

# *business review*



*march 1965*

**FEDERAL RESERVE  
BANK OF DALLAS**

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# *industrial development*

## *corporations in texas*

### *(part 2)*

Many Texas communities are placing major reliance upon industrial development corporations to improve the employment opportunities in their trade areas. An article in the February *Business Review* presents some of the factors prompting communities to establish local industrial development corporations, the types of inducements which have been offered to private firms by Texas LIDC's, and the aid which the LIDC's indicate they would be willing to provide in the future. Although a wide variety of inducements are used to attract industry, the predominant types of aid offered on favorable terms are the provision of industrial sites and the construction and leasing of structures.

A survey of LIDC's by the Texas Industrial Commission in the summer of 1964 has provided information as to the types of industries which have accepted aid and the employment afforded by these firms. In another Texas Industrial Commission survey, managers of firms taking advantage of aid provided by LIDC's were contacted in order to obtain their evaluation of the factors considered important in the decision to locate their firms in a particular area. The discussion to follow presents some of the results of these surveys.

#### *types of industries aided*

The LIDC's reported that they had been successful in attracting a diverse group of industries as a result of their promotional efforts. Of the 172 LIDC's surveyed in mid-1964, 74 supplied information on 150 firms to which they had provided assistance of some

kind during the 1948-63 period. The LIDC's responding were generally those which had been the most successful in attracting new industry. Despite the wide range of industries receiving aid, five broad categories of industries accounted for approximately 70 percent of the estimated total employment of 18,500 in 1964 at the firms receiving some kind of aid from the LIDC's.

As indicated in the accompanying table, 24 percent of the total employment of aided firms was in the apparel industry group, and one-fifth of the workers were in chemicals and allied products industries. One major firm in the chemicals and allied products category not only weighed heavily in the employment at aided firms in this industry group but also accounted for a significant proportion of total employment at all aided firms. Concerns manufacturing rubber and plastic products and furniture and fixtures vied closely for third ranking and provided 10 percent and 9 percent, respectively, of the total employment at firms receiving aid. Workers in the transportation equipment group represented 7 percent of the total. The remaining 30 percent of total employment of aided firms was spread widely among other types of concerns.

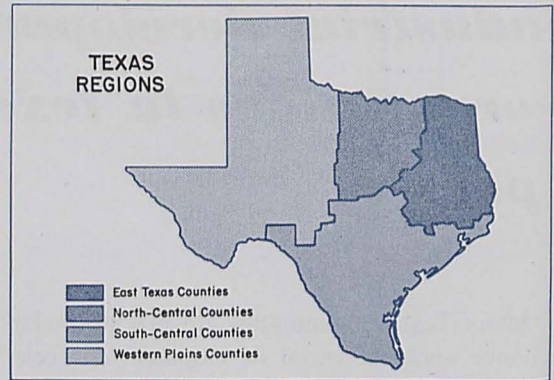
A review of the distribution of employment of aided firms shows that certain industries have been significantly more important as recipients of aid than others, and some of these may represent "development industries" which were encouraged by LIDC's in the State. However, the survey responses of the LIDC's do



not indicate whether or not (1) the inducements offered by LIDC's were effective in encouraging the establishment of new industrial concerns in Texas or (2) certain industries took advantage of the inducements offered by LIDC's even though other locational attractions were more important to the firms.

The distribution of employment of aided firms also shows some interesting differences among the various regions of Texas. The LIDC's in east Texas, the Western Plains, and north-central Texas granted aid to apparel firms employing a relatively large part of total LIDC-aided employment. However, employment in apparel firms was a small proportion of the total employment of businesses aided by LIDC's in south-central Texas. Most of the apparel firms were either new firms or new branch plants; very few of them represented relocations.

East Texas was the center of most of the employment afforded by chemicals and allied products firms which received assistance from LIDC's. Such industries accounted for 30 percent of the total employment at all aided firms in the region. However, 10 percent of the total employment at north-central Texas firms aided by LIDC's was also in the chemical industry. In addition, approximately 14 percent of the employment of firms aided by east Texas development corporations was concentrated in



the rubber and plastics industries. In the other regions, however, the proportion of total employment at LIDC-aided firms which was accounted for by this industry group was relatively small.

While only 4 percent of the total employment of aided industries in east Texas was in the furniture and fixtures industrial category, 47 percent of the employment in plants aided by LIDC's in south-central Texas was in such firms. The furniture and fixtures industry also has been important in north-central Texas; it was reported that 8 percent of the employment of aided firms was in this industry.

The Texas LIDC's indicated that about 3 percent of the employment of relocated firms was in the furniture and fixtures industry. On the other hand, close to one-fourth of the employment in this industry in the south-central region of Texas was in relocated plants. In fact, this region had the highest concentration of relocated employment in the State, accounting for over one-half of such employment of all firms aided by LIDC's.

### *locational factors*

The success which development corporations may have in securing new firms for an area depends largely upon the locational factors that are important to prospective firms. Locational factors that must be considered by a firm which

**EMPLOYMENT IN SELECTED INDUSTRY GROUPS FOR 150 FIRMS AIDED BY LIDC'S IN TEXAS, 1964**

Industry group	Estimated employment	As a percentage of total employment
Apparel and related products ..	4,400	24
Chemicals and allied products ..	3,800	20
Rubber and plastics products ...	1,800	10
Furniture and fixtures .....	1,700	9
Transportation equipment .....	1,200	7
All others .....	5,600	30
Total .....	18,500	100

SOURCES: Bureau of Business Research, The University of Texas.  
Texas Employment Commission.  
Texas Industrial Commission survey.



**EMPLOYMENT DISTRIBUTION FOR FIRMS AIDED BY 74 LOCAL INDUSTRIAL DEVELOPMENT CORPORATIONS, BY MAJOR INDUSTRY GROUPS AND BY TEXAS REGIONS, 1964**

Industry grouping of aided firms	Percentage of employment located in:				
	East Texas	North-central Texas	South-central Texas	Western Plains	ALL REGIONS
Food and kindred products.....	2	1	14	5	3
Textile mill products.....	—	3	—	2	1
Apparel and related products.....	23	33	2	24	24
Lumber and wood products.....	5	—	—	—	3
Furniture and fixtures.....	4	8	47	1	9
Paper and allied products.....	—	6	—	—	2
Printing and allied industries.....	2	—	—	—	1
Chemicals and allied products.....	30	10	1	1	20
Rubber and plastics products.....	14	5	4	—	10
Leather and leather products.....	—	7	—	20	3
Stone, clay, and glass products.....	5	7	—	—	5
Primary metal industries.....	1	—	10	—	1
Fabricated metal products.....	5	3	1	18	4
Machinery, except electrical.....	3	8	—	—	4
Electrical machinery.....	4	1	—	—	2
Transportation equipment.....	2	7	23	29	7
Miscellaneous manufacturing industries.....	1	1	—	1	1
All aided firms <sup>1</sup> .....	100	100	100	100	100

<sup>1</sup> Includes some firms beginning operation in 1964 but excludes firms no longer in operation. Estimated total employment amounted to 10,600 in east Texas, 5,400 in north-central Texas, 1,800 in south-central Texas, 700 in the Western Plains, and 18,500 in all the regions.

NOTE.—Details may not add to totals because of rounding.  
 SOURCES: Bureau of Business Research, The University of Texas.  
 Texas Industrial Commission survey.

is going into business or is expanding its operations are the fixed and variable cost differentials that may exist between different plant sites or geographic areas as far as the particular industry is concerned; these locational factors do not refer to the absolute cost to the firm of a particular input. For instance, direct labor costs may constitute a very large percentage of the total costs of an industrial operation; yet, this fact may not affect plant location decisions unless an adequate and competent labor supply at lower wages is available at an alternative location.

If the inducements being offered by the development corporations would make no appreciable difference in the overhead and variable costs of a firm, the activities of the development corporations may prove to be ineffective in attracting industry. When this is the case, the aid granted by local industrial development corporations can result in "competitive subsidization"—the pirating of firms from one community to another in the same general geographic area.

Locational factors generally fall into four types: market orientation, raw material orientation, labor orientation, and community facilities orientation. Market orientation refers to efficiencies gained in transportation and distribution that result from the location of production facilities near the product market. Raw material orientation of production processes occurs when the costs of transporting and processing raw materials are a major factor in the operation of an industry.

Labor-oriented industries, on the other hand, seek out low-wage or labor-surplus areas or supplies of specially skilled labor. Community facilities orientation is an important locational factor when firms find it necessary to place special emphasis upon the availability and adequacy of educational institutions, cultural activities, recreational facilities, and similar considerations. Some so-called footloose industries are, in reality, community facilities-oriented. These industries usually seek out locations that provide the amenities which will attract and hold a mobile labor force. Such amenities



are particularly important when a firm employs a large number of professional workers.

### *characteristics of major aided industries*

The inducements offered by LIDC's may not be of equal importance to every industry because of the differences in operational characteristics and requirements of various industries. The motivation of an industry to locate in a particular area possibly reflects the presence of necessary locational factors, as well as the influence of inducements offered by an LIDC. From the viewpoint of the LIDC's, of course, some industries are more desirable than others, depending upon the characteristics of an industry and the contribution the additional employment could make to the economic well-being of the community.

Firms in the apparel industry tend to be strongly labor-oriented because of the industry's competitive market structure and labor-intensive production processes. Such firms are sensitive to wage rate differentials and often favor rural communities in their locational decisions. Since the garment trade is an important employer of women, the female participation rate in the work force tends to improve in regions where garment shops are established. The female participation rate — the proportion of women who are part of the work force — is usually lower in rural counties than in urban areas. However, the apparel industry is generally a relatively low-wage industry experiencing rather wide seasonal variations in demand and, consequently, seasonal swings in employment.

One feature of the apparel industry that makes it attractive to LIDC's is the low level of investment needed per worker. In the Nation as a whole, the industry operated with approximately \$5,000 of assets per production worker in fiscal 1962. ("Assets" as used here refers to the book value of depreciable and depletable

assets plus the values for current assets and land, as reported to the Internal Revenue Service by industrial firms.) Another attribute of the apparel industry which makes garment firms eager clients of LIDC's is the importance of rental arrangements to the industry. Garment shops traditionally have been renters of plant and equipment. Industries with relatively high rental expenses are exactly the type of activities that LIDC's can influence, as a considerable part of the assets of industrial development corporations are tied up in industrial property.

Firms producing chemicals and allied products are desirable industries because of their employment characteristics. In this industry group, the rate of seasonal fluctuation in wage and salary employment is one of the lowest for any industrial activity in Texas. Furthermore, by averaging \$140 in December 1964, weekly earnings of production workers in the Texas chemical industry were second only to those paid by the petroleum refining industry. In addition, the chemical industry is a rapidly growing national industry. Thus, the development of the industry in an area provides a link between the region's economy and the expanding national economy.

However, the chemicals and chemical products industry in the United States has characteristics that would tend to make it difficult for an LIDC to offer inducements which would exert a primary influence on the locational decision of such a firm. The industry is capital-intensive, with an assets-production worker ratio of about \$68,000 in the Nation as a whole. In addition, rental expenditures are relatively small, and the nature of the production process in the chemical industry makes the rental of plants and equipment difficult or impractical.

Because of the nature of chemical production, water and site requirements are exacting. The large volume of water needed for process-



ing, cooling, and waste removal makes water resources an important element in site selection. It is by this means — i.e., making satisfactory sites available — that LIDC's may be effective in influencing locational decisions of chemical producers. However, investment in land constitutes a very small part of property expenses in the chemical industry.

Industrial chemical companies generally are raw materials-oriented since chemical extracts weigh less and take up less volume than the raw materials used in the production process. Pricing practices in the chemical industry are based on low markups and volume sales, and, given the extremely high overhead costs in the industry, profits depend on low transportation costs — which, in effect, mean transportation by pipelines or by barge.

The rubber and plastics industry may be considered attractive since it is a rapidly growing national industry. In 1964 the output of this industry group in the Nation was 40 percent above its 1957-59 level; this gain is significantly greater than the 24-percent increase in aggregate industrial production during the same period. The expansion of the rubber and plastics industry in Texas ties the State directly to one of the more dynamic segments of the national economy. The rubber and plastics industry tends to be a fairly labor-intensive industry with a rather strong market orientation. Locating near major markets reduces the distribution costs of rubber and plastic products and makes possible the prompt servicing of customers.

In the absence of other favorable locational advantages in the area, an LIDC may experience difficulties in attracting such an industry because of its characteristics. The rubber and plastics industry in the United States employs, on the average, one production worker for every \$22,000 in working assets. Also, the industry is characterized by relatively low levels of expenditures for rentals.

The furniture and fixtures industry in Texas has tended to have rather high seasonal variations in employment — about double the rate for all nonagricultural industries. In addition to showing marked seasonal variations in employment, furniture and fixtures firms typically pay lower wages than many other types of firms. Based on national averages, firms in the furniture and fixtures industry have required about \$9,600 in assets for every worker employed and generally have incurred relatively large rental expenses.

The furniture and fixtures industry tends to be strongly market-oriented because its products are usually bulky and relatively inexpensive. Therefore, only quality furniture generally can bear the cost of long-distance transportation. Upholstered furniture is greatly influenced by style, however, and this part of the industry may gravitate toward styling centers.

The firms in the transportation equipment industry which have been aided by Texas LIDC's are primarily engaged in the fabrication of house trailers, truck trailers and bodies, and light aircraft assemblies. Many of these concerns are small and likely to be rather labor-intensive. Thus, labor availability and local wage structures are important factors in their locational decisions. Such small firms often are attracted to the site and rental inducements offered by LIDC's.

### *ranking of locational factors*

If it is to attract industry successfully, a local action group must be able to offer cost savings in the production and/or marketing of a firm's products. In order to judge the effectiveness of the industrial development corporation, it is necessary to determine the types of locational advantages that actually motivate an industrial firm to locate in a particular area.

Some quantitative view of these factors has been obtained from a Texas Industrial Com-



**RANKING OF LOCATIONAL FACTORS BY 50 FIRMS  
AIDED BY LOCAL INDUSTRIAL DEVELOPMENT  
CORPORATIONS IN TEXAS, 1964**

Locational factor	Percentage of firms ranking factor in:			
	First place	Second place	Third place	Fourth place
<b>Market orientation</b> .....	<b>58</b>	<b>28</b>	<b>28</b>	<b>18</b>
Access to markets .....	48	8	14	2
Anticipated market growth .....	4	10	6	10
Favorable freight rates on products .....	6	8	8	6
Oil field machinery center .....	0	2	0	0
<b>Labor orientation</b> .....	<b>12</b>	<b>10</b>	<b>14</b>	<b>8</b>
Availability of labor .....	8	6	4	6
Favorable wage structure .....	4	2	2	2
Labor relations and Texas labor law .....	0	2	8	0
<b>Raw material orientation</b> .....	<b>8</b>	<b>8</b>	<b>2</b>	<b>6</b>
Access to raw materials .....	4	4	2	2
Quality and supply of water .....	4	2	0	2
Availability of low-cost power .....	0	2	0	2
<b>Community facilities orientation</b> .....	<b>14</b>	<b>36</b>	<b>24</b>	<b>32</b>
Direct aid from LIDC's .....	10	4	6	10
Community amenities .....	2	10	6	10
Desirable plant site .....	2	14	8	10
Availability of capital .....	0	8	4	2
<b>Other orientation</b> .....	<b>8</b>	<b>8</b>	<b>14</b>	<b>14</b>
Municipal and state tax structures .....	4	4	2	4
Climate .....	0	2	6	4
Personal .....	4	2	6	6

NOTE.— All 150 manufacturing firms reportedly aided by industrial development corporations in Texas and still in operation in 1964 were mailed survey questionnaires; 50 firms returned usable questionnaires.  
SOURCE: Texas Industrial Commission survey.

mission survey designed to indicate the order of importance of aid granted to private firms by LIDC's. In 1964 the 150 firms which had received aid from LIDC's in Texas were sent questionnaires requesting the managers of these firms to list, in order of importance, the four locational factors that were most crucial in determining the firm's present location. Usable questionnaires were received from 50 firms.

Although a firm may shop for a "package" of site attributes, certain locational factors are of more importance than others in that they are strategic factors. It appears that several steps are involved in the screening of possible sites. The primary step seems to involve the determination of the geographic region in which the firm wishes to become established. Then, decisions must be made about alternative areas within the region, and the last step involves the selection of a particular site.

The questionnaires from firms aided by Texas LIDC's show that the greatest emphasis

was placed on market orientation in locational decisions, with 58 percent of the responding firms ranking this as the most important factor influencing their choice of a location. The importance of the market factor centered around access to existing markets, rather than anticipated market growth. Market orientation seemed to be much more important as a primary locational factor than raw material and labor orientation, the existence of desirable community facilities, or a diverse group of other factors.

Market orientation was also ranked in second and third places by a relatively large number of firms. However, community facilities as a locational factor became increasingly important to firms after the primary requirement of market orientation had been satisfied. The survey results indicate that, for the State as a whole, direct aid from LIDC's was ranked as a primary locational factor by only 10 percent of the firms returning questionnaires. The availability of a desirable plant site began to emerge as an important consideration in the second rankings.

In the matter of labor orientation, firms participating in the survey placed more emphasis upon labor availability than upon lower wages although, it must be realized, the two are related. Few of the firms returning questionnaires gave high ratings to labor relations and the Texas labor law as especially important locational factors.

The fact that labor and raw material orientation generally received low rankings by firms responding to the survey does not mean that these factors were not considered but, rather,



that they were available over wide areas of the State. Once the primary factor of market orientation was satisfied, the firms tended to look for good sites. A concrete example of this process is the apparel industry. In the garment industry, market orientation is important where styling and distribution are concerned, and Dallas is a market and styling center for recreational clothing in the Southwest. Although favorable wage rates are important in the apparel industry, a favorable wage structure and available labor are found throughout east Texas. Once the Dallas center is selected in preference to a styling center on the West or East Coast, the site characteristics then become important locational factors.

### *concluding comments*

A diverse group of organizations in Texas are active in trying to attract industry to a particular region or community. Railroads, utility companies, banks, local chambers of commerce, and many other companies and groups have been among the forerunners in promoting industrial development. Particularly after the Korean War, the local industrial development corporation has gained in importance as the focal point of the efforts of many communities to boost employment opportunities in their trade areas.

It is not possible to measure with precision the degree to which industrial development corporations have been effective in attracting industrial concerns to a geographic area strictly as a result of the inducements the LIDC's offer. However, it is probable that the promotional efforts of the LIDC's and the inducements offered have resulted in a wider geographic distribution of industries in smaller communities than would have been the case if these communities had not established industrial development corporations.

Many strategic locational factors — such as access to markets, raw materials, and labor supplies — are of dominant importance to entrepreneurs in determining the general geographic region in which to locate a plant. In such a situation, the most intense competition to attract a particular industry may arise among communities within a broad region having the necessary strategic locational factors. The locational characteristics desired by a firm, for example, might be found in east Texas, as well as in the contiguous areas of Oklahoma, Louisiana, and north-central Texas. Thus, the inducements offered by various LIDC's within this broad region are likely to have great influence on the selection of a specific site by a prospective firm. If several LIDC's within an area are vying for the same firm, competitive subsidization could become a problem.

The establishment and maintenance of widespread contacts with firms interested in expanding and those with the potential for establishing new branches may be significant factors in the success of a local group's development efforts. It is within the framework of communications between a local development corporation and the prospective firm that the inducements offered by the LIDC may be able to create a receptive attitude toward the community in which the LIDC is located. This aspect of development strategy has not been emphasized by most LIDC's. However, advertising and contingent promotional expenses are tending to become more important for a number of development corporations. Currently, site and other industrial information is largely provided by the Texas Industrial Commission, major public utilities, and similar groups because of the economies of scale resulting from the operation of centralized information gathering and distribution systems.

CARL W. HALE  
Industrial Economist



## *district highlights*

Loan demand at the weekly reporting member banks in the Eleventh District has accelerated sharply thus far this year, after turning in an unimpressive performance in the final quarter of 1964. During the first 7 weeks of the current year, loans (excluding interbank loans) rose almost \$19 million, contrasted with decreases of \$77 million and \$138 million in the comparable periods of 1963 and 1964, respectively. With the exception of consumer-type loans, all major types of loans have displayed considerable buoyancy this year, but the strength in commercial and industrial loans has been especially notable.

Borrowing by commercial and industrial concerns rose almost \$73 million during the period from December 30, 1964, to February 17, 1965, compared with declines of about \$38 million and \$71 million in the corresponding periods of 1963 and 1964. This increase largely reflects the expanded borrowings of service-type businesses and manufacturers of both durable and nondurable goods. The sharp rise in loans to service-type industries is in contrast to the relatively moderate expansion in these loans in the final quarter of 1964. The strength in the durable goods area was broadly based, with especial strength evident in loans to producers of primary metals, fabricated metal products, and a miscellaneous group of other durable goods.

The seasonally adjusted index of industrial production in Texas declined fractionally during January to a level of 129.9 percent of the 1957-59 base, compared with 122.6 percent a year earlier. All of the durable goods industries showed gains over December or remained firm except the primary metal industry, with the sharp decrease in this industry partly reflecting

a work stoppage. In the nondurable goods sector, all industries maintained about the same levels of activity as in December except petroleum refining, which registered a marked decline in January. Activity in the mining sector showed little change from December.

Total nonagricultural wage and salary employment in the five southwestern states declined 2 percent from December to January 1965, reaching a level of 4,961,900 persons. This broadly based seasonal downturn reflected a decrease of about 1 percent in manufacturing employment, as well as the usual post-December decline in trade employment. Despite the month-to-month weakness, a comparison with January 1964 shows that January nonagricultural employment in the current year registered a 4-percent increase in the five states.

Daily average crude oil production in the District in February is estimated to have risen 1 percent over the previous month — the sixth consecutive monthly gain — and 4 percent above a year earlier. All of the increase over January occurred in Texas and southeastern New Mexico, as the pace of crude oil output in northern Louisiana was unchanged. At mid-February, stocks of crude oil stored aboveground in the District were about 5 percent below the year-earlier level.

The seasonally adjusted index of Eleventh District department store sales in January, at a record level of 132 percent of the 1957-59 base, was 2 percent above December and 13 percent above January 1964. Sales during the first 3 weeks of February were 2 percent above the comparable period last year.

Registrations of new automobiles in four major Texas markets in January declined sear



sonally from December but were 11 percent higher than in January 1964. A significant year-to-year gain was posted in each of the four markets; registrations were up 16 percent in Dallas, 15 percent in Fort Worth, 11 percent in San Antonio, and 7 percent in Houston.

High winds damaged over 1.6 million acres of crop and range land in the western areas of the District during January. The U. S. Department of Agriculture indicates that over a million acres of cropland were affected in the Texas High Plains. Although much of the damage occurred on unprotected land, several thousand acres of small grains, alfalfa, and cover crops were destroyed. Eastern New Mexico and western Oklahoma also experienced considerable damage. The January storm was reported to be the worst in a decade. Much of the Southern High Plains had received only about 5 inches of rainfall in the preceding 15 months and, thus, was quite barren and unprotected. Where possible, farmers have taken steps to reduce wind erosion damage through crop residue management practices and emergency tillage.

The January 1, 1965, inventory of all cattle and calves on farms and ranches in the five southwestern states shows mixed trends, according to the USDA. There were declines in Texas and New Mexico but increases in Ari-

zona and Oklahoma; numbers in Louisiana were unchanged. However, the number of beef cattle for the District states was fractionally above a year ago. Dry weather conditions caused deterioration of pastures and ranges, resulting in some severe culling of livestock in Texas and New Mexico in 1964. The milk cow population continues its 12-year decline. Increased production per cow has made it possible to reduce numbers but, yet, maintain relative stability of total milk production.

The decline in sheep numbers also continues a longtime trend; a 7-percent reduction in the five District states and a 5-percent decrease nationally place the January 1, 1965, inventory at the lowest of record. The hog and pig population was one-fifth below a year ago, which represents the largest adjustment of any species. Moreover, numbers of farm chickens and turkeys were 3 percent and 9 percent, respectively, below last year.

Cash receipts from farm marketings in the District states in 1964 were 7 percent less than in 1963. All of the states recorded decreases, ranging from 12 percent in Arizona to 2 percent in Oklahoma. Crop receipts contributed heavily to the overall decline, reflecting a 9-percent decrease; there was a 4-percent decline in livestock and livestock product receipts.

**new  
par  
bank**

The Downtown Bank, Houston, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, February 25, 1965. The officers are: R. E. Armstrong, President; Hollis L. Walters, Vice President; and W. T. Edwards, Cashier.

## REVISION OF BANK DEBITS AND DEPOSIT TURNOVER SERIES

The March 1965 issue of the Statistical Supplement to the *Business Review* presents the Eleventh District monthly bank debits series in a substantially revised form. Major revisions — the first since March 1953 — have been made in order to increase the usefulness of debits data as an economic indicator.

Generally, the geographic coverage of the series has been expanded from city centers to Standard Metropolitan Statistical Areas. The debits data for these areas will

be reported at annual rates adjusted for seasonal variations and differences in trading days each month.

Debits data for 1964, by months, have been compiled on both the old and the revised basis. Also, those wishing to have the monthly debits figures as soon as they become available can have their names added to the mailing list to receive the information before it is published in the Statistical Supplement. Either of these reports may be obtained upon request to:

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**STATISTICAL SUPPLEMENT**

to the

***BUSINESS REVIEW***

March 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	Feb. 24, 1965	Jan. 27, 1965	Feb. 26, 1964
<b>ASSETS</b>			
Net loans.....	4,528,818	4,502,808	4,170,463
Valuation reserves.....	82,026	82,086	76,630
Gross loans.....	4,610,844	4,584,894	4,247,093
Commercial and industrial loans.....	2,156,015	2,124,901	2,002,768
Agricultural loans.....	60,835	59,324	47,352
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	20,303	558	20,274
Other securities.....	39,036	39,368	50,384
Other loans for purchasing or carrying:			
U. S. Government securities.....	2,396	2,433	3,469
Other securities.....	282,280	277,565	257,340
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	119,858	108,604	89,388
Other.....	259,840	265,650	258,001
Loans to domestic commercial banks.....	106,328	175,725	107,410
Loans to foreign banks.....	6,431	4,289	2,636
Real estate loans.....	378,234	379,324	344,788
Other loans.....	1,179,288	1,147,153	1,063,283
Total investments.....	2,098,795	2,124,128	2,098,595
Total U. S. Government securities.....	1,327,570	1,383,695	1,412,415
Treasury bills.....	109,553	154,480	113,089
Treasury certificates of indebtedness.....	0	0	7,052
Treasury notes and bonds maturing:			
Within 1 year.....	180,323	178,518	113,290
1 to 5 years.....	608,678	589,974	769,097
After 5 years.....	429,016	460,723	409,887
Other securities.....	771,225	740,433	686,180
Cash items in process of collection.....	594,623	646,681	642,850
Balances with banks in the United States.....	451,503	458,669	522,990
Balances with banks in foreign countries.....	3,193	3,603	3,763
Currency and coin.....	65,776	66,086	63,847
Reserves with Federal Reserve Bank.....	539,345	575,221	552,244
Other assets.....	282,385	297,983	224,760
<b>TOTAL ASSETS.....</b>	<b>8,564,438</b>	<b>8,675,179</b>	<b>8,279,512</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Total deposits.....	7,517,231	7,591,186	7,283,799
Total demand deposits.....	4,644,121	4,758,088	4,644,843
Individuals, partnerships, and corporations.....	3,152,292	3,264,383	3,220,634
Foreign governments and official institutions, central banks, and international institutions..	5,747	2,900	3,411
U. S. Government.....	146,902	119,439	116,561
States and political subdivisions.....	282,104	274,888	238,055
Banks in the United States, including mutual savings banks.....	966,102	1,019,765	992,804
Banks in foreign countries.....	25,518	16,394	15,712
Certified and officers' checks, etc.....	65,456	60,319	57,666
Total time and savings deposits.....	2,873,110	2,833,098	2,638,956
Individuals, partnerships, and corporations			
Savings deposits.....	1,256,512	1,244,269	1,124,580
Other time deposits.....	1,207,789	1,207,004	1,131,896
Foreign governments and official institutions, central banks, and international institutions..	500	500	500
U. S. Government, including postal savings...	3,594	3,594	4,132
States and political subdivisions.....	393,625	367,338	366,652
Banks in the United States, including mutual savings banks.....	8,790	8,093	8,771
Banks in foreign countries.....	2,300	2,300	2,425
Bills payable, rediscounts, etc.....	168,680	194,630	157,175
All other liabilities.....	150,351	165,457	137,711
Capital accounts.....	728,176	723,906	700,827
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</b>	<b>8,564,438</b>	<b>8,675,179</b>	<b>8,279,512</b>

**CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS**

(In thousands of dollars)

Item	Feb. 24, 1965	Jan. 27, 1965	Feb. 26, 1964
Total gold certificate reserves.....	546,321	684,366	538,021
Discounts for member banks.....	1,645	0	16,353
Other discounts and advances.....	2,610	2,610	0
U. S. Government securities.....	1,446,760	1,361,731	1,301,949
Total earning assets.....	1,451,015	1,364,341	1,318,302
Member bank reserve deposits.....	933,288	976,394	915,903
Federal Reserve notes in actual circulation.....	1,069,106	1,071,627	953,199

**RESERVE POSITIONS OF MEMBER BANKS**

**Eleventh Federal Reserve District**

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Feb. 3, 1965	5 weeks ended Jan. 6, 1965	5 weeks ended Feb. 5, 1964
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	614,626	624,302	597,248
With Federal Reserve Bank.....	571,122	579,437	553,999
Currency and coin.....	43,504	44,865	43,249
Required reserves.....	609,822	620,730	592,117
Excess reserves.....	4,804	3,572	5,131
Borrowings.....	7,929	14,343	41,223
Free reserves.....	-3,125	-10,771	-36,092
<b>COUNTRY BANKS</b>			
Total reserves held.....	600,778	586,682	575,878
With Federal Reserve Bank.....	460,320	450,752	447,189
Currency and coin.....	140,458	135,930	128,689
Required reserves.....	556,674	549,739	528,859
Excess reserves.....	44,104	36,943	47,019
Borrowings.....	266	1,225	428
Free reserves.....	43,838	35,718	46,591
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	1,215,404	1,210,984	1,173,126
With Federal Reserve Bank.....	1,031,442	1,030,189	1,001,188
Currency and coin.....	183,962	180,795	171,938
Required reserves.....	1,166,496	1,170,469	1,120,976
Excess reserves.....	48,908	40,515	52,150
Borrowings.....	8,195	15,568	41,651
Free reserves.....	40,713	24,947	10,499

**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
1963: January...	8,711	4,234	4,477	3,602	1,771	1,831
1964: January...	8,744	4,120	4,624	4,321	2,141	2,180
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
1965: January...	9,042	4,271	4,771	4,881	2,399	2,482

**CONDITION STATISTICS OF ALL MEMBER BANKS**

**Eleventh Federal Reserve District**

(In millions of dollars)

Item	Jan. 27, 1965	Dec. 30, 1964	Jan. 29, 1964
<b>ASSETS</b>			
Loans and discounts.....	7,654	7,735	6,882
U. S. Government obligations.....	2,651	2,623	2,735
Other securities.....	1,566	1,567	1,428
Reserves with Federal Reserve Bank.....	976	920	915
Cash in vault <sup>e</sup> .....	199	210	187
Balances with banks in the United States.....	1,064	1,213	1,114
Balances with banks in foreign countries <sup>e</sup> .....	6	5	11
Cash items in process of collection.....	725	905	655
Other assets <sup>e</sup> .....	464	448	446
<b>TOTAL ASSETS<sup>e</sup>.....</b>	<b>15,305</b>	<b>15,626</b>	<b>14,373</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,276	1,483	1,295
Other demand deposits.....	7,421	7,688	7,145
Time deposits.....	4,927	4,783	4,353
Total deposits.....	13,624	13,954	12,793
Borrowings <sup>e</sup> .....	197	153	196
Other liabilities <sup>e</sup> .....	207	237	173
Total capital accounts <sup>e</sup> .....	1,277	1,282	1,211
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS<sup>e</sup>.....</b>	<b>15,305</b>	<b>15,626</b>	<b>14,373</b>

<sup>e</sup> — Estimated.



### BANK DEBITS, END-OF-MONTH DEPOSITS AND DEPOSIT TURNOVER

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	Debits to demand deposit accounts <sup>1</sup>		Demand deposits <sup>1</sup>			
	January 1965 (Annual-rate basis)	Percent change from		Annual rate of turnover		
		Dec. 1964	Jan. 1964	Jan. 31, 1965	Jan. 1965	Dec. 1964
<b>ARIZONA</b>						
Tucson.....	\$ 3,580,584	-2	-3	\$ 166,762	21.4	22.0
<b>LOUISIANA</b>						
Monroe.....	1,593,840	-11	15	69,068	22.4	24.2
Shreveport.....	4,307,352	-8	-4	195,486	21.7	23.5
<b>NEW MEXICO</b>						
Roswell <sup>2</sup> .....	569,928	-5	-14	31,930	17.7	18.6
<b>TEXAS</b>						
Abilene.....	1,716,708	0	2	91,738	18.7	18.6
Amarillo.....	3,815,772	-13	8	136,490	27.9	31.5
Austin.....	3,376,680	-6	0	177,403	19.0	20.2
Beaumont-Port Arthur.....	4,268,004	7	4	200,740	21.5	20.4
Brownsville-Harlingen- San Benito.....	1,292,280	-8	2	51,414	24.4	26.7
Corpus Christi.....	2,899,116	-4	-2	138,885	20.9	21.5
Corsicana <sup>2</sup> .....	281,424	-5	15	27,225	10.1	10.4
Dallas.....	48,785,340	-1	13	1,536,950	31.8	31.7
El Paso.....	4,363,380	-5	-7	203,437	22.0	23.2
Fort Worth.....	10,973,544	-10	-4	477,931	23.1	25.3
Galveston-Texas City.....	1,695,264	-5	-5	86,513	19.2	19.9
Houston.....	48,358,092	-1	13	1,724,732	28.2	28.4
Laredo.....	464,184	-2	11	27,635	16.3	16.6
Lubbock.....	3,744,324	17	-2	139,018	26.1	22.3
Midland.....	1,737,264	9	5	120,111	14.8	13.9
Odessa.....	973,896	-9	-4	57,236	17.0	18.1
San Angelo.....	739,128	-4	-2	50,387	14.5	15.1
San Antonio.....	9,351,672	-7	2	469,354	19.8	21.4
Texas (Texas-Arkansas).....	947,628	1	0	51,048	19.2	19.4
Tyler.....	1,412,796	2	5	82,083	17.8	17.8
Waco.....	1,791,744	-2	5	100,252	18.4	19.1
Wichita Falls.....	1,747,068	-8	1	117,143	14.8	16.0
Total—26 centers.....	\$164,787,012	-3	7	\$6,530,971	25.3	25.8

<sup>1</sup> Deposits of individuals, partnerships, and corporations and of states and political subdivisions.  
<sup>2</sup> County basis.

### INDEXES OF DEPARTMENT STORE SALES

Eleventh Federal Reserve District  
(Daily average sales, 1957-59 = 100)

Date	Seasonally adjusted	Unadjusted
1964: January.....	117	92
August.....	124	125
September.....	123	118
October.....	117	120
November.....	124	142
December.....	129	223r
1965: January.....	132p	103p

r — Revised.  
p — Preliminary.

### LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

Species	Texas		Five southwestern states <sup>1</sup>		United States	
	1965	1964	1965	1964	1965	1964
Cattle.....	10,239	10,342	18,565	18,618	107,152	106,743
Milk cattle...	781	848	1,633	1,734	26,841	27,639
Beef cattle...	9,458	9,494	16,932	16,884	80,311	79,104
Sheep.....	4,790	5,185	6,601	7,082	26,668	28,021
Stock sheep...	4,662	5,013	6,311	6,761	23,341	24,348
Feeders.....	128	172	290	321	3,327	3,673
Hogs.....	702	924	1,218	1,515	53,052	58,119
Chickens <sup>2</sup> .....	15,459	16,010	24,188	24,811	376,714	369,959
Turkeys.....	390	424	490	539	6,471	6,243

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

### DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	January 1965p	December 1964p	Percent change from		
			January 1964	December 1964	January 1964
<b>ELEVENTH DISTRICT.....</b>	3,271.3	3,256.7	3,141.6	0.4	4.1
Texas.....	2,786.5	2,780.4	2,706.5	.2	3.0
Gulf Coast.....	537.5	537.7	525.1	.0	2.4
West Texas.....	1,237.2	1,229.8	1,212.5	.6	2.0
East Texas (proper).....	113.1	112.2	121.8	.8	-7.2
Panhandle.....	103.3	103.2	105.5	.1	-2.1
Rest of State.....	795.4	797.5	741.6	-3	7.3
Southeastern New Mexico.....	294.5	290.0	276.6	1.6	6.5
Northern Louisiana.....	190.3	186.3	158.5	2.1	20.1
<b>OUTSIDE ELEVENTH DISTRICT.....</b>	4,562.7	4,525.3	4,538.5	.8	.5
<b>UNITED STATES.....</b>	7,834.0	7,782.0	7,680.1	.7	2.0

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	January 1965p	December 1964p	January 1964
<b>CRUDE OIL RUNS TO REFINERY STILLS (Daily average).....</b>	110	116	109
<b>DEMAND (Daily average)</b>			
Gasoline.....	116	118	118
Kerosene.....	130	131	133
Distillate fuel oil.....	105	100	107
Residual fuel oil.....	106	105	108
Four refined products.....	112	112	114
<b>STOCKS (End of month)</b>			
Gasoline.....	114	114	108
Kerosene.....	143	131	134
Distillate fuel oil.....	121	114	116
Residual fuel oil.....	70	70	85
Four refined products.....	112	109	109

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

### DEPARTMENT STORE SALES

(Preliminary percentage change in retail value)

Area	January 1965 from	
	December 1964	January 1964
Total Eleventh District.....	-56	8
Corpus Christi.....	-61	4
Dallas.....	-56	12
El Paso.....	-59	1
Houston.....	-55	13
San Antonio.....	-54	9
Shreveport, La.....	-53	5
Waco.....	-58	0
Other cities.....	-56	7

### CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	1964	1963	Percent change
Arizona.....	\$ 484,878	\$ 549,401	-12
Louisiana.....	461,665	490,463	-6
New Mexico.....	245,879	272,628	-10
Oklahoma.....	643,581	658,276	-2
Texas.....	2,369,343	2,537,790	-7
<b>Total.....</b>	<b>\$ 4,205,346</b>	<b>\$ 4,508,558</b>	<b>-7</b>
<b>United States.....</b>	<b>\$36,748,307</b>	<b>\$36,925,327</b>	<b>0</b>

SOURCE: U. S. Department of Agriculture.



## VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	January 1965	December 1964	January 1964
<b>FIVE SOUTHWESTERN STATES<sup>1</sup></b> .....	453	504	428
Residential building.....	164	140	186
Nonresidential building.....	187	161	136
Nonbuilding construction.....	102	202	107
<b>UNITED STATES</b> .....	3,127	3,598	3,346
Residential building.....	1,273	1,306	1,372
Nonresidential building.....	1,155	1,298	1,158
Nonbuilding construction.....	700	994	816

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.  
NOTE.—Details may not add to totals because of rounding.  
SOURCE: F. W. Dodge Corporation.

## BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)			
	NUMBER	Percent change January 1965 from		
		January 1965	January 1965	December 1964
<b>ARIZONA</b>				
Tucson.....	529	\$ 1,069	2	-66
<b>LOUISIANA</b>				
Shreveport.....	321	1,769	23	94
<b>TEXAS</b>				
Abilene.....	74	723	0	-21
Amarillo.....	160	3,918	119	-24
Austin.....	307	3,761	1	-51
Beaumont.....	175	2,956	719	93
Corpus Christi.....	355	2,079	17	-42
Dallas.....	1,660	10,794	12	-23
El Paso.....	355	7,336	55	215
Fort Worth.....	563	4,563	56	-19
Galveston.....	100	349	-93	-12
Houston.....	1,778	19,088	-10	-32
Lubbock.....	86	2,869	-50	-8
Midland.....	99	2,523	305	1
Odessa.....	92	558	90	26
Port Arthur.....	92	319	122	-70
San Antonio.....	1,008	3,769	-25	-48
Waco.....	197	1,896	58	68
Wichita Falls.....	103	1,686	168	179
<b>Total—19 cities.....</b>	<b>8,147</b>	<b>\$72,025</b>	<b>6</b>	<b>-20</b>

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	Jan. 1965p	Dec. 1964	Nov. 1964r	Jan. 1964r
<b>TEXAS</b>				
Total industrial production.....	129.9	130.0	128.7	122.6
Manufacturing.....	150.3	150.5	147.6	140.1
Durable.....	148.4	148.2	143.6	132.4
Nondurable.....	151.6	152.1	150.4	145.7
Mining.....	103.1	103.2	103.8	99.7
<b>UNITED STATES</b>				
Total industrial production.....	137.7	137.0	134.8	127.7
Manufacturing.....	139.1	138.5	135.8	128.5
Durable.....	140.8	140.1	136.5	128.1
Nondurable.....	137.0	136.4	134.9	128.9
Mining.....	112.0	112.0	112.8	108.8
Utilities.....	153.0	152.0	152.1	144.5

p — Preliminary.

r — Revised.

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

## NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change Jan. 1965 from	
	Jan. 1965p	Dec. 1964	Jan. 1964r	Dec. 1964	Jan. 1964
<b>Total nonagricultural</b>					
wage and salary workers..	4,961,900	5,059,100	4,766,600	-1.9	4.1
Manufacturing.....	872,100	879,100	835,500	-8	4.4
Nonmanufacturing.....	4,089,800	4,180,000	3,931,100	-2.2	4.0
Mining.....	233,900	233,500	230,300	.2	1.6
Construction.....	336,000	337,400	290,200	-4	15.8
Transportation and public utilities.....	370,200	396,000	389,600	-6.5	-5.0
Trade.....	1,184,400	1,245,200	1,138,400	-4.9	4.0
Finance.....	253,000	252,200	242,800	.3	4.2
Service.....	724,500	725,100	689,300	-1	5.1
Government.....	987,800	990,600	950,500	-3	3.9

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.