufacturing firms accounted for \$3.5 billion, or about

29 percent, of the funds obtained from debt and equity offerings.

Corporations increased their bank indebtedness and mortgage loans by \$6.4 billion in 1963, the largest advance since 1959. Other liabilities expanded slightly less than a year earlier; however, as a result of higher earnings, Federal income tax liability advanced \$1.5 billion, compared with \$900 million in 1962.

Of the \$51.1 billion increase in corporate assets in 1963, almost two-thirds represented outlays for new plant and equipment. This expenditure was \$1.5 billion, or almost 4 percent, higher than in 1962 and principally mirrored the expanded outlays of durable goods manufacturers, railroads, and "commercial and other" businesses.

Corporations increased their net working capital significantly in 1963. To maintain stock-sales ratios, approximately \$4 billion was added to inventories. This increment was 5 percent greater than a year earlier and represented the largest inventory accumulation since 1959. Holdings of cash and U. S. Government securities advanced \$1.8 billion, or \$600 million more than in 1962. Accounts receivable, net of payables, expanded \$5.2 billion, while other assets increased \$6.6 billion.

Developments in corporate finance in 1963 were primarily a reflection of trends which have influenced business financing methods in recent years. The overriding factors affecting corporate financial policies and permitting corporations to place relatively less reliance on external funds have been the growth of profits and capital consumption allowances. In view of the expected continuation of record levels of cash flow, corporate demands on the capital markets should remain moderate in the immediate future, pending an exceptional upsurge in capital investment.

DON L. WOODLAND
Financial Economist

spending patterns of consumers

As the productivity and the purchasing power of a nation grow, the amount and variety of products and services consumed by its people expand. The American consumer has a seemingly unlimited array of goods and services for which to spend his income. The consumer may vary his choices from year to year, and, over a period of years, his spending pattern may change as new products and services are developed and different preferences emerge.

The consumer market is a big market. During the past 5 years, personal consumption expenditures — averaging about \$341 billion — accounted for slightly under two-thirds of gross national product. During 1935-39, consumer expenditures accounted for about three-fourths of the Nation's output of goods and services; however, such expenditures averaged only about \$64 billion.¹ The sharply expanded role of all levels of government was principally responsible for the decline in the contribution made by personal consumption expenditures relative to gross national product. Expenditures of the Federal Government increased sharply at the outset of World War II and, subsequently, have remained large mainly as a result of defense spending. State and local governmental units began to accelerate their spending at the close of World War II, and such expenditures have risen consistently. Federal, state, and local government purchases of goods and services ac-

¹ Personal consumption expenditures, as reported by the U. S. Department of Commerce, include both money and imputed expenditures made by individuals for goods and services. The full cost of items — e.g., automobiles — is included in the period when purchased, regardless of when payments are made or completed. The purchase of homes is not included as an expenditure, but the estimated rental value to the homeowner is included if he occupies the dwelling.

counted for almost 21 percent of gross national product in 1959-63, compared with 14 percent in 1935-39.

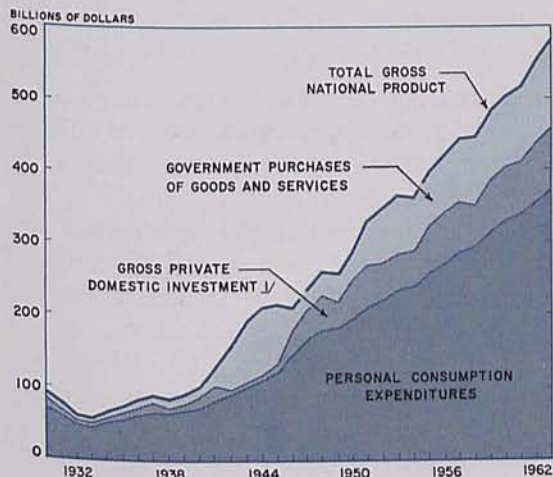
An almost uninterrupted gain in disposable personal income (total income after deductions for income and other personal taxes) has provided the basis for a nearly continuous advance in consumer purchases of goods and services. Both after-tax personal income and personal consumption expenditures increased from their year-earlier levels in all but 4 of the past 35 years, and all four of these occurrences were during the 1930's.

Taxes levied by all levels of government took almost 13 percent of total personal income during the past 5 years, compared with less than 4 percent in the 1930's. Nevertheless, disposable personal income rose from slightly more than \$74 billion in 1930 to almost \$403 billion in 1963. During this same period, total personal consumption expenditures advanced from \$71 billion to approximately \$373 billion.

The proportion of after-tax income that consumers spend from year to year remains fairly stable, although, for any particular year, consumers also may choose to expand their purchases by incurring debt or drawing upon savings. This stability in the proportion of income spent suggests that consumers ordinarily have a rather firm notion of how much they are willing to spend relative to their total disposable income. As a consequence, a significant permanent expansion in consumer purchases usually stems from an increase in after-tax income, rather than from a step-up in the percentage of disposable income which is spent.

During the past decade, the proportion of disposable income used for personal consumption expenditures fluctuated narrowly between 92.1 percent and 93.8 percent.

GROSS NATIONAL PRODUCT



⌋/ Includes net exports of goods and services.
SOURCE: U.S. Department of Commerce.

However, sharp variations in the proportion of disposable income spent have occurred during certain periods. In the depth of the depression of the early thirties, when personal incomes declined, consumers dipped into their savings in order to maintain consumption, and personal consumption expenditures exceeded current income flows. Another period in which the ratio of consumer spending to income showed marked variation from its typical pattern was during World War II and for a few years thereafter. After declining to a low of 75 percent of disposable personal income in 1944, personal consumption expenditures rebounded strongly to 97 percent of income in 1947, as consumers sought to satisfy demands built up during the war, when production of many items was sharply curtailed.

The generally persistent upward trend in personal consumption expenditures has been one of the strong, stabilizing features of the post-World War II economy. Total consumer

purchases failed to increase from the preceding quarter's level in only 8 of the 72 quarters during the 1946-63 period. Most of the quarters in which weakness appeared in consumer spending were during periods when overall economic activity was declining and growth in personal income tended to slacken.

Expenditures for services advanced consistently from quarter to quarter even in cyclical downturns during the 1946-63 period, and this consistent performance was a major factor in the fairly steady uptrend in total consumer spending. On the other hand, durable goods spending had a tendency to be somewhat volatile, as purchases of such goods decreased in 21 of the 72 quarters. The trend in nondurable goods expenditures was less erratic, and purchases of soft goods declined from the preceding quarter only 10 times.

The large outlays (which may include borrowings against future income) involved in the purchase of many consumer durables — such as automobiles, major appliances, or expensive jewelry — make these types of expenditures prime candidates for postponement if needs for them are not pressing, the outlook is uncertain, or available items fail to capture the fancy of the consumer. Consequently, purchases of major consumer durables may slacken significantly and then increase vigorously sometime later as the mood of consumers changes. To a lesser extent, purchases of nondurables, especially clothing, may be deferred for a while but ordinarily do not involve as great a commitment of the average family's budget as the big-ticket durable items. Further, food expenditures, which comprise a large part of the nondurable goods category, are not easily postponed and, as a consequence, tend to be maintained.

The continuous advance in service expenditures, even during a cyclical easing in economic activity, may reflect, in part, the fact that a significant portion of such outlays is

for housing and household operations, including utilities. These items generally are needed on a continuous basis, and their purchase cannot be deferred readily.

Although a study of personal consumption expenditures during the past decade reveals that purchases of durable goods, nondurable goods, and services all showed substantial gains, the increase in consumer spending for services outstripped the advances in purchases of goods by a wide margin. From 1954 to 1963, total personal consumption expenditures rose at an average annual rate of 5.1 percent, and spending on services rose at a rate of 6.7 percent and accounted for one-half of the total dollar increase in personal consumption expenditures. Consumer purchases of durables advanced 5.3 percent annually during the 1954-63 period, and outlays for nondurables increased 3.8 percent.

A significant part of the differences in the rates of advance in the major categories of consumer spending reflected variations in the movements of prices during the past decade. Although prices for all three broad categories

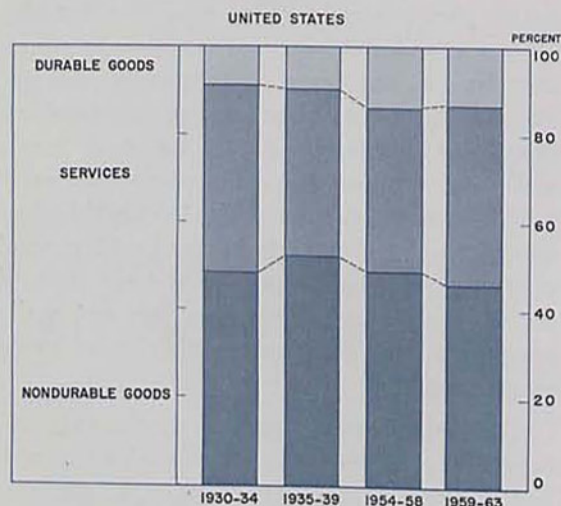
rose, prices increased considerably more rapidly for services than for either durable or nondurable goods. Prices for all services advanced almost 20 percent between 1954 and 1963. Prices of nondurables rose about 10 percent, and those for durables increased about 6 percent. In the case of durable goods, prices reached their high point in 1959 and 1960.

If each of the three major categories of personal consumption expenditures is adjusted for its respective price changes during the past decade, the pattern of increases in consumer purchases of durables, nondurables, and services is altered substantially. In terms of 1954 prices, purchases of durable goods and services increased at an annual rate of 4.6 percent each from 1954 to 1963, and spending for nondurables rose 2.7 percent annually. Total personal consumption expenditures in "real" terms rose about 3.7 percent annually during the period, compared with 5.1 percent without adjustment for price increases.

The nature of many services makes them particularly susceptible to price increases when the demand for them expands. A large number of services — e.g., those of a medical, legal, or mortuary nature — are of such a highly personalized character that the application of various techniques used in boosting the production of goods is somewhat limited. Further, most services cannot be inventoried. Once it has been utilized, the service has no resale or scrap value because it is consumed as it is used.

During the 1954-63 period, 47 percent of personal consumption expenditures were for the purchase of nondurable goods, 39 percent for services, and almost 14 percent for durable goods. Some changes in consumer spending patterns are evident when viewed over the span of the past decade. The proportion of the consumer's dollar spent for services generally trended upward. The percentage spent on durable goods fluctuated narrowly from year to year and held fairly close to its 1954-63

CONSUMER EXPENDITURES, BY MAJOR CATEGORY



SOURCES: Council of Economic Advisers,
U.S. Department of Commerce.

average except in 1955 and 1961. In 1955, durable goods received an extraordinary boost by a sharp increase in automobile purchases, and a decline in such purchases in 1961 resulted in a significantly lower share relative to the average for the decade. On the other hand, the consumer spent a declining proportion of his dollars on nondurable goods during the past decade, with an uninterrupted downward trend occurring in the last 5 years.

Relative to the spending pattern just a few years prior to World War II, the proportion of total personal consumption expenditures devoted to each of the three major categories also has altered. In 1954-63, the share of the consumer dollar spent on nondurables was lower than in 1935-39, while the proportion spent on durables and on services was larger.

Both durable goods and services expenditures have gained at the expense of nondurables in the post-World War II period. The fairly persistent rise in the percentage of income spent on services may suggest that this type of expenditure is likely to rise somewhat further relative to purchases of goods. However, the proportion of the consumer's dollar spent for services in 1963 was below that in every year except one during the 1930-34 period. It is possible that the increases in service expenditures in recent years reflect a return to a more normal relationship within the total mix of consumer purchases — a mix which was distorted by a severe depression and a major war.

In addition to the fact that the proportions of income spent among the broad types of goods and services shifted between the pre-World War II period and recent years, changes in spending patterns occurred within the broad categories themselves. Of the total expenditures for durable goods, a significantly larger share was used for the purchase of automobiles and parts during the past decade than in 1935-39, while a much smaller proportion was allocated

to furniture and other household durables. A slightly larger part of durable goods spending was devoted to such items as boats, musical equipment, pleasure aircraft, sports equipment, and books.

DISTRIBUTION OF CONSUMER SPENDING WITHIN MAJOR CATEGORIES

United States

(Percentage of total category)

Category	1959-63	1954-58	1935-39
Durable goods			
Automobiles and parts	41.7	41.8	34.4
Furniture and household equipment	42.6	44.4	52.5
Other	15.7	13.8	13.1
	100.0	100.0	100.0
Nondurable goods			
Food and alcoholic beverages	52.2	54.4	55.6
Clothing and shoes	18.4	18.5	20.1
Gasoline and oil	7.7	7.2	6.0
Other	21.7	19.9	18.3
	100.0	100.0	100.0
Services			
Housing	32.0	33.1	34.6
Household operation	14.7	14.6	14.4
Transportation	7.9	8.6	7.8
Other	45.4	43.7	43.2
	100.0	100.0	100.0

SOURCES: U. S. Department of Commerce, *Economic Report of the President, January 1964*.

Automobiles and parts accounted for almost 42 percent of the total spending for durable goods during the 1954-63 period. The introduction of the lower-priced compact cars and their acceptance by the public in the past few years may have had a moderating influence on the growth in outlays for automobiles. This influence may be lessening, however, as a result of the recent emphasis upon the larger compacts and the tendency of consumers to purchase "top-of-the-line" models.

In the case of nondurable goods, smaller shares of the consumer's dollar went for food and beverages and for wearing apparel than during the pre-World War II period, and larger proportions were accounted for by gasoline and oil and by such products as household sup-

plies, drugs, personal grooming aids, and reading materials. Within the services category, the most significant changes were the declining proportion of income spent for housing (which includes the imputed rental value of owner-occupied dwellings) and the increasing share of expenditures for a broad range of other services. Housing expenditures did not increase as much over their 1935-39 level as did other types of services expenditures, particularly spending on transportation and health services. The less vigorous growth in housing expenditures may be partly due to the comparatively more modest increase in rents than in prices for other services.

Consumer spending patterns may also be viewed from the standpoint of the type or purpose of the expenditure irrespective of whether the items are durables, nondurables, or services. In such a context, relatively greater proportions of total consumer expenditures in recent years have gone for public and private transportation, medical care and death expenses, recreation, personal business, personal care, and foreign travel. Similar to the previously mentioned trends in expenditures classified according to the durability of the item purchased, lower proportions have been spent for food and tobacco, apparel, housing, and household operation.

The changes that have occurred in consumer spending patterns are consistent with trends which might be expected as income and living levels increase. The most significant declines have been in the proportion of income spent for food, clothing, and shelter — items nor-

mally expected to account for smaller shares as total income advances. Consumer interest in durable goods, especially automobiles, was a particularly important influence on the spending pattern during the past decade. The integral relationship of the automobile to both work and play of the average American family can be readily observed at any factory parking lot or bowling alley. However, experience has shown that consumers do not always buy durables to the same extent each year.

Among the factors influencing the allocation of discretionary income have been increased leisure time and improved educational levels. In fact, provision for leisure time is an important feature of most labor contracts and working arrangements for nonunion employees. Opportunities to travel and to engage in recreational and cultural activities have become considerably more commonplace.

In some cases, consumer spending has been affected by institutional arrangements. Large segments of the population are enrolled in accident and health insurance programs and are employed by companies with established sick leave policies — all of which encourage a more professionalized approach to health care. The fairly regular and automatic payroll deductions for social security, pensions, and similar programs have reduced the area of discretion of many wage earners in disposing of their total income. However, the rather substantial area of choice remaining will keep consumers in the forefront in directing, through their purchases, which products and services businessmen should provide.



district highlights

Industrial output in Texas, seasonally adjusted, advanced fractionally during January to 122 percent of the 1957-59 average, a level almost 8 percent higher than a year earlier. All the month-to-month increase occurred in nondurable goods manufacturing, since durable goods production eased slightly and mining output was unchanged. In the nondurable goods category, a sharp output rise in chemicals, coupled with a modest increase in paper and allied products, more than offset modest declines in petroleum refining, textiles, food, and leather. The decreased output of fabricated metal products during January outweighed the larger outturns of lumber and machinery; as a result, the durable goods manufacturing index slipped to 130 percent.

Reflecting the effects of seasonal layoffs, nonagricultural employment in the five southwestern states decreased 2.1 percent in January from the previous month but was 2.9 percent higher than a year earlier. All the District states participated in the decline. Largely because of work force reductions in the food-processing industries, manufacturing employment eased 1.2 percent in January, with all the loss occurring in Texas, Louisiana, and Arizona. The number of wage and salary workers on nonmanufacturing payrolls decreased 2.3 percent during the month to a level 2.9 percent above a year ago. Most of the month-to-month decline was accounted for by trade, construction, and services.

Consumer spending in the Southwest continued strong in early 1964 and posted gains from year-earlier levels. The seasonally adjusted index of Eleventh District department store sales in January, at 117 percent of the 1957-59 average, was below the all-time record of 121 percent in December 1963 but was well

above the 107 percent registered in January last year. Through February 22 of this year, department store sales were running 9 percent ahead of the comparable 1963 period.

Following a record year in 1963, new passenger automobile registrations in 1964 are off to a good start in four major market areas in Texas. Although declining 6 percent from December, when registrations were the second highest of record, January registrations in the four markets were 9 percent above January 1963 and established a new record for the month. As compared with a year ago, registrations in each of the market areas except San Antonio posted a gain in January. There were year-to-year increases of 15 percent, 10 percent, and 7 percent in Dallas, Houston, and Fort Worth, respectively.

Despite widespread drought conditions last year, the number of cattle and calves on farms and ranches in the District states reached a new peak of 18.6 million head on January 1, 1964. A 2-percent increase over the comparable 1963 figure marks 1964 as the sixth consecutive year in which the southwestern cattle inventory showed a rise. Nationally, cattle numbers were 3 percent above a year earlier. A gain in beef cattle numbers accounted for all the increase over a year ago in both the Southwest and the Nation, as milk cattle numbers continued the steady decline that has been in progress during the past decade. In contrast to the larger total cattle population in the District states at the beginning of the current year, the sheep inventory was down 4 percent from January 1, 1963, and hog numbers were 15 percent lower. The number of chickens (excluding commercial broilers) on farms and ranches was up slightly from a year earlier, and the turkey inventory rose sharply.

**new
member
banks**

The Commonwealth 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 February 6, 1964, as a member of the Federal Reserve System. The new member bank has capital of \$375,000, surplus of \$225,000, and undivided profits of \$159,375. The officers are: Eugene M. Massad, M.D., Chairman of the Board; Raymond J. Stevens, President; and Leland C. Eaves, Vice President and Cashier.

The Citizens National Bank of Beaumont, Beaumont, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business February 20, 1964, as a member of the Federal Reserve System. The new member bank has capital of \$500,000, surplus of \$350,000, and undivided profits of \$150,000. The officers are: Wayne Brown, Chairman of the Board; Harold Harty, President; George Holland, Vice President and Cashier; James D. Hall, Assistant Cashier; and Jacqueline C. Conner, Assistant Cashier.

**new
par
banks**

The Winnsboro State Bank & Trust Company, Winnsboro, Louisiana, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, and its branch at Gilbert, Louisiana, were added to the Par List on February 21, 1964. The officers of the Main Office are: W. F. Prickett, President; W. B. Scriber, Executive Vice President; C. B. Sherrouse, Vice President; H. I. Hill, Vice President; John W. Hampton, Jr., Cashier; Elizabeth W. Henry, Assistant Cashier; and Ray Prickett, Assistant Cashier. The Manager of the Gilbert Branch is Herman N. Netherland.

The Franklin State Bank & Trust Company, Winnsboro, Louisiana, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, and its branch at Wisner, Louisiana, were added to the Par List on February 24, 1964. The officers of the Main Office are: Bailey Martin, President; H. W. Gilbert, Vice President (Inactive); Leo Lowentritt, Vice President (Inactive); Hollis T. Rogers, Vice President (Inactive); H. L. Davis, Jr., Cashier and Trust Officer; J. Allison Hawthorne, Assistant Cashier; Mrs. Mary E. Montgomery, Assistant Cashier; and Mrs. Margaret E. Murphy, Assistant Cashier. The officers of the Wisner Branch are: J. Gordon Mitchell, Jr., Vice President and Manager; W. Loyle Hassell, Assistant Cashier and Assistant Manager; and Mrs. Dorothy W. Brown, Assistant Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

March 1964



**FEDERAL RESERVE BANK
OF DALLAS**

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 19, 1964	Jan. 22, 1964	Feb. 20, 1963
ASSETS			
Commercial and industrial loans.....	1,985,055	1,967,176	1,809,290
Agricultural loans.....	48,908	45,833	50,599
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	15,274	274	10,274
Other securities.....	50,248	50,106	47,959
Other loans for purchasing or carrying:			
U. S. Government securities.....	3,469	2,937	2,113
Other securities.....	258,923	256,655	208,299
Loans to domestic commercial banks.....	48,500	90,025	83,713
Loans to foreign banks.....	2,564	5,800	1,359
Loans to other financial institutions:			
Sales finance, personal finance, etc.....	90,675	95,745	96,721
Savings banks, mtge. cos., ins. cos., etc.....	262,161	259,531	210,603
Real estate loans.....	343,232	344,163	289,357
All other loans.....	1,057,082	1,036,956	841,589
Gross loans.....	4,166,091	4,155,201	3,651,876
Less reserves and unallocated charge-offs...	77,826	76,273	68,952
Net loans.....	4,088,265	4,078,928	3,582,924
Treasury bills.....	117,478	147,249	162,837
Treasury certificates of indebtedness.....	14,552	58,171	135,831
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	113,894	127,491	152,398
After 1 but within 5 years.....	734,030	711,241	647,284
After 5 years.....	420,239	394,270	521,967
Other securities.....	676,420	671,806	538,854
Total investments.....	2,076,613	2,110,228	2,159,171
Cash items in process of collection.....	637,916	683,420	570,979
Balances with banks in the United States.....	495,546	473,553	489,102
Balances with banks in foreign countries.....	3,487	4,958	4,955
Currency and coin.....	62,453	63,861	59,892
Reserves with Federal Reserve Bank.....	546,875	543,355	555,913
Other assets.....	261,106	277,728	228,633
TOTAL ASSETS.....	8,172,261	8,236,031	7,651,569
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations....	3,076,323	3,249,597	3,022,028
Foreign governments and official institutions, central banks, and international institutions..	4,243	2,860	3,784
U. S. Government.....	122,141	52,543	131,191
States and political subdivisions.....	237,096	221,319	291,840
Banks in the United States, including mutual savings banks.....	1,038,018	1,097,487	1,070,017
Banks in foreign countries.....	15,827	13,776	14,617
Certified and officers' checks, etc.....	60,092	58,431	52,384
Total demand deposits.....	4,553,740	4,696,013	4,585,861
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits.....	1,121,852	1,117,600	1,017,380
Other time deposits.....	1,115,210	1,053,304	804,680
Foreign governments and official institutions, central banks, and international institutions..	500	503	1,510
U. S. Government, including postal savings...	4,140	4,137	6,287
States and political subdivisions.....	360,408	344,417	329,662
Banks in the United States, including mutual savings banks.....	8,771	8,574	4,763
Banks in foreign countries.....	2,425	2,400	2,350
Total time and savings deposits.....	2,613,306	2,530,935	2,166,632
Total deposits.....	7,167,046	7,226,948	6,752,493
Bills payable, rediscounts, etc.....	184,025	203,620	115,455
All other liabilities.....	127,200	117,136	123,906
Capital accounts.....	693,990	688,327	659,715
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	8,172,261	8,236,031	7,651,569

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 19, 1964	Jan. 22, 1964	Feb. 20, 1963
Total gold certificate reserves.....	573,368	555,658	572,790
Discounts for member banks.....	7,600	17,500	250
Other discounts and advances.....	0	1,824	0
U. S. Government securities.....	1,296,558	1,312,892	1,249,478
Total earning assets.....	1,304,158	1,332,216	1,249,728
Member bank reserve deposits.....	909,793	912,670	921,852
Federal Reserve notes in actual circulation....	956,112	957,400	880,680

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Feb. 5, 1964	4 weeks ended Jan. 1, 1964	5 weeks ended Feb. 6, 1963
RESERVE CITY BANKS			
Total reserves held.....	597,248	607,609	598,811
With Federal Reserve Bank....	553,999	561,259	555,613
Currency and coin.....	43,249	46,350	43,198
Required reserves.....	592,117	604,621	594,020
Excess reserves.....	5,131	2,988	4,791
Borrowings.....	41,223	45,636	7,100
Free reserves.....	-36,092	-42,648	-2,309
COUNTRY BANKS			
Total reserves held.....	575,878	561,106	549,752
With Federal Reserve Bank....	447,189	434,659	432,198
Currency and coin.....	128,689	126,447	117,554
Required reserves.....	528,859	518,116	496,868
Excess reserves.....	47,019	42,990	52,884
Borrowings.....	428	2,159	356
Free reserves.....	46,591	40,831	52,528
ALL MEMBER BANKS			
Total reserves held.....	1,173,126	1,168,715	1,148,563
With Federal Reserve Bank....	1,001,188	995,918	987,811
Currency and coin.....	171,938	172,797	160,752
Required reserves.....	1,120,976	1,122,737	1,090,888
Excess reserves.....	52,150	45,978	57,675
Borrowings.....	41,651	47,795	7,456
Free reserves.....	10,499	-1,817	50,219

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1962: January...	8,584	4,179	4,405	2,990	1,508	1,482
1963: January...	8,711	4,234	4,477	3,602	1,771	1,831
August...	8,164	3,971	4,193	4,005	1,983	2,022
September...	8,407	4,150	4,257	4,044	2,014	2,030
October...	8,357	4,045	4,312	4,066	2,007	2,059
November...	8,508	4,100	4,408	4,106	2,018	2,088
December...	8,682	4,192	4,490	4,167	2,047	2,120
1964: January...	8,744	4,120	4,624	4,321	2,141	2,180

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 29, 1964	Dec. 25, 1963	Jan. 30, 1963
ASSETS			
Loans and discounts.....	6,882	6,848	6,091
U. S. Government obligations.....	2,735	2,806	2,912
Other securities.....	1,428	1,419	1,173
Reserves with Federal Reserve Bank.....	915	1,011	936
Cash in vault ^e	187	179	175
Balances with banks in the United States....	1,114	1,222	1,099
Balances with banks in foreign countries ^e ...	11	4	2
Cash items in process of collection.....	655	861	606
Other assets ^e	446	478	413
TOTAL ASSETS^e.....	14,373	14,828	13,407
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,295	1,443	1,274
Other demand deposits.....	7,145	7,449	7,092
Time deposits.....	4,353	4,182	3,639
Total deposits.....	12,793	13,074	12,005
Borrowings ^e	196	365	102
Other liabilities ^e	173	204	168
Total capital accounts ^e	1,211	1,185	1,132
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^e.....	14,373	14,828	13,407

^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			
	January 1964	Percent change from		Jan. 31, 1964	Annual rate of turnover		
		Dec. 1963	Jan. 1963		Jan. 1964	Dec. 1963	Jan. 1963
ARIZONA							
Tucson.....	\$ 346,256	6	5	\$ 168,304	24.2	22.7	23.5r
LOUISIANA							
Monroe.....	119,506	8	7	58,132	22.6	20.6	22.9
Shreveport.....	387,412	0	1	184,827	24.5	23.9	24.6
NEW MEXICO							
Roswell.....	57,442	-2	-6	34,993	19.3	19.0	19.0
TEXAS							
Abilene.....	128,357	7	9	70,633	21.2	20.0	19.3
Amarillo.....	315,474	9	16	133,002	29.3	27.2	25.2
Austin.....	299,399	2	0	179,821	20.4	20.8	21.4
Beaumont.....	230,874	5	20	108,551	25.1	23.3	21.1
Corpus Christi.....	251,638	7	14	117,783	24.7	23.0	22.4
Corsicana.....	20,905	5	-5	22,141	11.3	10.8	12.1
Dallas.....	3,908,561	-3	-4	1,314,007	33.8	34.4	35.4
El Paso.....	428,529	1	7	191,706	26.6	26.4	24.2
Fort Worth.....	990,852	5	8	415,770	27.5	25.2	27.5
Galveston.....	105,804	-2	5	61,192	20.5	20.9	19.2
Houston.....	3,788,644	-4	7	1,521,800	28.8	29.9	27.2
Laredo.....	38,495	1	2	27,259	17.2	17.8	17.5
Lubbock.....	444,531	32	14	143,672	37.2	29.9	32.3
Port Arthur.....	74,264	11	11	42,896	20.9	18.7	18.4
San Angelo.....	71,141	21	11	51,603	16.6	13.8	16.0
San Antonio.....	801,269	-1	1	432,388	22.0	22.3	21.7
Texarkana ²	34,454	16	12	19,876	20.8	18.5	19.7
Tyler.....	118,461	10	7	70,023	19.9	18.1	19.6
Waco.....	142,536	3	7	80,382	21.0	20.9	21.5
Wichita Falls.....	147,180	12	7	102,368	16.6	14.9	16.1
Total—24 cities.....	\$13,251,984	0	4	\$5,553,129	27.7	27.6	27.2r

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 \$72,035,000 for the month of January 1964.
r — Revised.

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	January 1964 from	
	December 1963	January 1963
Total Eleventh District.....	-55	9
Corpus Christi.....	-60	-2
Dallas.....	-55	10
El Paso.....	-58	5
Houston.....	-53	13
San Antonio.....	-52	5
Shreveport, La.....	-53	0
Waco.....	-56	11
Other cities.....	-56	8

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1957-59 = 100)

Date	SALES (Daily average)		STOCKS (End of month)	
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1963: January.....	84r	107	100r	114r
August.....	113	112	119	117
September.....	107	111	122	115
October.....	104	102	135	119
November.....	126	109	139	122
December.....	210	121	113	123
1964: January.....	92	117	108p	124p

r — Revised.
p — Preliminary.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	January 1964p	December 1963	November 1963	January 1963
TEXAS				
Total industrial production.....	122	121	120r	113
Manufacturing.....	138	138	135	128
Durable.....	130	131	130	121
Nondurable.....	144	143	140r	133
Mining.....	100	100	101r	94
UNITED STATES				
Total industrial production.....	127	127	127	119
Manufacturing.....	128	128	127	120
Durable.....	127	127	127	119
Nondurable.....	128	129	128	121
Mining.....	108	107	108	103
Utilities.....	146	145	145	136

p — Preliminary.

r — Revised.

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Jan. 1964 from	
	January 1964p	December 1963	January 1963r	Dec. 1963	Jan. 1963
Total nonagricultural wage and salary workers..	4,739,900	4,841,300	4,604,500	-2.1	2.9
Manufacturing.....	827,900	837,700	803,200	-1.2	3.1
Nonmanufacturing.....	3,912,000	4,003,600	3,801,300	-2.3	2.9
Mining.....	230,900	231,700	231,800	-3	-4
Construction.....	292,700	303,600	282,500	-3.6	3.6
Transportation and public utilities.....	386,000	389,300	369,000	-.8	4.6
Trade.....	1,136,900	1,203,900	1,107,100	-5.6	2.7
Finance.....	241,900	240,100	232,900	.7	3.9
Service.....	674,900	682,500	654,200	-1.1	3.2
Government.....	948,700	952,500	923,800	-.4	2.7

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER			
	January 1964		January 1963	
	January 1964	January 1964	December 1963	January 1963
ARIZONA				
Tucson.....	679	\$ 3,180	76	26
LOUISIANA				
Shreveport.....	245	910	-10	-13
TEXAS				
Abilene.....	101	910	41	-22
Amarillo.....	237	5,138	156	54
Austin.....	289	7,624	82	-6
Beaumont.....	219	1,532	162	69
Corpus Christi.....	277	3,555	87	119
Dallas.....	1,584	14,051	-4	-27
El Paso.....	381	2,328	-16	26
Fort Worth.....	395	5,644	86	6
Galveston.....	103	395	-87	-61
Houston.....	1,631	28,097	80	48
Lubbock.....	189	3,122	84	-70
Midland.....	81	2,502	969	129
Odessa.....	51	442	44	-50
Port Arthur.....	92	1,066	215	109
San Antonio.....	999	7,258	9	25
Waco.....	183	1,131	75	-72
Wichita Falls.....	65	604	-64	-80
Total—19 cities.....	7,801	\$89,489	43	-1

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	January 1964p	December 1963	January 1963
FIVE SOUTHWESTERN STATES¹....	428	398	317
Residential building.....	186	131	136
Nonresidential building.....	136	146	95
Nonbuilding construction.....	107	121	86
UNITED STATES.....	3,346	3,413	2,779
Residential building.....	1,372	1,325	1,250
Nonresidential building.....	1,158	1,102	1,016
Nonbuilding construction.....	816	985	514

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.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

Species	Texas		Five southwestern states ¹		United States	
	1964	1963	1964	1963	1964	1963
Cattle.....	10,342	10,240	18,602	18,216	106,488	103,736
Milk cattle....	848	912	1,740	1,833	27,654	28,651
Beef cattle....	9,494	9,328	16,862	16,383	78,834	75,085
Sheep.....	5,292	5,538	7,192	7,511	28,151	29,793
Stock sheep...	5,120	5,333	6,877	7,142	24,533	25,731
Feeders.....	172	205	315	369	3,618	4,062
Hogs.....	885	994	1,440	1,686	56,007	58,883
Chickens ²	16,010	15,779	24,760	24,472	370,513	366,823
Turkeys.....	451	388	565	501	6,315	6,475

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
² Does not include commercial broilers.
 SOURCE: U. S. Department of Agriculture.

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	January 1964p	December 1963p	January 1963
CRUDE OIL RUNS TO REFINERY			
STILLS (Daily average).....	108	111	107
DEMAND (Daily average)			
Gasoline.....	119	111	112
Kerosene.....	119	132	142
Distillate fuel oil.....	105	109	115
Residual fuel oil.....	102	98	105
Four refined products.....	112	109	113
STOCKS (End of month)			
Gasoline.....	106	109	107
Kerosene.....	137	125	113
Distillate fuel oil.....	119	116	101
Residual fuel oil.....	86	81	88
Four refined products.....	109	109	103

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	Jan. 1964p	Dec. 1963p	Jan. 1963	Percent change from	
				Dec. 1963	Jan. 1963
ELEVENTH DISTRICT.....	3,148.1	3,129.1	2,943.3	0.6	7.0
Texas.....	2,714.1	2,704.2	2,540.4	.4	6.8
Gulf Coast.....	536.5	536.7	490.6	.0	9.4
West Texas.....	1,194.3	1,183.7	1,117.1	.9	6.9
East Texas (proper)....	111.3	108.7	110.6	2.4	.6
Panhandle.....	101.8	101.9	96.6	—1	5.4
Rest of State.....	770.2	773.2	725.5	—4	6.2
Southeastern New Mexico..	271.6	267.2	262.5	1.6	3.5
Northern Louisiana.....	162.4	157.7	140.4	3.0	15.7
OUTSIDE ELEVENTH DISTRICT.	4,500.1	4,471.2	4,360.5	.6	3.2
UNITED STATES.....	7,648.2	7,600.3	7,303.8	.6	4.7

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