business review

may 1964

FEDERAL RESERVE
BANK OF DALLAS

contents

district bank liquidity

The liquidity of commercial banks affects their ability and willingness to satisfy customer credit demands and also influences the terms on which funds may be extended. Consequently, the liquidity of the commercial banking system is of interest not only to bankers and borrowers but also to the monetary authorities, who are charged with the responsibility of fostering a flow of credit and money that will facilitate orderly and sustainable economic growth.

The term "liquidity" is generally used to refer to the complex of factors affecting the extent to which assets can be converted into cash with a minimum of delay and financial loss. Cash and its equivalent are, of course, the most liquid of all assets, and U. S. Government securities — especially short-term obligations — also rank very high on the liquidity scale. In addition, some types of agricultural and security loans and loans to banks are considered by bankers to possess a high degree of liquidity.

The liquidity of a commercial bank, or that of the banking system, is affected, however, by factors other than the amount of assets held which can be turned into cash without loss or delay. A banker's appraisal of his liquidity position must relate the supply of liquid assets to the liquidity demands of depositors and customers, as expressed in deposit withdrawals and loan demands. A number of factors enter into a forecast of the timing and magnitude of deposit withdrawals. Among these, perhaps the most noteworthy are seasonal and cyclical forces, the special influences of Government deposits and large private deposits on overall deposit stability, and the mix between time and demand deposits. In determining the liquidity requirements deemed necessary to satisfy loan demands, a banker must try to anticipate the level of economic activity in his community.

Since many of the factors which must be combined in order to gauge the liquidity position of a commercial bank are subjective in nature, it is impossible to measure bank liquidity in precise, quantitative terms. Nevertheless, because of its importance, bankers and monetary authorities must make judgments regarding the state of bank liquidity. Certain balance sheet relationships — such as the loan-deposit ratio, the cash assets ratio, and the liquid assets ratio — are typically employed in making the judgments.

In the following discussion, these traditional relationships are used to evaluate the effects of changes in assets and liabilities upon the liquidity position of member banks in the Eleventh Federal Reserve District after 1961. Since most of the data used in the study were obtained from year-end member bank call reports, comparability is affected somewhat by differing call dates. Prior to 1962, member banks submitted their year-end condition statements as of December 31; figures for 1962 and 1963 are as of December 28 and December 20, respectively.

Member banks in the District have experienced a substantial increase in loan volume during the current period of economic expansion. The banks have been assisted in meeting the credit requirements of their customers by a 7-percent expansion in total deposits since

1961, which reflected an increase in rates of interest paid on time and savings deposits, as well as a relatively easy monetary policy. Reserves were supplied freely long after the economy had recovered from the 1960-61 recession, and member bank borrowing has remained at a relatively low level. However, holdings of Government securities — especially those having short maturities — and other liquid assets have been reduced since 1961, and banks have shown a substantial increase in the ratio of loans to deposits.

decline in liquid asset holdings

Several different measures based on holdings of liquid assets may be employed to indicate the state of commercial bank liquidity. Among these, the most widely used probably are the relationship of cash assets to total deposits, cash assets plus short-term Government securities as a percentage of total deposits, and the ratio of total liquid assets (however defined) to short-term liabilities. These measures are closely related in that each one attempts to gauge liquidity by relating holdings of liquid assets to deposit liabilities. The chief differences lie in the definition of what constitutes a liquid asset. However, all of these measures indicate a reduction in the liquidity of District member banks since 1961.

The relationship of cash assets to deposit liabilities provides an acid-test measure of bank liquidity. Cash assets consist of cash held in vaults to fulfill customer currency and coin requirements, cash items in process of collection, demand deposits held at other commercial banks, and balances maintained at Federal Reserve banks. As a bank's most liquid assets, cash and its equivalent provide the first line of defense against deposit withdrawals. Since member banks are required by law to maintain a proportion of their deposits as reserves, relatively small changes in the ratio of cash assets to deposits have important implications for bank liquidity.

During a cyclical upswing in economic activity, banks tend to reduce their correspondent balances, which are accumulated in periods of slack loan demand. Consequently, the ratio of cash assets to total deposits usually declines during the expansion phase of the business cycle. Correspondent balances are relatively more important to Eleventh District member banks as a source of liquidity than to banks outside the District. At the end of 1963, member banks in the Dallas District held interbank deposits equal to about 35 percent of their total cash assets, compared with almost 16 percent at the Nation's member banks.

Since the end of 1961, member banks in the District reduced their interbank demand deposits by $313 million, or almost 21 percent. The decline was especially sharp at reserve city banks; these banks reduced their correspondent balances by 32 percent, compared with a 16-percent decline at country banks. Reflecting these decreases, the ratio of cash assets to total deposits at all member banks in the District fell from 29 percent in 1961 to about 24 percent at the end of 1963, the lowest level in recent years.

In the present cyclical upswing, the ratio of cash assets to total deposits has declined more than in previous postwar periods of economic expansion. This development largely reflects the rapid growth of total deposits, primarily time and savings deposits. Since the end of 1961, total deposits at District banks have advanced almost 7 percent. During the 25 months of economic expansion following the 1958 recession, total deposits expanded only moderately; between August 1954 and July 1957, also a period of economic recovery, deposits had increased at a rate of less than 4 percent.

With the exception of cash assets, short-term U. S. Government securities are the most liquid assets held by commercial banks. These obligations partially represent secondary re-

SELECTED MEMBER BANK RATIOS WITH LIQUIDITY IMPLICATIONS

Eleventh Federal Reserve District

Class of bank and date	As a percentage of total deposits				
	Net loans	Cash assets	U. S. Government securities	Time and savings deposits	Cash assets plus short-term U. S. Government securities[1]
Reserve city banks					
Dec. 31:					
1957	47.2	34.6	20.8	17.2	—
1958	46.9	32.0	22.7	20.3	—
1959	50.3	31.8	20.3	20.1	—
1960	49.0	31.9	26.8	22.0	—
1961	49.8	31.0	21.8	23.1	37.8
Dec. 28, 1962	52.8	30.9	21.3	27.9	35.4
Dec. 20, 1963	56.6	27.5	19.0	32.4	31.9
Country banks					
Dec. 31:					
1957	38.5	29.4	28.7	16.4	—
1958	39.5	27.7	28.3	18.9	—
1959	40.7	27.1	27.8	19.5	—
1960	42.6	27.8	25.4	22.9	—
1961	42.8	26.6	26.1	24.1	35.8
Dec. 28, 1962	46.2	23.4	25.4	29.0	32.4
Dec. 20, 1963	49.3	21.6	23.7	31.9	29.3
ALL MEMBER BANKS					
Dec. 31:					
1957	42.9	32.0	24.7	17.2	—
1958	43.3	29.9	25.4	19.6	—
1959	45.5	29.5	23.8	19.8	—
1960	45.6	29.9	22.6	22.5	—
1961	46.4	28.8	23.9	23.6	36.8
Dec. 28, 1962	49.5	27.2	23.4	28.5	34.4
Dec. 20, 1963	52.8	24.4	21.4	32.2	30.6

[1] Prior to 1961, member bank call reports did not classify Treasury notes according to maturity.

serves which traditional banking practice requires management to maintain in order to satisfy seasonal needs and to meet unforeseen deposit withdrawals. However, holdings of Government obligations are also affected by cyclical forces. In response to a lessening of credit demands and an increase in central bank-created reserves, commercial banks typically expand their holdings of Government securities, especially those with short-term maturities, during the downward phase of the business cycle; on the other hand, the banks reduce their portfolios to meet the increased customer credit requirements accompanying an expansion in economic activity.

Since 1961, member banks in the District have reduced their holdings of Government obligations by $128 million, or about 4 percent. This decline entirely reflected the liquidation of Governments by reserve city banks. These institutions reduced their portfolios by $155 million, or approximately 11 percent, but country banks expanded their Government holdings slightly. In contrast to reserve city banks, country banks have recorded a substantial increase in deposits since 1961, which enabled them to satisfy customer credit demands without reducing their Government security portfolios.

In relation to total deposits, bank holdings of Governments fell to 21.4 percent in 1963, or 2.5 percentage points below the 1961 level. Although approximately equal reductions in the ratio were recorded at reserve city and country banks, the decline at reserve city banks principally reflected the liquidation of Government securities, while the decrease at country banks was associated with a substantial increase in deposits.

Despite the noteworthy reduction in holdings of Government securities since 1961, member bank portfolios of Governments at the end

of 1963 aggregated $2.8 billion, or about 10 percent above the 1960 total. This relatively high level of Government security holdings partially reflected unusually large purchases during the 1960-61 period of reduced economic activity. During this period, member banks expanded their holdings of Government obligations by approximately 13 percent; Treasury bill holdings were increased about 40 percent, and significant amounts were added to portfolios of other short-term obligations.

Reserve city banks, which generally experience greater cyclical pressures than do country banks, expanded their Government security holdings by almost $300 million during the 1960-61 period, compared with an increase of about $80 million at country banks. However, all member banks emerged from the recession with a substantial stock of short-term obligations which could be liquidated to meet customer credit demands.

Shifts in the maturity composition of Government security portfolios since 1961 have significantly affected member bank liquidity positions. In an effort to increase investment yields to offset the rising costs associated with the inflow of interest-bearing deposits, the banks lengthened the average maturity of investment portfolios appreciably. Government holdings maturing within 1 year were decreased almost 20 percent, while those maturing after 5 years were increased about 50 percent. Obligations maturing between 1 and 5 years fell about 10 percent.

As a percentage of Government holdings, short-term obligations declined from about one-third in 1961 to 28 percent in 1963. Partially as a result of this reduction, the ratio of cash assets plus short-term Government securities to total deposits declined from 36.8 percent to 30.6 percent during this period. The ratio fell to 29.3 percent at country banks and to 31.9 percent at reserve city banks. At country banks, reductions in correspondent balances and increases in deposits were principally responsible for the decline. The liquidation of short-dated Government securities was the primary cause of the decrease in the ratio at reserve city banks.

The ratio of liquid assets to short-term liabilities is the most inclusive measure of bank liquidity. In addition to cash and short-term Government obligations, loans to banks and agricultural paper guaranteed by the Com-

SHORT-TERM LIQUID ASSETS RATIO OF MEMBER BANKS

Eleventh Federal Reserve District

(Dollar amounts in millions)

Item	Dec. 31, 1961	Dec. 28, 1962	Dec. 20, 1963
Liquid assets			
Vault cash	$ 153	$ 175	$ 159
Deposits with other commercial banks	1,432	1,267	1,119
Loans to banks	55	165	94
Agricultural loans guaranteed by Commodity Credit Corporation	118	107	83
Loans to brokers and dealers	54	87	105
Treasury bills and certificates	551	599	499
Treasury notes and bonds maturing within 1 year	421	301	293
Less borrowings	40	256	275
Net liquid assets	$ 2,744	$ 2,434	$ 2,077
Short-term liabilities			
Total deposits	$12,168	$12,457	$12,969
Less:			
Cash items in process of collection	1,017	829	827
Required reserves	1,078	1,082	1,122
Net short-term liabilities	$10,073	$10,546	$11,020
Ratio of net liquid assets to net short-term liabilities	27.2%	23.1%	18.8%

modity Credit Corporation are included as liquid assets. The amount of member bank borrowing is subtracted from liquid assets to obtain net holdings of liquid assets. In order to eliminate double counting, total deposits are reduced by the amount of cash items in process of collection. Member bank required reserves are also subtracted from deposits since these balances must be maintained and can be drawn on only temporarily to satisfy liquidity requirements.

As the accompanying table illustrates, the ratio of liquid assets to short-term liabilities has declined significantly since 1961. With the exceptions of vault cash and loans to banks and to brokers and dealers, holdings by District banks of every type of liquid asset decreased during the period. Furthermore, short-term liabilities expanded about 9 percent.

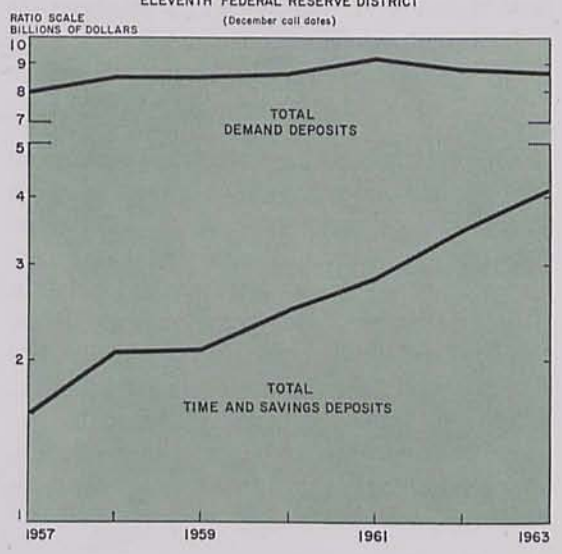
Since 1961, the liquidity ratio at the District's reserve city banks declined 12 percentage points to a level of 15.8 percent. At the country banks, this ratio receded 6 percentage points to 26.4 percent. The steep reduction at reserve city banks reflected a sixfold expansion in borrowings from the low 1961 level and a 21-percent decline in liquid assets; in addition, these banks experienced a moderate advance in short-term liabilities. Country banks, on the other hand, registered only an 8-percent reduction in liquid assets and no increase in borrowings, but their short-term liabilities expanded 13 percent.

changes in loan portfolios

The relationship between loans and total deposits is a measure of overall bank liquidity that is closely watched by bankers and others interested in the liquidity of the banking system. This ratio indicates the extent to which banks have used their deposits to satisfy the credit demands of customers and provides bankers a rule of thumb for gauging their liquidity position.

MEMBER BANK DEPOSITS

ELEVENTH FEDERAL RESERVE DISTRICT



The ratio of loans to deposits typically fluctuates in accordance with the business cycle — increasing during the upswing and declining on the downturn. As the ratio rises, bank management tends to become more cautious and selective in its lending policies. For the individual bank, of course, the total amount of resources available, which roughly corresponds to total deposits, establishes an upper limit on lending unless the bank resorts to borrowing.

In each year since 1956, member banks in the District have experienced an increase in the loan-deposit ratio, but, prior to 1961, the advances were generally modest. In 1959, however, the proportion of deposits represented by loans increased 2.2 percentage points, as the rate of deposit growth slowed mainly in response to a firming of monetary policy.

At the end of 1963, the ratio of loans to deposits at all member banks in the District reached a record 52.8 percent, or 3.3 percentage points above a year earlier. This sharp advance reflected an 11-percent gain in loans and a noteworthy reduction in the rate of de-

posit growth. Total deposits increased only 4 percent last year and amounted to about 75 percent of the dollar rise in loans. During the 1959-62 period, deposits expanded at an average annual rate in excess of 5 percent.

The implications of a rising loan-deposit ratio for bank liquidity are difficult to appraise since the significance of a given ratio varies considerably between banks and classes of banks. This difference stems mainly from the fact that a bank's liquidity requirements depend partially on the nature of its market. The liquidity needs, for example, of a bank located in a rapidly growing industrial area differ importantly from the requirements of an institution serving an area that is stagnant economically.

Significant differences in loan-deposit ratios exist between classes of banks in the District and among banks in Texas cities. At the end of 1963, reserve city banks in the District held loans equal to about 57 percent of their deposits, compared with a ratio of approximately 49 percent at country banks. Furthermore, the weekly reporting member banks in Dallas had loan-deposit ratios that were 8.8 percentage points higher than those of Fort Worth banks and almost 25 percentage points above those for the San Antonio banks.

During the current upswing in economic activity, banks have reduced the proportion of commercial and industrial loans held in loan portfolios. In appraising the liquidity positions of District banks, it seems appropriate to review this shift in the composition, or mix, of loan portfolios. In previous periods of economic expansion since World War II, the cyclical increase in bank credit was sparked by a strong expansion in business loan demand. The shift in bank management's portfolio policy has been due largely to the relative mildness of commercial loan demands and to the need to employ profitably the inflow of time and savings deposits.

With the exception of 1961, commercial and industrial loans as a proportion of total loans at all member banks in the District have declined each year since 1956. In 1963, such loans represented only 45.7 percent of all loans, compared with 48.2 percent in 1961 and approximately 50 percent in 1960. The declining importance of commercial and industrial loans in District banking has been especially evident at country banks, where these loans as a proportion of total loans have declined 3.5 percentage points since 1961 to 38.8 percent. At reserve city banks, commercial and industrial loans represented 52.0 percent of total loans in 1963, or 2.7 percentage points below the 1961 level.

During the current period of economic expansion, real estate loans and, to a lesser extent, consumer loans have gained steadily in importance in member bank loan portfolios. Reserve city banks have been especially active in granting real estate loans, and, at the end of 1963, these loans accounted for 8 percent of their loan portfolios. While city banks have added significantly to their consumer loans since 1961, such loans represented a smaller proportion of total loans than in 1960.

The growth of mortgage loans and consumer credit has raised questions regarding banks' abilities to meet the short-term credit needs of their customers and deposit withdrawals. It should be noted, however, that the regular amortizations of these loans provide a steady inflow of funds for reinvestment, which, over time, constitutes a source of liquidity.

deposit structures

The change in the deposit structures of District banks in recent years — a reflection of the inflow of time and savings deposits — has important implications for bank liquidity. The rapid expansion of time and savings deposits presented management with the problem of deciding whether the influx of interest-bearing

deposits should be viewed as possessing the traditional stability and slow rate of turnover which have characterized these deposits historically or, alternatively, should be viewed as representing the working cash balances of individuals and businesses attracted into the time classification by high rates of interest.

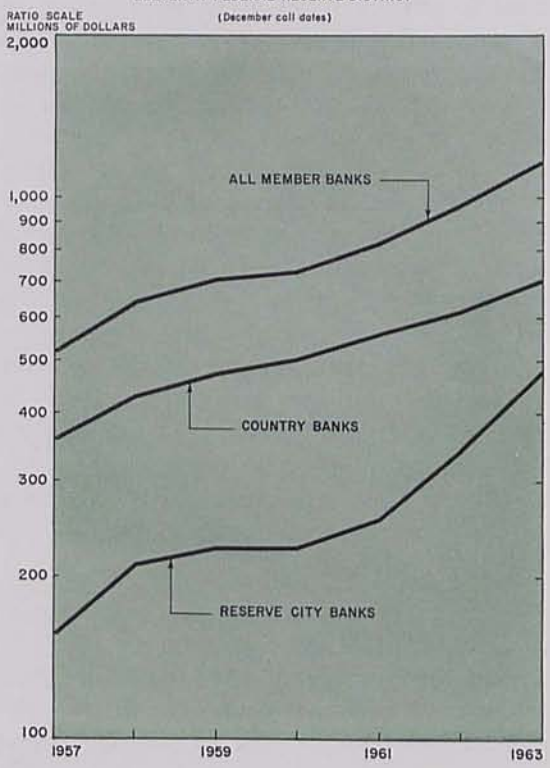
Portfolio managers generally regarded the increased time and savings deposits as permanent funds which would likely be held on deposit for some length of time. Consequently, member banks channeled increasing amounts into relatively nonliquid assets, such as mortgages, consumer-type loans, and non-Government security holdings. However, the permanency of time and savings deposits may be questioned on the grounds that a significant proportion of the gain in these deposits occurred in the "other" time deposits of individuals, partnerships, and corporations, which are mainly represented by certificates of deposit sold to corporations. An expansion in corporate needs for cash or a rise in money market rates to a level in excess of the maximum rate banks are permitted to pay on time deposits under regulation Q would likely be reflected in a decline in the "other" category.

The influx of time and savings deposits has been reflected principally in an increase in member bank portfolios of non-Government securities. At the end of 1963, holdings of non-Government securities totaled $1.2 billion, or 62 percent over the 1960 level and approximately 22 percent above the 1962 total. About 30 percent of total investment portfolios was held in non-Governments at the 1963 call date, compared with 25 percent in 1962 and about 18 percent in 1957.

The expansion in bank holdings of state and municipal obligations has been especially sharp at the reserve city banks. These institutions more than doubled their non-Government holdings since 1960, compared with a 40-percent increase at country banks. In terms of

HOLDINGS OF STATE AND MUNICIPAL GOVERNMENT OBLIGATIONS

ELEVENTH FEDERAL RESERVE DISTRICT



dollar amounts, however, both categories of banks recorded approximately equal gains.

While they do not enjoy the wide marketability of Government obligations, the inclusion of substantial amounts of non-Government obligations in bank portfolios does not necessarily indicate a decline in bank liquidity. Although the increase in holdings of state and municipal bonds primarily reflects the employment of time and savings deposits (the permanency of which has been questioned), it is interesting to note that these obligations represented a smaller percentage of interest-bearing deposits in 1963 than in 1957.

conclusion

Although the Federal Reserve System has supplied bank reserves rather freely during the

current period of economic expansion, a strong loan demand at District member banks and the need to employ profitably a large inflow of interest-bearing deposits have resulted in significant reductions in the traditional measures of bank liquidity since 1961. The decline in liquidity has been especially notable at reserve city banks. While these banks emerged from the 1960-61 recession with sizable holdings of short-term Government securities and other forms of liquid assets, they had liquidated about one-fifth of such assets by the end of 1963 and increased their indebtedness significantly. In contrast, country banks were able to meet most of their customer credit demands out of increases in deposits. Holdings of liquid assets were reduced by less than 10 percent; however, a strong increase in deposits has resulted in a decline in country bank liquidity.

The decrease in member bank liquidity positions may be regarded primarily as a normal cyclical development, but, at the end of 1963, liquidity ratios were at their post-World War II lows. This development suggests that the reduction in liquidity may be partially attributable to forces other than those associated with a cyclical expansion in economic activity. A trend toward higher loan-deposit ratios has been evident for several years. Since 1957, the ratio has increased in recessionary periods as well as in periods of economic expansion. Furthermore, other liquidity ratios have fluctuated contracyclically in recent years. Consequently, the sharp increase in loan-deposit ratios since 1961 and the reductions in other liquidity ratios would partly seem to represent the coincidence of cyclical and secular forces.

The comparison of liquidity measures with those prevailing in prior years is complicated by the fact that liquidity needs of banks have changed materially in recent years. This change is mainly a reflection of the increased importance of interest-bearing deposits in the deposit structures of commercial banks. Since these deposits characteristically are less volatile, they require a smaller margin of protective liquidity than do demand deposits.

The traditional measures of bank liquidity exaggerate the decline in bank liquidity which has occurred since 1961 as these measures do not distinguish between classes of deposits. Nevertheless, the reduction in liquidity seems to be of sufficient proportion to have a significant effect upon future member bank lending and investment policies.

During the first quarter of 1964, member banks in the District reacted to a 10-percent increase in loan demand (annual-rate basis) by reducing holdings of Government securities at an annual rate of 18 percent and by acquiring state and municipal obligations much less aggressively than before. A continuation of buoyant credit demands will likely encourage banks to channel an increasing proportion of their resources into loans and reduce their investment portfolios further.

DON L. WOODLAND
Financial Economist

new par bank

The First State Bank of Midland, Midland, Texas, a nonmember bank located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, April 14, 1964. The officers are: Charles C. Green, Jr., Chairman of the Board; E. A. Pledger, Jr., President; and V. P. Neissl, Vice President and Cashier.

district highlights

The number of persons on nonagricultural payrolls in the five southwestern states increased fractionally in March from the previous month to a level that was 2.6 percent higher than a year earlier. The March advance — the second in a row — was shared by all five states. The rise over February was paced by nonmanufacturing employment, which gained 0.6 percent, while the number of wage and salary workers in manufacturing rose 0.4 percent. Much of the strength in nonmanufacturing came from construction and trade, although every category showed some improvement except transportation and public utilities employment, which declined fractionally.

Partially reflecting the early date of Easter, Eleventh District department store sales were the highest for any March but failed to match the all-time record set in February. The seasonally adjusted index of department store sales in March was 122 percent of the 1957-59 base, compared with 125 percent in February and 113 percent in March 1963. The dollar volume of sales through April 25 of the current year was 9 percent above the corresponding period in 1963.

New passenger car registrations in March in four major market areas in Texas advanced 12 percent over a month earlier and were 16 percent above March 1963. Registrations in each of the four markets — Dallas, Fort Worth, Houston, and San Antonio — posted a gain over a year ago; Houston paced the gains with a 41-percent rise. During the first quarter of the year, combined registrations in the four markets were 11 percent more than in the comparable period in 1963; registration increases were 18 percent in Houston, 11 percent in Dallas, 6 percent in Fort Worth, and 1 percent in San Antonio.

After advancing for three consecutive months to a new record in February, seasonally adjusted Texas industrial production dipped 2 index points during March to 123 percent of the 1957-59 base but remained well above the 115 percent of March 1963. Most of the February-March decline resulted from a decrease in the mining sector, although nondurables manufacturing also eased. Smaller outturns of crude petroleum and metal, stone, and earth minerals were responsible for the decrease in mining. Among the nondurables, all major categories showed slight output declines except printing and publishing, chemicals and allied products, and leather and leather products. Durables manufacturing advanced during March, mainly reflecting increased output of transportation equipment, furniture and fixtures, and lumber and wood products.

During the first quarter of this year, industrial production in Texas averaged 7 percent above the same period in 1963. The rise over the first quarter of last year was paced by a 10-percent increase in durables manufacturing. Nondurables manufacturing rose 7 percent, and mining production was 5 percent higher.

Based on April 1 conditions, winter wheat production in the District states in 1964 is indicated at 159.5 million bushels, or 30 percent above the 1963 output but 9 percent below the 5-year (1958-62) average. Prospective wheat outturns in all the District states except Louisiana are reported to be above a year earlier, ranging from fractionally higher in New Mexico to 51 percent larger in Texas. Nationally, the 1964 winter wheat crop is estimated to be 12 percent more than last year. However, the recently passed wheat legislation could have an important impact upon the final harvested acreage and production of this commodity.

The 1963 citrus fruit output in Arizona, Louisiana, and Texas is estimated at 5.5 million boxes, which is sharply above the previous season's freeze-reduced output but is only about one-half of the 1957-61 average production. Compared with 1962, outturns of oranges and grapefruit are indicated to be up 48 percent and 38 percent, respectively.

Total realized gross income of southwestern farmers and ranchers in 1963 advanced to approximately $4.9 billion, according to preliminary estimates, and was 2 percent above the previous high in 1962. A rise in cash receipts from crop marketings was responsible for the gain, as both Government payments and receipts from livestock and livestock products declined. Total production expenses increased only fractionally during 1963; as a result, realized net income (which excludes net inventory changes) reached $1.5 billion, or almost 4 percent above 1962, and was the highest since 1958. However, after adjustment for changes in the value of crop and livestock inventories on farms and ranches, total net income in 1963 dipped about 11 percent from the previous year and was the lowest since the drought-influenced level of 1957.

Because of the continuation of the downtrend in numbers of farms and ranches, estimated income per farm is somewhat more favorable than is indicated by the change in total income between 1962 and 1963. For the southwestern states (Arizona, Louisiana, New Mexico, Oklahoma, and Texas), realized net income per farm in 1963 is estimated at about $3,810, or almost 8 percent above the preceding year; net income after allowance for inventory changes, primarily reflecting lower livestock values, is placed at $3,630 per farm, or 7 percent below 1962. Among the individual states, net incomes per farm are estimated to be above their 1962 levels in all the states except Arizona and Texas, where the value of inventories decreased significantly.

new member banks

The Inwood 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 April 9, 1964, as a member of the Federal Reserve System. The new member bank has capital of $300,000, surplus of $200,000, and undivided profits of $115,000. The officers are: Clark Bass, Chairman of the Board and President; Merrill Matthews, Vice President; and Lewis R. Wilson, Vice President and Cashier.

The Lone Star National Bank, Lone Star, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business April 11, 1964, as a member of the Federal Reserve System. The new member bank has capital of $100,000, surplus of $75,000, and undivided profits of $75,000. The officers are: Jeff Austin, Chairman of the Board; Dwight L. Moody, President; W. B. Wyatt, Vice President; and Carey E. Webb, Cashier.

The Union National Bank in Houston, Houston, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business April 15, 1964, as a member of the Federal Reserve System. The new member bank has capital of $400,000, surplus of $400,000, and undivided profits of $200,000. The officers are: Raymond G. Schindler, Chairman of the Board; Dorsey D. Hopwood, President; R. C. Sanders, Vice President and Cashier; and Marshall Cochran, Assistant Vice President.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

May 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	Apr. 22, 1964	Mar. 25, 1964	Apr. 24, 1963
ASSETS			
Commercial and industrial loans	2,037,311	2,013,711	1,785,882
Agricultural loans	44,445	45,177	53,930
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities	1,774	274	32,194
Other securities	57,959	76,128	59,124
Other loans for purchasing or carrying:			
U. S. Government securities	3,455	3,458	2,180
Other securities	248,628	258,658	231,457
Loans to domestic commercial banks	31,881	104,077	62,978
Loans to foreign banks	2,780	2,677	2,321
Loans to other financial institutions:			
Sales finance, personal finance, etc.	97,684	108,068	96,085
Savings banks, mtge. cos., ins. cos., etc.	261,916	258,866	216,115
Real estate loans	350,351	341,096	298,822
All other loans	1,071,833	1,060,682	869,399
Gross loans	4,210,017	4,272,872	3,710,487
Less reserves and unallocated charge-offs	75,370	76,518	69,080
Net loans	4,134,647	4,196,354	3,641,407
Treasury bills	102,174	92,867	149,672
Treasury certificates of indebtedness	6,642	6,647	110,898
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year	107,510	139,004	126,639
After 1 but within 5 years	768,972	729,620	704,094
After 5 years	363,850	404,657	510,039
Other securities	747,913	719,672	570,668
Total investments	2,097,061	2,092,467	2,172,010
Cash items in process of collection	848,279	609,312	620,479
Balances with banks in the United States	511,710	491,338	471,734
Balances with banks in foreign countries	3,278	3,265	5,118
Currency and coin	66,290	64,280	64,100
Reserves with Federal Reserve Bank	477,374	534,570	550,950
Other assets	239,878	233,064	226,000
TOTAL ASSETS	8,378,517	8,224,650	7,751,798
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations	3,301,556	3,136,911	3,135,464
Foreign governments and official institutions, central banks, and international institutions	3,876	2,854	3,308
U. S. Government	79,201	175,542	81,238
States and political subdivisions	253,023	240,272	292,494
Banks in the United States, including mutual savings banks	1,026,070	1,028,127	1,020,946
Banks in foreign countries	17,219	14,780	14,853
Certified and officers' checks, etc.	67,714	64,112	60,075
Total demand deposits	4,748,659	4,662,598	4,608,378
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits	1,130,755	1,128,033	1,038,995
Other time deposits	1,099,922	1,105,572	863,885
Foreign governments and official institutions, central banks, and international institutions	500	500	512
U. S. Government, including postal savings	3,917	4,129	6,202
States and political subdivisions	341,994	359,089	322,751
Banks in the United States, including mutual savings banks	5,629	6,838	8,911
Banks in foreign countries	2,400	2,400	2,350
Total time and savings deposits	2,585,117	2,606,561	2,243,606
Total deposits	7,333,776	7,269,159	6,851,984
Bills payable, rediscounts, etc.	185,193	121,618	124,415
All other liabilities	161,167	139,310	111,925
Capital accounts	698,381	694,563	663,474
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	8,378,517	8,224,650	7,751,798

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Apr. 22, 1964	Mar. 25, 1964	Apr. 24, 1963
Total gold certificate reserves	551,762	603,778	544,547
Discounts for member banks	23,677	877	53,100
Other discounts and advances	285	0	1,710
U. S. Government securities	1,300,248	1,292,086	1,268,252
Total earning assets	1,324,210	1,292,963	1,323,062
Member bank reserve deposits	841,975	906,441	920,422
Federal Reserve notes in actual circulation	965,589	956,460	886,390

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended April 1, 1964	4 weeks ended March 4, 1964	4 weeks ended April 3, 1963
RESERVE CITY BANKS			
Total reserves held	585,321	581,574	585,779
With Federal Reserve Bank	545,496	541,684	545,696
Currency and coin	39,825	39,890	40,083
Required reserves	580,686	575,316	581,568
Excess reserves	4,635	6,258	4,211
Borrowings	22,715	13,795	330
Free reserves	—18,080	—7,537	3,881
COUNTRY BANKS			
Total reserves held	560,243	564,694	539,583
With Federal Reserve Bank	436,874	440,894	427,101
Currency and coin	123,369	123,800	112,482
Required reserves	524,209	525,702	492,640
Excess reserves	36,034	38,992	46,943
Borrowings	1,201	595	1,732
Free reserves	34,833	38,397	45,211
ALL MEMBER BANKS			
Total reserves held	1,145,564	1,146,268	1,125,362
With Federal Reserve Bank	982,370	982,578	972,797
Currency and coin	163,194	163,690	152,565
Required reserves	1,104,895	1,101,018	1,074,208
Excess reserves	40,669	45,250	51,154
Borrowings	23,916	14,390	2,062
Free reserves	16,753	30,860	49,092

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: March	8,099	4,034	4,065	3,125	1,596	1,529
1963: March	8,317	4,051	4,266	3,783	1,854	1,929
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
February	8,359	3,887	4,472	4,440	2,217	2,223
March	8,359	3,944	4,415	4,470	2,220	2,250

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Mar. 25, 1964	Feb. 26, 1964	Mar. 27, 1963
ASSETS			
Loans and discounts	7,017	6,955	6,204
U. S. Government obligations	2,678	2,697	2,889
Other securities	1,477	1,453	1,194
Reserves with Federal Reserve Bank	906	916	909
Cash in vault[e]	181	182	174
Balances with banks in the United States	1,087	1,101	1,106
Balances with banks in foreign countries[e]	4	5	6
Cash items in process of collection	674	707	651
Other assets[e]	414	387	375
TOTAL ASSETS[e]	14,438	14,403	13,508
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,243	1,205	1,256
Other demand deposits	7,180	7,136	7,050
Time deposits	4,472	4,486	3,815
Total deposits	12,895	12,827	12,121
Borrowings[e]	122	158	90
Other liabilities[e]	201	197	156
Total capital accounts[e]	1,220	1,221	1,141
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	14,438	14,403	13,508

e — Estimated.

BANK DEBITS, END-OF-MONTH DEPOSITS AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts[1]			Demand deposits[1]			
		Percent change from			Annual rate of turnover		
	March 1964	Feb. 1964	Mar. 1963	March 31, 1964	Mar. 1964	Feb. 1964	Mar. 1963
ARIZONA							
Tucson	$ 325,893	13	7	$ 166,535	23.5	20.8	22.9r
LOUISIANA							
Monroe	105,576	20	21	61,714	20.6	17.8	18.2
Shreveport	339,133	3	3	187,080	20.5	20.0	21.7
NEW MEXICO							
Roswell	50,888	11	—3	34,246	17.8	16.0	17.3
TEXAS							
Abilene	111,583	6	12	66,599	20.0	18.4	16.8
Amarillo	279,845	6	5	129,968	25.9	24.0	22.3
Austin	300,790	0	12	182,135	20.4	20.5	19.3
Beaumont	204,129	8	13	109,252	22.8	21.2	20.3
Corpus Christi	220,073	3	10	117,424	22.7	22.1	21.0
Corsicana	16,953	—7	—4	21,092	9.7	10.1	10.2
Dallas	3,700,851	6	15	1,351,068	33.1	31.7	30.4r
El Paso	384,521	13	0	193,557	23.9	21.2	22.7
Fort Worth	864,799	10	10	415,062	25.0	22.7	23.8
Galveston	97,724	9	8	60,543	19.3	17.6	17.8
Houston	3,854,211	12	22	1,511,063	30.6	27.2	25.4
Laredo	36,265	6	3	26,908	16.1	15.1	16.8
Lubbock	248,438	—9	4	138,407	21.8	23.5	21.8
Port Arthur	61,501	—4	—3	43,175	17.5	18.2	18.4
San Angelo	60,243	8	19	48,533	14.8	13.3	13.1
San Antonio	763,380	12	7	432,402	21.5	19.2	20.6
Texarkana[2]	31,225	4	9	21,042	18.5	18.2	18.5
Tyler	108,236	9	9	68,944	19.0	17.3	17.8
Waco	127,838	4	2	79,904	19.2	18.5	20.5
Wichita Falls	142,533	17	22	103,653	16.8	14.4	14.2
Total—24 cities	$12,436,628	8	14	$5,570,306	26.9	24.8	24.4r

[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 $65,300,000 for the month of March 1964.

r — Revised.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	March 1964p	February 1964	January 1964	March 1963
TEXAS				
Total industrial production	123	125	122	115
Manufacturing	142	142	139	131
Durable	136	134	131	122
Nondurable	146	147	144	138
Mining	97	103	100	94
UNITED STATES				
Total industrial production	128	128	127	121
Manufacturing	129	129	128	122
Durable	129	128	128r	122
Nondurable	129	129	129	123
Mining	107	108	108	105
Utilities	146	146	145r	136

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			Percent change March 1964 from	
	March 1964p	February 1964	March 1963r	Feb. 1964	Mar. 1963
Total nonagricultural wage and salary workers	4,785,000	4,757,000	4,661,600	0.6	2.6
Manufacturing	834,900	831,800	809,700	.4	3.1
Nonmanufacturing	3,950,100	3,925,200	3,851,900	.6	2.5
Mining	231,800	230,700	231,500	.5	.1
Construction	309,000	303,800	293,800	1.7	5.2
Transportation and public utilities	384,600	385,200	388,100	—.2	—.9
Trade	1,146,600	1,131,600	1,110,800	1.3	3.2
Finance	242,600	241,700	234,400	.4	3.5
Service	679,000	676,400	659,200	.4	3.0
Government	956,500	955,800	934,100	.1	2.4

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

INDEXES OF DEPARTMENT STORE SALES

Eleventh Federal Reserve District

(Daily average sales, 1957-59 = 100)

Date	Seasonally adjusted	Unadjusted
1963: March	113	98
October	102	104
November	109	126
December	121	210
1964: January	117	92
February	125	91
March	122	111

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	March 1964 from		3 months, 1964 from 1963
	February 1964	March 1963	
Total Eleventh District	26	13	13
Corpus Christi	10	—1	3
Dallas	20	10	13
El Paso	25	15	11
Houston	26	18	19
San Antonio	39	14	10
Shreveport, La.	40	5	5
Waco	26	11	13
Other cities	30	10	11

BUILDING PERMITS

Area	NUMBER		VALUATION (Dollar amounts in thousands)		Percent change: Mar. 1964 from		Percent change: 3 months, 1964 from 1963
	Mar. 1964	3 mos. 1964	Mar. 1964	3 mos. 1964	Feb. 1964	Mar. 1963	
ARIZONA							
Tucson	924	2,155	$ 2,801	$ 8,280	22	8	20
LOUISIANA							
Shreveport	305	818	2,072	4,104	85	—35	—31
TEXAS							
Abilene	92	286	1,312	3,401	11	—22	—24
Amarillo	296	691	3,883	11,772	41	—15	4
Austin	370	983	5,850	19,029	5	—15	—29
Beaumont	259	660	1,360	4,507	—16	6	56
Corpus Christi	337	889	1,843	7,080	10	—35	12
Dallas	2,314	5,665	18,197	50,030	2	30	—27
El Paso	492	1,250	5,266	11,562	33	36	36
Fort Worth	562	1,444	3,989	12,899	22	21	10
Galveston	150	384	681	1,751	1	50	—15
Houston	2,180	5,524	31,649	87,794	13	—46	—8
Lubbock	134	485	4,231	14,164	—38	20	—12
Midland	88	252	639	4,045	—29	—68	—12
Odessa	74	190	697	1,757	13	0	—26
Port Arthur	142	387	375	2,056	—39	3	72
San Antonio	1,383	3,438	7,415	18,595	89	30	17
Waco	287	713	1,379	4,332	—24	60	—26
Wichita Falls	65	198	762	2,524	—34	—35	—51
Total—19 cities	10,454	26,412	$94,401	$269,682	10	—20	—11

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	March 1964p	Feb. 1964	March 1963	January—March 1964p	January—March 1963
FIVE SOUTHWESTERN STATES[1]	434	389	439	1,239	1,148
Residential building	213	180	188	579	494
Nonresidential building	114	112	126	361	353
Nonbuilding construction	106	97	125	299	301
UNITED STATES	4,215	3,201	3,583	10,725	9,240
Residential building	1,991	1,427	1,642	4,784	4,100
Nonresidential building	1,252	1,082	1,146	3,475	3,150
Nonbuilding construction	972	692	796	2,466	1,990

[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.

WINTER WHEAT PRODUCTION

(In thousands of bushels)

Area	1964, indicated April 1	1963	Average 1958–62
Arizona	1,326	1,188	2,154
Louisiana	1,320	1,484	782
New Mexico	3,809	3,800	4,892
Oklahoma	91,865	75,411	101,844
Texas	61,185	40,618	66,334
Total	159,505	122,501	176,006

SOURCE: U. S. Department of Agriculture.

MARKETED PRODUCTION OF NATURAL GAS

Area	In millions of cubic feet: Fourth quarter 1963	Third quarter 1963	Fourth quarter 1962	Seasonally adjusted index (1957–59=100): Fourth quarter 1963	Third quarter 1963	Fourth quarter 1962
Louisiana	1,039,800	901,400	954,500	190	180	174
New Mexico	216,700	185,800	225,100	115	110	120
Oklahoma	247,100	237,000	243,800	154	159	152
Texas	1,584,100	1,489,400	1,527,100	114	115	110
Total	3,087,700	2,813,600	2,950,500	135	133	129

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

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State and crop	Indicated 1963	1962	Average 1957–61
ARIZONA			
Oranges	2,150	1,560	1,192
Grapefruit	2,600	2,170	2,480
LOUISIANA			
Oranges	10	15	243
TEXAS			
Oranges	230	40	2,560
Grapefruit	480	70	4,480

SOURCE: U. S. Department of Agriculture.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	March 1964p	Feb. 1964p	March 1963	Percent change from Feb. 1964	Percent change from March 1963
ELEVENTH DISTRICT	3,158.4	3,177.3	3,062.2	—0.6	3.1
Texas	2,714.0	2,735.6	2,641.1	—.8	2.8
Gulf Coast	512.8	536.2	504.8	—4.4	1.6
West Texas	1,200.5	1,207.5	1,190.4	—.6	.8
East Texas (proper)	111.3	111.2	113.7	.1	—2.1
Panhandle	103.9	102.8	93.6	1.1	11.0
Rest of State	785.5	777.9	738.6	1.0	6.3
Southeastern New Mexico	284.0	281.7	274.1	.8	3.6
Northern Louisiana	160.4	160.0	147.0	.3	9.1
OUTSIDE ELEVENTH DISTRICT	4,441.6	4,493.5	4,495.5	—1.2	—1.2
UNITED STATES	7,600.0	7,670.8	7,557.7	—.9	.6

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

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	March 1964p	February 1964p	March 1963
CRUDE OIL RUNS TO REFINERY STILLS (Daily average)	112	110	111
DEMAND (Daily average)			
Gasoline	112	114	107
Kerosene	134	136	130
Distillate fuel oil	111	108	107
Residual fuel oil	90	99	87
Four refined products	108	110	104
STOCKS (End of month)			
Gasoline	108	106	107
Kerosene	152	138	126
Distillate fuel oil	128	121	105
Residual fuel oil	80	84	88
Four refined products	113	110	105

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