

business review



february 1965

**FEDERAL RESERVE
BANK OF DALLAS**

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industrial development corporations in texas

(part I)

Industrial employment opportunities have been slow to develop in many Texas counties undergoing adjustments out of cotton and into livestock and experiencing mechanization of farms and expansion in the operating size of farming units. The resulting heavy out-migration from these rural areas has generally been selective with respect to age and education, thus leaving affected counties with a high percentage of their population in the less productive age brackets. As a consequence, welfare and educational costs have fallen on a shrinking population. In addition to these increased social costs the community must bear, the contraction in the local population has reduced the market for retail firms and utilities servicing an area.

After World War II, local groups interested in stopping the out-migration became vocal and began action programs aimed at generating industrial employment in their communities. It was hoped that such activities would at least stabilize employment opportunities in the labor surplus communities and, thus, prevent additional selective migration. The organization of industrial development corporations (sometimes called foundations) was one of the approaches taken by many communities hoping to improve local employment opportunities.

leverage for funds

The constitution of Texas, in contrast to some other states, has mitigated against the use of public credit, backed by the taxing powers of the State, to finance development programs. Also, the wide variation in economic conditions

within the State has made it difficult to obtain a statewide consensus as to those areas where emphasis on industrial development should be placed. These limiting factors have prompted local action groups in Texas communities to take the initiative in attracting industries. Because the local action group usually handles funds and frequently acquires property in the course of this activity, a special type of organization — one which seems to have satisfied most of the practical and legal requirements of local action groups — has been developed, the industrial development corporation.

In 1943, there was one operating local industrial development corporation (LIDC) in Texas. Data indicate that the number of industrial development corporations in the State has grown rapidly since the Korean conflict, increasing from 15 in 1950 to 71 in 1959. As of January 1965, the Texas Industrial Commission estimated that there were about 200 such organizations operating within the State.

Industrial development corporations have become a unique form of financial intermediary in Texas — unique because they typically are nonprofit, perpetual-fund corporations organized for the express purpose of attracting private industry into a community. As a corporate entity, a local development organization may sell stocks and bonds and obtain donations in order to finance its activities. In addition, local industrial development corporations may borrow from commercial banks and participate with Federal agencies in projects to aid private firms.

The local industrial development corporation is, in essence, a quasi-public organization. Nonprofit industrial development corporations have been exempt from paying Federal income taxes for many years. In 1964 the U. S. Treasury provided specific exemption from taxation for those organizations set up to aid and promote the purposes of the Area Redevelopment Act; this ruling also permits contributions to such organizations to be treated as ordinary business expenses. In order to qualify for the above exemptions, the charter of an LIDC must provide that all property held by the corporation will revert to public ownership in the event of liquidation of the LIDC.

The Comptroller of the Currency also has stated that national banks can donate (or invest) up to 2 percent of their unimpaired capital and surplus to business development corporations. The contributions (and, in some cases, the investments) of national banks to development corporations can be written off as business expenses. The modest capitalization of many rural banks may limit the flow of funds to industrial development corporations from this source. Nevertheless, an important marginal influence on the growth of development corporations might be exerted by national banks.

Funds of industrial development corporations may be given considerable leverage in case the development corporation is located in a county qualifying for Area Redevelopment Administration aid. Areas designated by the ARA include counties in eastern Texas and a number of counties paralleling the Rio Grande River. Areas are designated on the basis of their unemployment rates over a number of years, median incomes, and agricultural productivity in relation to the comparable national averages for these three factors.

In designated areas, the ARA may furnish up to 65 percent of the funds required by a new firm or branch plant. Funds not provided by the ARA must come from non-Federal

sources. Some local action group, usually an LIDC, must provide at least 10 percent of the total funds for the project, either through loans or through grants. The remaining share of the required funds may represent either equity of the firm to be aided or borrowings by the firm.

The Area Redevelopment Act was passed in 1961; and through August 31, 1964, 16 loans to private companies, amounting to \$3,290,000, had been granted to private firms in Texas by the ARA. The firms receiving ARA aid in the State have represented a wide range of industries, including 3 motels, 3 tile and ceramic plants, and 10 manufacturing firms. During this same period, LIDC's furnished an estimated \$1,772,000 in matching funds required in the establishment of the aided firms. These 16 new firms account for an estimated employment of 1,306 persons in a number of different Texas counties. In addition, the ARA has made loans directly to two LIDC's.

Local industrial development corporations, acting in quasi-public capacities, also may receive loans directly from the Small Business Administration if the firms to be aided qualify as small businesses under the Small Business Act. The purpose of these loans is to allow the industrial development corporations to finance development projects for new or existing small businesses in the community. As of March 1964, approximately \$770,000 (cumulative since 1962) had been allocated to Texas development corporations by the SBA. Most of these loans were for the expansion of existing plants, firms currently employing a little less than 600 persons.

inducements of texas lidc's

In the summer of 1964, the Texas Industrial Commission conducted a survey to obtain information on the types of inducements offered industrial firms by LIDC's in Texas. The survey requested officials of LIDC's to indicate the

**EXTENT OF ACTIVITIES OF 74 LOCAL INDUSTRIAL DEVELOPMENT
CORPORATIONS, BY TEXAS REGIONS, 1964**

Activity	Percentage of responding corporations									
	East Texas		North-central Texas		South-central Texas		Western Plains		ALL REGIONS	
	Have done	Will do	Have done	Will do	Have done	Will do	Have done	Will do	Have done	Will do
Acquired industrial property.....	91	100	79	100	88	87	54	86	80	95
Sold, leased, or rented land to firms.....	83	100	75	92	88	93	31	64	72	89
Made loans to firms.....	65	76	42	83	25	53	31	64	43	72
Sold, leased, or rented buildings to firms.....	74	100	67	96	63	87	15	71	59	91
Sold, leased, or rented machinery to firms.....	13	38	4	42	13	40	8	29	9	38
Bought stock or bonds in firms.....	9	24	4	25	19	20	8	21	9	23
Provided roads or utility connections at the plant site that were not already available.....	61	86	67	88	56	60	15	64	54	77
Made cash grants or gifts to firms.....	17	24	8	29	19	20	0	21	12	24
Provided funds to train or retrain workers.....	4	14	4	38	0	7	8	36	4	24
Provided funds for the moving expenses of firms.....	0	14	8	38	19	13	0	21	7	23
Developed an industrial site.....	70	86	63	92	75	87	15	64	59	84
Published brochures or conducted advertising campaign for industry.....	70	71	67	83	63	80	54	71	65	77
Paid expenses for prospecting trip.....	39	62	50	58	38	53	39	50	42	57
Provided free utility service to firms.....	4	10	8	21	0	7	0	0	4	11
Provided continuing aid (or refinancing).....	4	19	13	38	19	7	8	36	11	26
Provided working capital.....	4	14	13	33	19	7	8	29	11	22
Other.....	0	5	0	4	0	0	0	0	0	3

SOURCE: Texas Industrial Commission survey.

activities their development corporations had used to attract industries, as well as activities they would be willing to undertake in the future. Each development corporation returning a questionnaire was engaged in two or more types of activities.

Although the LIDC's responding to the survey indicated a willingness to engage in a wide range of activities, an overwhelming proportion of the activities centered around the acquisition of industrial sites, including the provision of buildings and utility connections. Favorable leasing and rental arrangements on industrial properties handled by Texas industrial development corporations are more prominent than other types of aid because the development corporations may directly aid the firm involved by charging low or nominal rentals. Since Texas law prohibits the granting of tax exemptions on property, leasing and rental arrangements form one method of offering relief from ad valorem taxes.

Survey results indicate that 80 percent of the 74 Texas LIDC's responding to the questionnaire have already acquired industrial property; 72 percent have sold, leased, or rented land to private firms; and 59 percent have sold, leased, or rented buildings. However, less than 9 percent have engaged in selling, renting, or leasing machinery and equipment. Avoidance of involvement in providing specialized machinery and equipment is further reflected by the fact that slightly less than 38 percent of the development corporations anticipate that they will undertake such financing. The Texas Industrial Commission has suggested that Texas development corporations avoid acquiring specific, hard-to-dispose assets.

In line with the concentration of activity in either acquiring or developing industrial sites, about 54 percent of the Texas industrial development corporations have provided utilities or roads to the acquired industrial sites. However, officials of 77 percent of the development

companies indicate that they would be willing to engage in this activity in the future.

Almost 45 percent of the industrial development corporations in the survey have chosen to make low-interest loans to industrial firms. Low-interest loans and sales or rentals of real estate have characterized the inducements offered to firms by industrial development corporations in Texas. Only about 10 percent of the development corporations have provided refinancing services or have furnished working capital to private firms, and there is little indication that development corporations are inclined to go into these activities. Although about 43 percent of the LIDC's have made loans to firms, only slightly more than 9 percent of the development corporations have bought the stocks or bonds of the firms they attracted to their communities. As in the case of machinery and equipment financing arrangements, the lack of participation in equity or debt financing by the development corporations indicates a fear of involvement with the specific operations and assets of an industrial firm.

Interestingly enough, more development corporations made outright grants to firms (12 percent) than bought equity stock, provided refinancing, or furnished operating capital. The granting of such "gifts" indicates the strength of the bargaining position of some of the firms

receiving direct aid from the development corporations, as well as the eagerness of some local industrial development corporations to attract payrolls.

variations in texas inducements

Although the types of inducements offered by LIDC's throughout Texas are similar in some respects, there are interesting variations in the activities of industrial development corporations located in various parts of the State. On balance, the LIDC's in east Texas, as compared with those in some other areas of the State, appear to be somewhat more conservative with respect to the inducements they have used, or indicate they are inclined to offer, in order to attract new industries. This relative conservatism may reflect, in part, the fact that LIDC's in east Texas generally have been organized for a longer period of time. It is also possible that the east Texas area has certain locational advantages relative to other regions in Texas experiencing heavy out-migration.

East Texas development corporations have generally been inclined to aid firms for which some evaluation of financial status can be made. In 1964, about 53 percent of the employment of firms aided by east Texas LIDC's was accounted for by branch plants, as opposed to 24 percent of the employment of firms aided by LIDC's in the north-central region. Com-

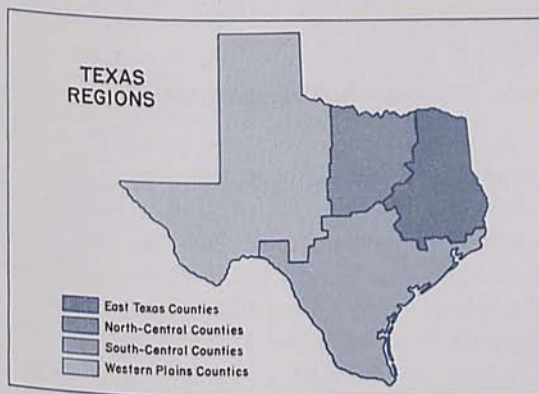
**EMPLOYMENT DISTRIBUTION, BY TEXAS REGIONS, FOR TYPES OF FIRMS
AIDED BY LOCAL INDUSTRIAL DEVELOPMENT CORPORATIONS, 1964**

Area	Percentage of employment accounted for by:					ALL AIDED FIRMS
	New branch plants	New firms	Expanded firms	Relocated firms	Unclassified firms	
East Texas	53	14	7	7	20	100
North-central Texas	24	35	13	12	16	100
South-central Texas and Western Plains	9	24	14	51	1	100
All regions	38	22	10	15	16	¹ 100

¹Total employment amounted to over 18,000 persons.
NOTE.—Details may not add to totals because of rounding.
SOURCE: Texas Industrial Commission survey.

pared with the experience in east Texas, the north-central region has been especially active in aiding new nonbranch enterprises, and 35 percent of the total employment of aided firms in the region was in such enterprises.

In the Western Plains region of the State, where LIDC's have been organized for a shorter period of time than those in most other areas of the State, the industrial development corporations appear to be willing to provide assistance to firms in the form of refinancing or working capital. Approximately 36 percent and 29 percent, respectively, of the LIDC's in this area indicated that they would provide refinancing and working capital to industrial concerns.



LIDC's in the south-central region show a history of paying the moving expenses of firms relocating in the area; about 19 percent of the industrial development corporations operating in this region have provided such aid. Approximately one-half of the workers in firms aided by south-central LIDC's were employed by firms that had relocated. The fact that 51 percent of the employment resulting from the activities of LIDC's in the south-central region was in relocated plants and that LIDC's in this area encourage relocations by paying moving expenses may indicate that communities in the south-central region are bidding against one another to expand industrial employment.

interstate competition for industry

Communities in Texas not only are faced with competition for industrial plants from other communities within the State but also may be in active competition with communities in neighboring states. In reviewing the Texas situation, the Texas Research League, an organization which studies state and local government problems, has stated that:

The greatest competition . . . is in areas along the Oklahoma, Arkansas or Louisiana borders. . . . While the impact was found to a degree inland, it diminishes drastically the farther one moves from the border. It is especially significant in cities like Texarkana, Marshall and Orange. . . . The New Mexico financing programs are not creating the degree of competitive problems as those in Oklahoma, Arkansas and Louisiana.

Unlike Texas, where statewide financial assistance to attract industry is not available, a number of neighboring states have adopted governmentally administered industrial location financing programs. The programs generally include one or more of the following types of assistance: (1) concessions on state and/or local property taxes, (2) granting of taxing authority to special districts for the purpose of aiding industry, and (3) financing aids from a state development authority. In most cases, the nontax inducements depend upon joint efforts of the state authority and an LIDC.

Louisiana is a good example of a southwestern state utilizing property-tax exemptions as an incentive to attract industry. However, Arkansas and Oklahoma also offer limited ad valorem tax concessions for some types of industrial investment.

The states surrounding Texas have made particular use of local bond issues to finance industrial development. Thus, Texas has been using promotional techniques that vary, in a very real sense, from those in use in bordering

states. The States of Louisiana, Arkansas, and New Mexico have passed enabling legislation allowing local taxing authorities to issue revenue and general obligation bonds in order to finance the purchase of sites and the construction of facilities for sale or lease to private concerns.

State legislatures, by allowing municipal corporations or LIDC's to issue industrial bonds based on the credit of the local government in order to encourage the location or expansion of private firms in their communities, make it possible for some firms to reduce the impact of Federal income taxes on their corporate income. The interest on the obligations of statewide development credit corporations is also exempt from Federal taxation.

Whether the bonds are general obligation bonds backed by the full faith and credit of the taxing authority or are revenue bonds based only on the revenue of a particular industrial enterprise, the obligations must be honored by the issuing authority if the credit rating of the taxing authority is to be maintained intact.

The third method used by states contiguous to Texas to encourage industrial expansion takes the form of a state industrial financing authority. Such an authority either receives appropriations from the state legislature to be used in a revolving fund or is empowered to issue bonds guaranteed by the state. At present, private firms in both Oklahoma and Arkansas can obtain funds from a state industrial financing authority.

Instead of lending funds directly, some state financing authorities guarantee the mortgages issued by LIDC's for their industrial projects. This guarantee would make the mortgages of local industrial development corporations more attractive to such financial institutions as banks and insurance companies. The state financing authority may join with LIDC's on a partici-

pating basis to provide funds to be used in aiding private industry. Legislation has been suggested to authorize the establishment of a state financing authority in Texas.

In attempting to evaluate the attractiveness of techniques used to foster local or regional economic development, the Federal Reserve Bank of Boston asked various state officials knowledgeable about industrial development programs to rank the effectiveness of development techniques used in their respective states. The returns indicated that the use of municipal bond issues received the highest rating; long-term, low-interest financial assistance from state financing authorities ranked second in importance. The officials ranked both tax exemptions and the risk loans of LIDC's in third place.

concluding comments

It is not possible to assess with any degree of accuracy the impact that the assistance available in some bordering states from statewide financing authorities has had upon the activities of Texas LIDC's. However, the inducements offered by LIDC's in the State — particularly those in east Texas, where competition from communities in neighboring states presumably may be especially intense — do not provide any noteworthy indication of the willingness of Texas industrial development corporations to engage in activities usually associated with relatively greater risks.

Despite the fact that a larger number of LIDC's have stated that they would be willing to consider extending greater aid in the form of machinery and equipment rentals and purchases of the stocks and bonds of firms, the percentage of development corporations in the State reporting such inclinations remains small. Most of the organizations expect to continue emphasizing the provision of favorable sale and leasing arrangements for industrial sites and plants.

Local industrial development corporations in Texas reported that, as of mid-1964, they had aided industrial firms having an estimated employment of over 18,000 persons. A subsequent article will discuss the composition of the employment of firms aided by LIDC's in Texas. The article also will highlight informa-

tion obtained from officials of firms which have been aided, regarding locational and other inducements considered important determinants in their decision to choose a particular location for a plant.

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Industrial Economist

the use of cash in texas

There is evidence to suggest that checks are used more extensively in transacting business in Texas than in the rest of the Nation. For a number of years, the note circulation of the Federal Reserve Bank of Dallas in relation to member bank reserves was significantly lower than for the other Reserve banks. Since 1943, combined note liabilities of Federal Reserve banks have surpassed member bank reserve accounts by a substantial margin, but not until the end of 1963 did note liabilities of the Dallas Bank exceed the reserve balances of Eleventh District member banks.

Information which tends to confirm the relatively small use of coin and currency in Texas has been obtained through a survey of 131 member banks by the Federal Reserve Bank of Dallas. These banks were asked to report their total deposit receipts for November 16 through November 20, 1964, and the amount of these receipts represented by cash. To determine

whether there are differences in the rates of coin and currency use within the State, the sample was stratified into the territories served by the three branches and the Head Office of the Federal Reserve Bank of Dallas.

The survey results reveal that, out of each dollar received on deposit during the period, only slightly more than five cents was in cash. This proportion is below the 1962 Federal Reserve Bank of Boston estimate of 7.22 percent for the Nation.¹

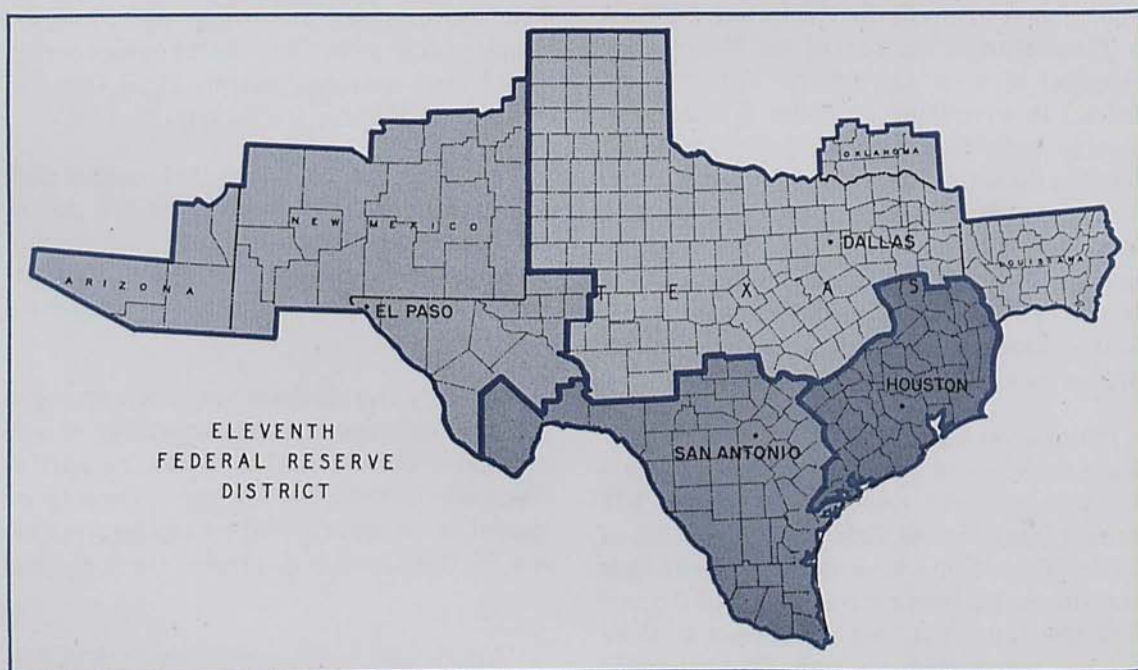
The study also discloses very interesting geographical differences in the importance of cash in deposit receipts within Texas, as well as differences between sizes of banks. Texas banks located in the areas served by the San Antonio and El Paso branch territories (southern and

¹ "Use of Cash in Payments," *New England Business Review*, September 1963, p. 6.

western areas of the State) received significantly more cash in total deposit receipts than banks in the Houston territory and the area served by the Head Office (eastern and northern areas). The relatively high ratios for the San Antonio and El Paso territories — 16 percent and 7 percent, respectively — may be partially explained by the fact that the large number of military installations in these areas meet their payrolls in cash.

It is noteworthy that the relatively high cash-deposit ratios in both the southern and the

western areas of the State reflected heavy cash inflows to the city banks whereas, in the northern and eastern areas, relatively larger cash inflows were reported by banks outside the reserve cities. The survey shows that customers of country banks deposit relatively more coin and currency than customers of reserve city banks. The cash-deposit ratio of country banks was 9.51 percent, in contrast to 4.11 percent at reserve city banks. The ratio for reserve city banks is lowered to 2.72 percent when reserve city banks in San Antonio are excluded from the classification.



district highlights

A significant feature of Eleventh District banking during 1964 was a continuation of the rapid inflow of time and savings deposits which had heavily influenced bank management policies during the previous 2 years. At the end of 1964, time and savings deposits accounted for slightly over one-third of total deposits at District member banks, compared with less than one-fourth in 1961. The rate of gain in interest-bearing deposits slowed, however, to a 14-percent rate in 1964, which compares with rates of 24 percent and 19 percent in 1962 and 1963, respectively.

This slackening principally reflected a moderation in the growth of time and savings deposits at reserve city banks in the District. Country banks recorded a modest increase in the rate of influx of such deposits. It is interesting to note that the reduced rate of savings inflow at reserve city banks was accompanied by an acceleration in demand deposit growth, whereas an increase in the inflow of time and savings deposits at country banks was associated with a slackening in demand deposit growth.

Nonagricultural employment in the five southwestern states in December advanced about 1 percent over November to a total of 4,983,400 persons. The increase was centered in the trade sectors, especially retail trade. Construction employment declined seasonally during December, falling to a level of 327,400 persons.

The seasonally adjusted Texas industrial production index advanced fractionally in December to a level of 129 percent of the 1957-59 average. A 1-percent decrease in mining output was more than offset by an increase in manufacturing activity. Especial strength occurred in

durables manufacturing, as transportation equipment output rose substantially over its strike-reduced November level. Among nondurables, weaknesses in chemical, apparel, and paper production moderated the expansion in other sectors, and nondurables output rose only slightly over the previous month.

The cumulative value of southwestern construction contracts for January-December 1964 registered a 3-percent lead over the comparable period in 1963, with strength in non-residential and nonbuilding contracts continuing to offset a decline in the residential sector. The most rapid rates of growth in the value of building permits in Texas continued to be in the nonmetropolitan areas, although the dollar volume of new construction authorizations was lower than in metropolitan areas.

Daily average crude oil production in the District advanced nearly 2 percent in January from the prior month to a level that was almost 4 percent above a year earlier. The gains over both December and January 1964 reflected higher allowables in Texas, Louisiana, and southeastern New Mexico. The Louisiana allowable in January was a record for the State. Despite the uptrend in District crude oil production since last August, inventories of crude oil at mid-January remained significantly below the year-earlier volume.

The seasonally adjusted index of District department store sales in December rose to an all-time high of 129 percent of the 1957-59 average, up 5 percent from November and 7 percent from December 1963. Department store sales during 1964 showed an 11-percent increase over 1963. In the 3 weeks ended January 23, 1965, sales were 13 percent above a year ago.

New automobile registrations in four major Texas markets during December exceeded those for any prior month. For the full year 1964, total registrations for the four markets were up 8 percent from 1963; Dallas and Houston recorded increases of 11 percent and 9 percent, respectively, followed by Fort Worth and San Antonio with gains of 6 percent and 3 percent.

The number of cattle and calves on feed in the principal cattle-feeding states of the District (Arizona, New Mexico, Oklahoma, and Texas) as of January 1, 1965, is placed at nearly 1.1 million head, reflecting increases of 3 percent over a year ago and 46 percent over

the 1959-63 average. The number of sheep and lambs on feed in these states at the beginning of this year totaled 290,000, or one-tenth fewer than a year earlier. Wheat pastures in the District provided very little grazing through January 1, and the number of sheep and lambs on wheat pastures in the Texas Panhandle is estimated at 6,000 head, compared with 11,000 a year ago.

Moisture conditions in much of the District are improved over a year ago. Winter wheat is making good development, and land preparation for spring crops is under way. Range conditions in much of the District are better than a year ago but remain below average.

**new
member
bank**

The Bayshore National Bank of La Porte, La Porte, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business January 11, 1965, as a member of the Federal Reserve System. The new member bank has capital of \$200,000, surplus of \$200,000, and undivided profits of \$100,000. The officers are: R. W. Freeman, Chairman of the Board; G. J. Hoff, President; and W. E. Boaze, Jr., Vice President and Cashier.

**new
par
banks**

The First State Bank, Wells, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on January 14, 1965. The officers are: E. B. Bailey, Chairman of the Board; Jack R. Stone, President; and R. M. Shumaker, Executive Vice President and Cashier.

The Yorktown Community Bank, Yorktown, Texas, an insured nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, February 1, 1965. The officers are: J. O. Frisbie, President (Inactive); T. J. Koopmann, Vice President (Inactive); LaVerne Brieger, Executive Vice President; Mrs. Lois Strieber, Assistant Vice President; Mrs. Sylvia Blaschke, Cashier; and Mrs. Annabelle Horny, Assistant Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

February 1965



**FEDERAL RESERVE BANK
OF DALLAS**

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Jan. 27, 1965	Dec. 30, 1964	Jan. 29, 1964
ASSETS			
Net loans.....	4,502,808	4,577,237	4,136,800
Valuation reserves.....	82,086	73,304	77,550
Gross loans.....	4,584,894	4,650,541	4,214,350
Commercial and industrial loans.....	2,124,901	2,062,170	1,985,260
Agricultural loans.....	59,324	58,729	46,420
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	558	295	274
Other securities.....	39,368	41,301	49,012
Other loans for purchasing or carrying:			
U. S. Government securities.....	2,433	3,569	2,929
Other securities.....	277,565	278,850	257,436
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	108,604	128,591	93,360
Other.....	265,650	286,683	262,075
Loans to domestic commercial banks.....	175,725	221,264	131,925
Loans to foreign banks.....	4,289	4,152	2,269
Real estate loans.....	379,324	377,549	345,728
Other loans.....	1,147,153	1,187,388	1,037,662
Total investments.....	2,124,128	2,102,922	2,096,033
Total U. S. Government securities.....	1,383,695	1,360,111	1,424,283
Treasury bills.....	154,480	119,982	121,337
Treasury certificates of indebtedness.....	0	0	61,169
Treasury notes and bonds maturing:			
Within 1 year.....	178,518	182,600	108,222
1 to 5 years.....	589,974	670,072	713,357
After 5 years.....	460,723	387,457	420,198
Other securities.....	740,433	742,811	671,750
Cash items in process of collection.....	646,681	816,878	585,438
Balances with banks in the United States.....	458,669	517,811	482,709
Balances with banks in foreign countries.....	3,603	2,939	3,401
Currency and coin.....	66,086	70,978	64,208
Reserves with Federal Reserve Bank.....	575,221	537,763	532,632
Other assets.....	297,983	301,123	278,225
TOTAL ASSETS.....	8,675,179	8,927,651	8,179,446
LIABILITIES AND CAPITAL ACCOUNTS			
Total deposits.....	7,591,186	7,863,600	7,167,462
Total demand deposits.....	4,758,088	5,117,823	4,623,250
Individuals, partnerships, and corporations.....	3,264,383	3,357,715	3,209,723
Foreign governments and official institutions, central banks, and international institutions..	2,900	4,026	2,442
U. S. Government.....	119,439	141,775	53,973
States and political subdivisions.....	274,888	304,036	237,496
Banks in the United States, including mutual savings banks.....	1,019,765	1,211,068	1,048,295
Banks in foreign countries.....	16,394	15,145	14,065
Certified and officers' checks, etc.....	60,319	84,058	57,256
Total time and savings deposits.....	2,833,098	2,745,777	2,544,212
Individuals, partnerships, and corporations Savings deposits.....	1,244,269	1,223,569	1,118,872
Other time deposits.....	1,207,004	1,168,453	1,062,302
Foreign governments and official institutions, central banks, and international institutions..	500	500	503
U. S. Government, including postal savings... States and political subdivisions.....	3,594	4,430	4,137
Banks in the United States, including mutual savings banks.....	367,338	338,686	347,424
Banks in foreign countries.....	8,093	7,839	8,574
Bills payable, rediscounts, etc.....	2,300	2,300	2,400
All other liabilities.....	194,630	152,948	196,070
Capital accounts.....	165,457	189,359	120,840
	723,906	721,744	695,074
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	8,675,179	8,927,651	8,179,446

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Jan. 27, 1965	Dec. 30, 1964	Jan. 29, 1964
Total gold certificate reserves.....	684,366	571,000	593,826
Discounts for member banks.....	0	20,100	2,000
Other discounts and advances.....	2,610	1,710	1,824
U. S. Government securities.....	1,361,731	1,344,562	1,281,886
Total earning assets.....	1,364,341	1,366,372	1,285,710
Member bank reserve deposits.....	976,394	919,028	915,037
Federal Reserve notes in actual circulation.....	1,071,627	1,091,625	955,553

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Jan. 6, 1965	4 weeks ended Dec. 2, 1964	4 weeks ended Jan. 1, 1964
RESERVE CITY BANKS			
Total reserves held.....	624,302	612,501	607,609
With Federal Reserve Bank.....	579,437	571,659	561,259
Currency and coin.....	44,865	40,842	46,350
Required reserves.....	620,730	608,105	604,621
Excess reserves.....	3,572	4,396	2,988
Borrowings.....	14,343	21,679	45,636
Free reserves.....	10,771	17,283	42,648
COUNTRY BANKS			
Total reserves held.....	586,682	577,559	561,106
With Federal Reserve Bank.....	450,752	444,165	434,659
Currency and coin.....	135,930	133,394	126,447
Required reserves.....	549,739	539,220	518,116
Excess reserves.....	36,943	38,339	42,990
Borrowings.....	1,225	4,887	2,159
Free reserves.....	35,718	33,452	40,831
ALL MEMBER BANKS			
Total reserves held.....	1,210,984	1,190,060	1,168,715
With Federal Reserve Bank.....	1,030,189	1,015,824	995,918
Currency and coin.....	180,795	174,236	172,797
Required reserves.....	1,170,469	1,147,325	1,122,737
Excess reserves.....	40,515	42,735	45,978
Borrowings.....	15,568	26,566	47,795
Free reserves.....	24,947	16,169	1,817

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: December..	8,496	4,180	4,316	3,497	1,718	1,779
1963: December..	8,682	4,192	4,490	4,167	2,047	2,120
1964: July.....	8,314	3,941	4,373	4,573	2,249	2,324
August.....	8,313	3,957	4,356	4,585	2,262	2,323
September..	8,530	4,090	4,440	4,689	2,354	2,335
October.....	8,582	4,098	4,484	4,627	2,274	2,353
November..	8,683	4,120	4,563	4,655	2,269	2,386
December..	8,852	4,213	4,639	4,713	2,288	2,425

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Dec. 30, 1964	Nov. 25, 1964	Dec. 25, 1963
ASSETS			
Loans and discounts.....	7,735	7,442	6,848
U. S. Government obligations.....	2,623	2,674	2,806
Other securities.....	1,567	1,566	1,419
Reserves with Federal Reserve Bank.....	920	982	1,011
Cash in vault.....	210	190	179
Balances with banks in the United States.....	1,213	1,129	1,222
Balances with banks in foreign countries.....	5	5	4
Cash items in process of collection.....	905	748	861
Other assets.....	448	425	478
TOTAL ASSETS.....	15,626	15,161	14,828
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,483	1,302	1,443
Other demand deposits.....	7,688	7,443	7,449
Time deposits.....	4,783	4,673	4,182
Total deposits.....	13,954	13,418	13,074
Borrowings.....	153	220	365
Other liabilities.....	237	242	204
Total capital accounts.....	1,282	1,281	1,185
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	15,626	15,161	14,828

o — 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			
	December 1964	Percent change from		Dec. 31, 1964	Annual rate of turnover		
		Nov. 1964	Dec. 1963		Dec. 1964	Nov. 1964	Dec. 1963
ARIZONA							
Tucson.....	\$ 328,936	14	1	\$ 176,543	22.9	21.1	22.7
LOUISIANA							
Monroe.....	133,367	12	20	73,517	23.0	23.2	20.6
Shreveport.....	378,600	14	-2	193,283	24.6	23.0	23.9
NEW MEXICO							
Roswell.....	53,015	6	-9	33,595	18.8	17.8	19.0
TEXAS							
Abilene.....	133,463	17	11	74,254	22.1	19.7	20.0
Amarillo.....	352,883	22	22	129,870	33.0	27.7	27.2
Austin.....	290,841	-4	-1	188,156	19.2	20.6	20.8
Beaumont.....	227,214	14	3	116,165	24.0	21.4	23.3
Corpus Christi.....	238,227	11	1	130,229	22.6	21.0	23.0
Corpus Christi.....	23,057	18	16	23,386	12.1	10.4	10.8
Dallas.....	4,592,687	10	14	1,519,556	37.7	33.4	34.4
El Paso.....	430,354	13	1	203,505	25.6	23.5	26.4
Fort Worth.....	1,014,739	14	8	430,847	28.3	25.0	25.2
Galveston.....	106,999	13	-1	64,191	20.6	19.1	20.9
Houston.....	4,518,309	27	14	1,776,248	31.8	26.6	29.9
Laredo.....	41,376	10	8	29,996	17.3	16.9	17.8
Lubbock.....	363,919	46	8	159,995	29.6	22.7	29.9
Port Arthur.....	68,864	9	3	46,480	18.1	17.5	18.7
San Angelo.....	65,425	10	11	52,776	15.1	14.2	13.8
San Antonio.....	861,941	14	6	463,809	22.6	20.3	22.3
Texarkana.....	31,024	8	5	20,633	18.2	17.2	18.5
Tyler.....	114,364	6	6	77,779	18.2	17.6	18.1
Waco.....	149,677	20	8	85,131	21.1	17.4	20.9
Wichita Falls.....	152,233	20	16	110,590	17.2	15.0	14.9
Total—24 cities.....	\$14,671,514	17	11	\$6,180,534	29.4	25.8	27.6

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 \$72,754,000 for the month of December 1964.

ANNUAL BANK DEBITS AND ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts ¹			Demand deposits ¹	
	1964	1963	Percent change	Annual rate of turnover	
				1964	1963
ARIZONA					
Tucson.....	\$ 3,758,488	\$ 3,734,866	1	22.7	23.1
LOUISIANA					
Monroe.....	1,352,813	1,203,223	12	22.1	21.4
Shreveport.....	4,226,473	4,154,717	2	23.5	22.8
NEW MEXICO					
Roswell.....	600,825	666,284	-10	17.8	18.6
TEXAS					
Abilene.....	1,394,951	1,294,807	8	20.4	18.2
Amarillo.....	3,509,804	3,017,455	16	28.8	24.5
Austin.....	3,615,070	3,435,917	5	20.7	21.0
Beaumont.....	2,541,600	2,328,050	9	23.6	21.6
Corpus Christi.....	2,739,469	2,563,600	7	22.8	21.8
Corpus Christi.....	238,833	229,011	4	10.9	10.8
Dallas.....	46,626,019	42,769,526	9	33.9	32.5
El Paso.....	4,530,937	4,385,544	3	23.1	23.6
Fort Worth.....	10,680,457	10,263,352	4	25.3	24.9
Galveston.....	1,241,615	1,209,656	3	20.2	20.0
Houston.....	45,093,468	39,935,728	13	28.7	26.6
Laredo.....	451,970	429,230	5	16.9	17.0
Lubbock.....	3,239,054	2,970,437	9	23.9	23.3
Port Arthur.....	793,257	766,407	4	18.5	17.9
San Angelo.....	758,179	697,621	9	15.1	14.2
San Antonio.....	9,397,025	8,966,733	5	21.5	21.3
Texarkana.....	373,893	353,182	6	18.7	18.9
Tyler.....	1,311,879	1,240,487	6	18.4	18.1
Waco.....	1,596,363	1,493,002	7	19.4	20.4
Wichita Falls.....	1,631,737	1,484,748	10	15.9	14.5
Total—24 cities.....	\$151,704,179	\$139,593,583	9	26.9	25.6

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
² Includes revisions in previously published monthly figures.
³ 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 \$808,341,000 during 1964 and \$783,135,000 during 1963.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	December 1964p	November 1964	October 1964	December 1963
TEXAS				
Total industrial production.....	129	128	128	121
Manufacturing.....	148	145	144	138
Durable.....	145	140	139	131
Nondurable.....	150	149	148	143
Mining.....	104	105	107	99
UNITED STATES				
Total industrial production.....	137	135	131r	127
Manufacturing.....	138	136	132	128
Durable.....	140	137	130	127
Nondurable.....	136	135	135	129
Mining.....	112	113	112	107
Utilities.....	155	154	154	143

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 Dec. 1964 from	
	Dec. 1964p	Nov. 1964	Dec. 1963r	Nov. 1964	Dec. 1963
Total nonagricultural					
wage and salary workers..	4,983,400	4,931,000	4,839,200	1.1	3.0
Manufacturing.....	863,900	865,300	838,400	-2	3.0
Nonmanufacturing.....	4,119,500	4,065,700	4,000,800	1.3	3.0
Mining.....	235,200	235,300	231,600	-1	1.6
Construction.....	327,400	332,400	305,200	-1.5	7.3
Transportation and public utilities.....	391,300	388,900	388,900	.6	.6
Trade.....	1,228,500	1,178,500	1,201,200	4.2	2.3
Finance.....	248,800	248,400	240,300	.2	3.5
Service.....	705,400	702,200	682,800	.5	3.3
Government.....	982,900	980,000	950,800	.3	3.4

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				Percent change		
	Dec. 1964	12 mos. 1964	Dec. 1964	12 mos. 1964	Dec. 1964 from		
					Nov. 1964	Dec. 1963	12 months, 1964 from 1963
ARIZONA							
Tucson.....	462	8,252	\$ 1,046	\$ 34,428	-28	-42	10
LOUISIANA							
Shreveport....	287	4,130	1,444	23,310	49	42	-15
TEXAS							
Abilene.....	62	1,041	721	12,183	-25	12	-18
Amarillo.....	114	2,809	1,785	43,495	-44	-11	1
Austin.....	248	4,006	3,742	71,491	38	-11	-12
Beaumont.....	142	2,827	361	15,683	-32	-38	14
Corpus Christi..	241	3,957	1,782	31,836	-43	-6	25
Dallas.....	1,599	24,502	9,653	198,744	-36	-34	-12
El Paso.....	281	4,880	4,741	46,197	4	71	8
Fort Worth.....	509	8,415	2,924	69,131	-85	-4	31
Galveston.....	99	1,563	5,120	15,281	1,011	71	4
Houston.....	1,560	22,851	21,209	321,695	-30	36	1
Lubbock.....	230	2,273	5,732	59,142	135	238	45
Midland.....	83	1,089	623	11,331	25	166	1
Odessa.....	67	1,238	294	5,933	-44	-4	-19
Port Arthur.....	79	1,749	144	6,190	-34	-57	27
San Antonio.....	816	13,743	5,015	70,281	-15	-25	15
Waco.....	249	2,844	1,202	15,631	50	86	-2
Wichita Falls..	75	1,441	628	12,471	-22	-62	-15
Total—19 cities..	7,203	113,610	\$68,166	\$1,064,453	-28	9	2

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	December 1964p	November 1964	December 1963	January—December	
				1964p	1963
FIVE SOUTHWESTERN STATES¹					
Residential building.....	504	372	398	5,032	4,882
Nonresidential building.....	140	161	131	2,156	2,166
Nonbuilding construction.....	161	138	146	1,493	1,390
Nonbuilding construction.....	202	74	121	1,383	1,327
UNITED STATES.....	3,598	3,757	3,413	47,299	45,546
Residential building.....	1,306	1,482	1,325	20,561	20,502
Nonresidential building.....	1,298	1,263	1,102	15,495	14,377
Nonbuilding construction.....	994	1,012	985	11,244	10,667

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

p — Preliminary.

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

SOURCE: F. W. Dodge Corporation.

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	December 1964p	November 1964p	December 1963
CRUDE OIL RUNS TO REFINERY			
STILLS (Daily average).....	116	114	111
DEMAND (Daily average)			
Gasoline.....	118	112	113
Kerosene.....	131	138	142
Distillate fuel oil.....	100	108	113
Residual fuel oil.....	105	96	101
Four refined products.....	112	109	112
STOCKS (End of month)			
Gasoline.....	114	116	110
Kerosene.....	131	121	124
Distillate fuel oil.....	114	110	112
Residual fuel oil.....	71	73	84
Four refined products.....	109	108	108

p — Preliminary.

SOURCES: American Petroleum Institute.

U. S. Bureau of Mines.

Federal Reserve Bank of Dallas.

MARKETED PRODUCTION OF NATURAL GAS

Area	In millions of cubic feet			Seasonally adjusted index (1957-59 = 100)		
	Third quarter 1964	Second quarter 1964	Third quarter 1963	Third quarter 1964	Second quarter 1964	Third quarter 1963
Louisiana.....	966,200	976,700	901,400	183	194	180
New Mexico.....	212,900	211,100	185,800	126	123	110
Oklahoma.....	297,000	306,000	237,000	199	179	159
Texas.....	1,574,400	1,559,363	1,489,400	121	120	115
Total.....	3,050,500	3,053,163	2,813,600	145	142	133

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

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Percent change from				
	December 1964p	November 1964p	December 1963	November 1964	December 1963
ELEVENTH DISTRICT.....	3,256.7	3,208.1	3,109.4	1.5	4.7
Texas.....	2,780.4	2,743.4	2,679.9	1.3	3.8
Gulf Coast.....	537.7	531.9	519.9	1.1	3.4
West Texas.....	1,229.8	1,212.1	1,200.6	1.5	2.4
East Texas (proper).....	112.1	110.3	120.6	1.6	-7.1
Panhandle.....	103.2	103.0	104.5	.2	-1.3
Rest of State.....	797.5	786.1	734.3	1.5	8.6
Southeastern New Mexico.....	289.9	278.3	277.8	4.2	4.4
Northern Louisiana.....	186.4	186.4	151.7	.0	22.9
OUTSIDE ELEVENTH DISTRICT	4,421.2	4,573.9	4,401.7	-3.3	.4
UNITED STATES.....	7,677.9	7,782.0	7,511.1	-1.3	2.2

p — Preliminary.

SOURCES: American Petroleum Institute.

U. S. Bureau of Mines.

Federal Reserve Bank of Dallas.

INDEXES OF DEPARTMENT STORE SALES

Eleventh Federal Reserve District

(Daily average sales, 1957-59 = 100)

Date	Seasonally adjusted	Unadjusted
1963: December.....	121	210
1964: July.....	128	116
August.....	124	125
September.....	123	118
October.....	117	120
November.....	124	142r
December.....	129	224

r — Revised.

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	December 1964 from		12 months, 1964 from 1963
	November 1964	December 1963	
Total Eleventh District.....	70	11	11
Corpus Christi.....	68	4	6
Dallas.....	79	11	10
El Paso.....	65	5	8
Houston.....	73	17	16
San Antonio.....	61	13	12
Shreveport, La.....	59	6	4
Waco.....	67	5	9
Other cities.....	69	9	9