

business review



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**FEDERAL RESERVE
BANK OF DALLAS**

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texas manufactured products in international trade

Foreign markets provided an important outlet for Texas manufactures in 1963, according to data recently released by the U. S. Department of Commerce.¹ Products from nearly every major industry group were shipped to foreign ports or across the Mexican and Canadian borders. The regional specialization of the Texas economy is clearly evident, however, from the preponderance of nondurable goods in total sales abroad. This preponderance reflects the agricultural and mining bases upon which much of the manufacturing activity in Texas is built. Three product groups — chemicals, food, and petroleum — accounted for three-fourths of the value of Texas manufactured exports.

Texas factories shipped (f.o.b. producing plants) \$899.1 million of merchandise internationally in 1963, a value which ranks the State as the seventh largest exporter of manufactured goods in the Nation — behind California, New York, Illinois, Ohio, Pennsylvania, and Michigan. Of this total, \$694.5 million, or 77 percent, was derived from sales by the nondurable goods industries. In none of the other major exporting states did the export of non-

durables play such a leading role. Three-quarters of the value of internationally traded manufactured goods of California origin, for example, represented shipments of durables. Most of the other leading manufacturing states had an even higher proportion of durable goods in total foreign shipments.

This heavy weighting of nondurables in the composite of Texas shipments of manufactured goods abroad was important, however, in keeping the State in the ranks of the largest international traders in the Nation between 1960 and 1963. Whereas sharp increases in durable goods exports were recorded for the top six states, Texas reported a slight decline. It was only in the export of nondurables that the Texas gain about matched the performance of the Nation.

The absence of growth in the shipment of durables to foreigners from Texas plants between 1960 and 1963 is attributable to sizable decreases in the value of exports by two of the largest durable goods industries in the State — namely, nonelectrical machinery and primary metals. Nearly all of the other industries producing hard goods realized appreciable gains between the two periods of time, especially electrical machinery and fabricated metal products.

The value of foreign shipments of primary metals of Texas origin showed a 51-percent decline from 1960 to 1963, a precipitous decline that reflects a number of factors. Although a list of the primary metals produced in the

¹ The Census Bureau survey of the value of exports of manufactured products by state of origin has been run only twice, in 1960 and in 1963. The respondents consisted mainly of manufacturing establishments having more than 100 employees and exporting more than \$25,000 of goods per year. The figures actually reported by manufacturers were adjusted by the Census Bureau to account for the local origin of all manufactured exports. The product classification of export values is based upon the industrial classification of total plant shipments, rather than exports of individual products.

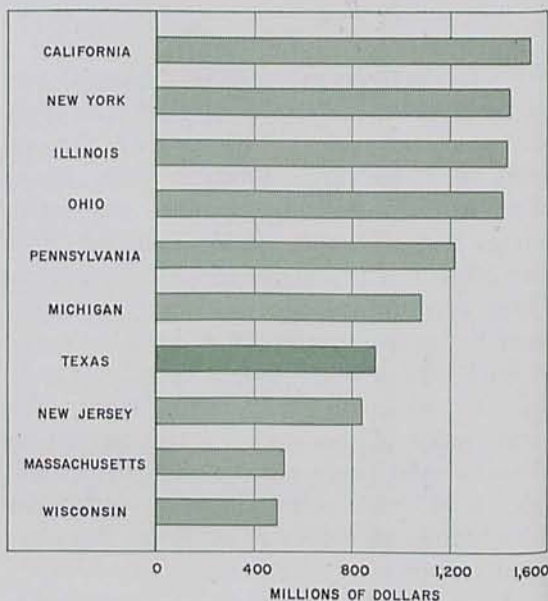
State includes aluminum, antimony, copper, lead, manganese, tin, zinc, and steel, the bulk of the dollar value of exports of these metals from Texas is accounted for by zinc, lead, aluminum, and copper, most of which is sent abroad in the form of ingots or slabs.² The volume of foreign shipments of zinc, copper, and aluminum, both from the United States and from Texas, was at an all-time high in 1960 — in fact, at a level neither before nor since closely approached. This peaking in 1960 was caused, in part, by a high world demand for the three nonferrous metals in a year when the American economy was experiencing a mild recession. There was, also, some stocking of nonferrous metals in the world economy that year, especially refined copper. Thus, the comparison of primary metal exports for Texas between 1960 and 1963 is distorted by the unique, unsustainable level of such exports in the former year.

Furthermore, the export prices of lead, zinc, and copper were all slightly lower in 1963 than in 1960; aluminum ingot prices were generally down by about 13 percent. As a result, the effects of sharply reduced tonnage were magnified in value terms by price declines.

Another contributing feature of the significant reduction in the value of primary metals shipped internationally from Texas plants between 1960 and 1963 was the growth of world capacity to produce nonferrous metals, a growth that led to changed patterns of international distribution. In 1960, when Texas was the Nation's largest producer of zinc, the United Kingdom purchased one-third of all zinc slabs and pigs shipped from the United States; however, by 1963, such shipments from the United States to the United Kingdom had declined to zero. In this latter year, 89 percent

of the zinc slabs sold abroad by domestic producers went to India. United States exports of lead, copper, and aluminum also declined appreciably between 1960 and 1963.

**VALUE OF MANUFACTURES EXPORTED
BY SELECTED STATES, 1963**



SOURCE: U.S. Department of Commerce.

The decrease in the value of nonelectrical machinery sold abroad by Texas plants between 1960 and 1963 mainly represents a reduction in the shipment of oil field equipment. Although the nonelectrical machinery industry in the State embraces the production of a wide range of items, including farm, construction, food-processing, refrigeration, and air-conditioning equipment, the manufacture of oil field supplies is clearly the leading segment. This is not surprising in view of the fact that more than half a million oil and gas wells have been drilled in Texas since 1900. The moderate decline in the value of oil field machinery sent abroad between 1960 and 1963 probably reflects a reduced pace of exploratory drilling in the latter year in Canada, Libya, and Argentina. Texas-based oil firms and drilling contrac-

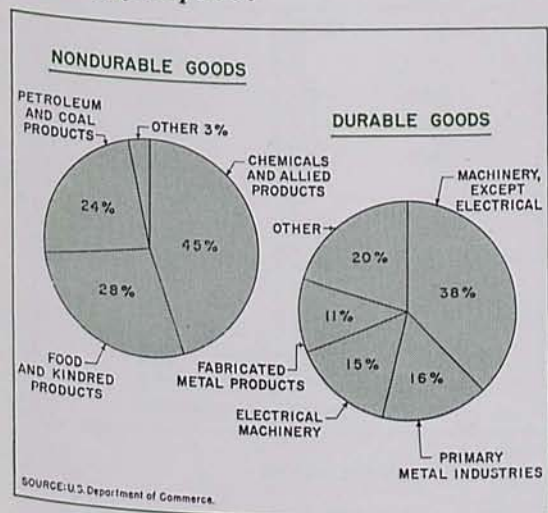
² Texas produces much of the Nation's supply of magnesium. The metal is produced by an electrochemical process, however, and is classed with chemicals and allied products.

tors were much involved in the oil plays in those countries during 1960.

In the durable goods category, slightly over one-half of the losses incurred by the primary metal and nonelectrical machinery industries were offset by appreciable gains in foreign sales by Texas producers of electrical machinery and transportation equipment. The electrical machinery industry in Texas is highly concentrated in electronics, although industrial controls, carbon electrodes, storage batteries, and other types of electrical equipment are manufactured in the State. The larger sales to foreigners in 1963 reflect, to a significant degree, increased shipments of radar and microwave systems, system components, and solid state semiconductor devices. In the case of transportation equipment, the sharp rise from 1960 to 1963 derived, in part, from increased sales to Latin America of Texas-produced motor vehicles, truck and bus bodies, truck trailers, helicopters, and boats.

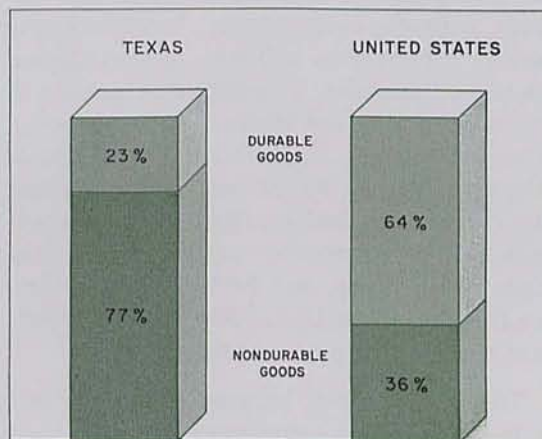
The strong advance in Texas shipments of nondurable manufactures between 1960 and 1963 is attributable almost entirely to increased

Exports of nondurables manufactured in Texas during 1963 came mostly from three industry groups . . .



foreign sales by each of the three largest exporting industry groups in the State — chemicals and allied products, food and kindred products, and petroleum and coal products.

Nondurable goods were a major part of Texas factory exports in 1963 . . .



SOURCE: U.S. Department of Commerce.

The chemical industry — the largest manufacturing group in Texas, as measured by value added — was the largest exporter, by a wide margin, in both 1960 and 1963. The chemical industry in the State is primarily oriented toward the production of organic compounds derived from the sophisticated processing of natural gas, natural gas liquids, and refinery off-gases. Sizable quantities of inorganic chemicals are produced annually in the State, but most of these are consumed within the area in the production of organic compounds. Solvents, alcohols, resins, and elastomers were all represented in the product mix shipped abroad from Texas in 1963, with most of the foreign sales going to the developed nations of the world, particularly those of Western Europe, Japan, and Canada. Japan and Western Europe were also important takers of carbon black, mainly used in the production of tires. Lacquers, enamels, and primers found favorable markets in Latin America.

The Texas industries classified as manufacturers of food and kindred products were the second largest exporters of manufactured goods in both 1960 and 1963. In addition, this industry group enjoyed the largest absolute gain in the value of merchandise shipped abroad of any manufacturing industry in the State. Except for the production of liquors, wines, and brandies, virtually every major food-processing activity is carried on in Texas. In international commerce, however, a significant proportion of the value of food and kindred products shipped from the State is accounted for by vegetable oils, animal feeds, milled rice, animal fats and oils (both edible and inedible), and meat and meat products. Important markets for rice include India, Japan, and Pakistan, while Western Europe and the United Kingdom are significant importers of other products.

The sharp increase between 1960 and 1963 in foreign sales of petroleum products refined in Texas does not reflect a major uptrend. The gain largely mirrors an aberration of European

weather. In the early months of 1963, Western Europe experienced one of the worst winters of record for that area; and, not surprisingly, heating oil consumption spurted to a new high. This record call for heating oils required supplemental shipments from outside Western Europe's usual primary channels of supply, running from the Middle East and North Africa. Venezuela provided additional quantities of residual fuel oil, and the United States (mainly Texas) sharply increased shipments of distillate fuel oil. Compared with the prior year, distillate exports from the United States in 1963, on a volumetric basis, were up 82 percent. This advance was the first strong year-to-year rise in distillate sales abroad since the Suez crisis in 1957. The upward spurt in 1963 boosted distillate exports for the Nation to a level that was 53 percent higher than in 1960.

Apart from the chemical, food processing, and petroleum refining industries, the other Texas manufacturing groups in the nondurable goods category posted relatively modest abso-

VALUE OF EXPORTS OF MANUFACTURED PRODUCTS, BY MAJOR PRODUCT GROUPS

(Values f.o.b. producing plants. In millions of dollars)

Product group	Texas			United States		
	1963	1960	Percent change	1963	1960	Percent change
Durable manufactures	204.6	205.9	-1	10,463.4	9,199.8	14
Lumber and wood products	5.5	4.2	33	192.9	152.3	27
Furniture and fixtures .....	.8	.9	(1)	26.4	30.2	-13
Stone, clay, and glass products	3.5	1.3	(2)	197.7	173.4	14
Primary metal industries	32.6	67.1	-51	852.1	1,072.3	-21
Fabricated metal products	22.9	13.0	(2)	546.6	410.9	33
Machinery, except electrical	77.9	85.4	-9	3,473.3	2,827.0	23
Electrical machinery	30.7	11.5	(2)	1,206.8	919.2	31
Transportation equipment	15.6	11.2	39	2,590.6	2,551.4	2
Instruments and related products	7.2	4.6	(2)	697.2	507.4	37
Miscellaneous manufacturing ¹	8.0	6.7	20	679.8	555.7	22
Nondurable manufactures	694.5	621.0	12	5,814.0	5,143.4	13
Food and kindred products	194.7	166.0	17	1,710.2	1,384.0	24
Tobacco manufactures .....	.0	.0	0	498.7	456.7	9
Textile mill products	2.2	2.4	-8	266.2	284.0	-6
Apparel and related products	2.8	2.6	5	119.5	114.4	4
Paper and allied products	7.0	7.9	-12	452.0	376.1	20
Printing and publishing	2.0	1.6	25	168.5	132.0	28
Chemicals and allied products	314.5	294.0	7	1,869.5	1,728.2	8
Petroleum and coal products	169.0	144.4	17	428.5	393.6	9
Rubber and plastics products	2.0	1.9	9	240.1	219.4	9
Leather and leather products .....	.2	.2	(1)	60.8	55.0	11
Total manufactures	899.1	826.8	9	16,277.4	14,343.2	13

¹ Not calculated in instances where exports were less than \$1 million.

² More than 50-percent change, and less than three-fourths of total figure was actually reported.

³ Includes ordnance and accessories.

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

SOURCE: U. S. Department of Commerce.

lute changes in the value of goods exported between 1960 and 1963. Increases in some industries were slightly outweighed by declines in others.

There is little room for doubt that exports of merchandise provide a significant margin of revenue and employment for a number of major Texas manufacturing industries. The five largest exporting groups — chemicals, food

processing, petroleum refining, nonelectrical machinery, and primary metals — accounted for 88 percent of the total value of Texas manufactured shipments abroad in 1963. These same industries employed 45 percent of the factory wage and salary workers in the State and generally paid their employees above-average wages for the area.

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perspective on bank profits

During the current period of economic expansion, which began in March 1961, financial savings have been accumulated by corporations and individuals at an unprecedented rate. A growing share of these funds has accrued to commercial banks in the form of time and savings deposits; and, as a result, the banking industry has undergone significant changes. The inflow of time and savings deposits has stimulated the growth of commercial banks and enabled them to satisfy a greater proportion of the total credit requirements of the economy. The enlarged role of banks in the financial markets has not been reflected, however, in a comparable improvement in bank profits.

Member banks in the Eleventh Federal Reserve District experienced a decline in the ratio of net current earnings before taxes to total assets during the 1961-64 span of the current economic expansion. This trend is in sharp contrast to that shown in each of the two

prior periods of rising economic activity.¹ Earnings as a percentage of total assets rose steadily from 1954 to 1957 and from 1958 to 1960, but from 1961 through 1963, this percentage fell sharply. In 1964 the ratio of earnings to total assets was unchanged from the 1963 level. This article examines the principal factors affecting the profitability of member banks in the Eleventh District during the current phase of the business cycle and highlights major features of bank operating statements for 1964.

sources and uses of funds

An analysis of the sources of bank funds and the purposes for which the funds are used is basic to interpreting changes in bank profitability.

¹ These periods have been designated by the National Bureau of Economic Research as extending from August 1954 to July 1957 and from April 1958 to May 1960.

bility. Sources of bank funds include increases in deposits and other liabilities and shifts in the composition of assets. Funds from these sources may be used to acquire other assets or to reduce other bank liabilities. The accompanying table reveals marked differences in the sources and uses of bank funds in three periods of economic expansion, differences which are important in explaining variations in bank profits among the periods.

During the 1961-64 upswing in economic activity, the increase in deposits provided about 88 percent of the expansion in bank funds, compared with about 70 percent in the 1958-60 interval and almost 46 percent in the 1954-57 period. Increases in other liabilities and capital accounts supplied a significantly smaller proportion of bank funds than in the other two expansionary periods.

This inflow of deposits enabled member banks to meet customers' loan demands without reducing U. S. Government security holdings and other liquid assets. Cash assets of member banks — principally reserves at the Federal Reserve Bank and balances with correspondent banks — increased sharply from 1961 to 1964, absorbing 19 percent of the rise in bank funds during the period. It should be noted, of course, that this gain stemmed partially from the larger required reserves associated with higher levels of deposits.

The growth in deposits in the 1961-64 period largely took the form of a surging inflow of time and savings deposits. During this period, these deposits rose at an average annual rate of 21 percent, compared with rates of about 14 percent and 7 percent in the 1954-57 and 1958-60 periods, respectively. The higher

COMPARATIVE STATEMENT OF SOURCES AND USES OF MEMBER BANK FUNDS DURING THREE PERIODS OF ECONOMIC EXPANSION

Eleventh Federal Reserve District

(Dollar amounts in millions)

Source or use of funds	October 7, 1954 — June 6, 1957		March 4, 1958 — June 15, 1960		April 12, 1961 — December 31, 1964	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
Sources of funds						
Increase in:						
Time and savings deposits	\$ 490	45.9	\$ 425	41.5	\$2,067	48.0
Demand deposits	—	—	287	28.0	1,706	39.6
Other liabilities	48	4.5	175	17.1	231	5.4
Capital accounts	159	14.9	131	12.8	300	7.0
Decrease in:						
U. S. Government obligations	248	23.2	6	.6	—	—
Cash assets	123	11.5	—	—	—	—
Total sources	\$1,068	100.0	\$1,024	100.0	\$4,304	100.0
Uses of funds						
Increase in:						
Loans (net)	\$ 778	72.8	\$ 690	67.4	\$2,655	61.7
Commercial and industrial loans	(429)	(40.2)	(162)	(15.8)	(1,235)	(28.7)
Real estate loans	(81)	(7.6)	(54)	(5.3)	(343)	(8.0)
Consumer loans	(174)	(16.3)	(231)	(22.6)	(614)	(14.3)
All other loans	(94)	(8.8)	(243)	(23.7)	(463)	(10.8)
U. S. Government obligations	—	—	—	—	79	1.8
Obligations of states and political subdivisions	80	7.5	170	16.6	592	13.8
Cash assets	—	—	119	11.6	823	19.1
Other assets	125	11.7	45	4.4	155	3.6
Decrease in demand deposits	85	8.0	—	—	—	—
Total uses	\$1,068	100.0	\$1,024	100.0	\$4,304	100.0

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

SOURCE: Call reports for dates most nearly corresponding to business cycle reference dates as designated by the National Bureau of Economic Research.

interest rates paid, increased sensitivity of the public to rate changes, and development of the negotiable time certificate of deposit as an important money market instrument were major factors contributing to the mounting importance of interest-bearing deposits at member banks in the District.

In contrast to the two prior expansionary periods, the growth of time and savings deposits during the 1961-64 period was accompanied by a sharp rise in demand deposits, which accounted for almost 40 percent of the increase in bank funds. During the 1958-60 period, demand deposits supplied only 28 percent of total bank funds; in the 1954-57 period, a decline in these deposits absorbed funds. The growth in deposits during the 1961-64 span of the current economic expansion was supported by a monetary policy which remained basically stimulative throughout the period. Due to the presence of inflationary pressures, the two previous cyclical upturns were accompanied by a monetary policy designed to limit the growth in bank deposits.

While providing funds to meet rising credit demands, the inflow of time and savings deposits created problems for bank management, which had to find profitable outlets for these relatively expensive funds. This problem was compounded by the fact that the demand for commercial and industrial loans, which constitute the principal outlet for bank funds, was not as strong in relation to the inflow of funds as it had been in some past periods of economic expansion. Funds channeled into business loans accounted for about 29 percent of the increase in total bank funds during the 1961-64 interval. This proportion was greater than in the 1958-60 expansion but was significantly less than the 40 percent recorded for the 1954-57 period.

To compensate for a rather disappointing business loan demand and to improve earnings, member banks in the District modified their loan and investment policies to incorporate a

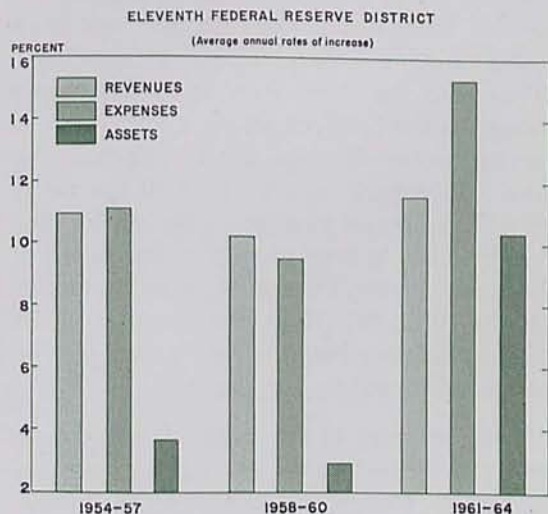
larger proportion of high-yielding assets in their portfolios. Real estate mortgages became a more important outlet for funds, and tax-exempt state and municipal obligations were purchased in large volume. While declining as a percentage of total funds used, consumer loans absorbed a far greater dollar amount of bank funds than in other past periods.

trends in bank profits

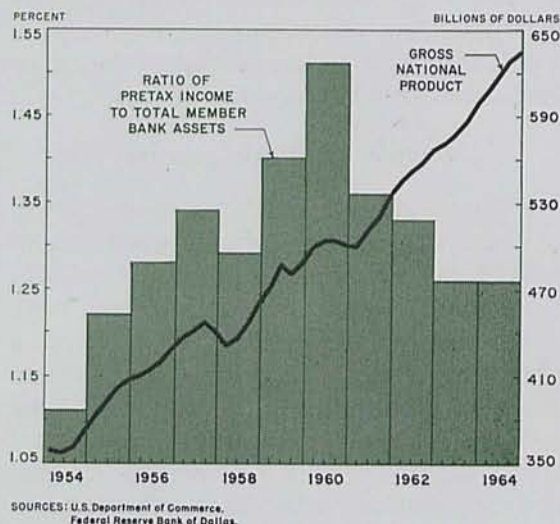
Although increasing in dollar amount, profits of member banks in the District, whether computed before or after taxes, have declined substantially since 1961 in relation to both bank assets and capital accounts. Net profits as a proportion of assets fell from 0.74 percent in 1961 to 0.65 percent in 1964. During this same period, the ratio of net profits to capital accounts declined from 8.8 percent to 7.8 percent. Diminishing profitability was recorded at all sizes and classes of banks.

The sharp rise in bank expenses, rather than the reduction in revenues, was largely responsible for pressure on bank profits at District

Member bank assets, expenses, and revenues rose at more rapid rates during the 1961-64 span than in the two prior periods of economic expansion . . .



Until the current cyclical expansion, increased rates of earnings on member bank assets in the Eleventh District have been associated with rising economic activity in the Nation . . .



banks during the 1961-64 period. Operating expenses as a proportion of total operating revenue rose 6.7 percentage points during the period to a level of 71.0 percent in 1964. From 1954 to 1957, this ratio increased only 1.7 percentage points; and between 1958 and 1960, the proportion declined fractionally.

Rising interest costs, associated with the inflow of time and savings deposits and with higher rates paid, were the major factor contributing to the sharp increase in bank costs during the 1961-64 period. As a proportion of interest-bearing deposits, interest expense rose from 2.58 percent in 1961 to 3.30 percent in 1964. This upward trend generally followed the changes made in regulation Q by the Board of Governors of the Federal Reserve System in January 1962, July 1963, and November 1964 to allow member banks to pay higher interest rates on time and savings deposits.

Bank revenues in the 1961-64 period rose more rapidly than in the other two expansionary periods. Interest earnings on loans and dis-

counts — the most important source of revenue to member banks — increased at an annual rate of 12 percent in the most recent period, compared with 11 percent in the 1958-60 expansion. The 1961-64 advance was associated with increases in loan volume and higher rates of earnings. Interest received from loans as a proportion of outstanding loans rose from 5.88 percent in 1961 to 6.18 percent in 1964. Moreover, fees and other charges levied on borrowers rose at a very rapid pace. During the previous periods of economic expansion, fees and charges on loans declined.

Earnings from investments have become an increasingly important source of bank revenue in recent years. This development is largely the result of the growing prominence of state and municipal obligations in bank portfolios. Revenue from these securities rose at an annual rate of almost 23 percent from 1961 through 1964. The rate of increase in revenue from U. S. Government obligations fell below that recorded for the other two periods, due principally to the relatively moderate increase in interest rates since 1961. Holdings of these securities receded only modestly. From February 1961 to December 1964, 91-day Treasury bill rates rose 1.42 percentage points to 3.84 percent. This increase compares with gains of about 2.20 percentage points in the two previous cyclical expansions.

The failure of bank revenue to keep pace with expenses during the 1961-64 period resulted in a sharp decrease in the rate of growth of bank profits at District member banks. Net income increased at an annual rate of only slightly in excess of 2 percent during the period, compared with rates of 8 percent in the 1958-60 period and 5 percent in the 1954-57 interval.

costs and revenues in 1964

Member bank operating statements for 1964 generally mirrored a continuation of develop-

ments which have affected bank profits throughout the current cyclical expansion. Pressure on profits stemming from rising interest costs remained great during the year; and, as in other past years, banks sought to cover these costs by channeling funds into more profitable assets. Net current operating earnings expanded at a slightly faster pace last year than during the 1961-64 span of the current cyclical expansion, principally because of the leveling off in the upward trend in bank expenses.

The 11-percent rise in current operating revenue in 1964 was little different from that of other recent years. Over three-fourths of the dollar gain was accounted for by greater earnings on loans and discounts, partly associated with a \$1.4 billion expansion in loan portfolios. Rates of earnings on loans, as well as fees and charges, also advanced in 1964.

Revenue from investments accounted for almost one-fourth of the total revenue of District member banks in 1964. Interest earnings on U. S. Government securities declined nearly 2 percent, as a \$185 million reduction in holdings of these obligations more than offset the increased revenues accruing from higher yields. Earnings from non-Government security portfolios, however, rose about one-fourth from the 1963 level. Service charges on deposit ac-

counts, which rank just below interest on loans and investments as a source of bank revenue, advanced almost 8 percent during 1964 to a level of \$27.7 million. This rate of advance is somewhat greater than the average rate of gain over the 1961-64 period. Trust department revenue, which has been gaining in importance at District member banks in recent years, rose further during the year.

Total expenses of member banks advanced sharply during 1964, but the rate of increase is less than the average for the 1961-64 period. Interest costs rose 23 percent during the year to become the largest single item of cost to member banks. This rise, however, was about 10 percentage points below that registered for the 1961-64 period. Salaries and salary-related expenses trended upward at about the same rate as in other recent years.

Net income before taxes of member banks receded about 3 percent during 1964, due principally to a substantial increase in losses, charge-offs, and transfers to valuation reserves. Because of this reduction and the lower rates of taxation, taxes on income declined almost 15 percent; partially reflecting this decline, net income of member banks showed a 4.8-percent increase.

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district highlights

The negotiable time certificate of deposit in recent years has become an increasingly important financial instrument in the Eleventh Federal Reserve District, as well as in the Nation. In an effort to appraise the development of this money market instrument, the Federal Reserve banks recently conducted the fourth quarterly survey of negotiable certificates of deposit in denominations of \$100,000 or more outstanding at weekly reporting member banks.

The outstanding negotiable time certificates of deposit as reported by the respondent banks in the Eleventh District aggregated \$970.8 million on February 17, 1965. This level represented a gain of \$75.2 million, or 8.4 percent, over the volume recorded for November 18, 1964, the previous survey date. From the first survey, based on data for May 20, 1964, to the most recent one, there was a 5.9-percent advance in the level of negotiable time certificates.

Results of the latest District survey show that the maturity distribution of certificates of deposit is heavily concentrated in the near-term area. Slightly over one-half of these deposits fall due within 3 months, and over 80 percent mature within 5 months. This maturity distribution is quite similar to that indicated by each of the three previous surveys.

The seasonally adjusted index of industrial production in Texas reflected a gain of 1.4 percent in nondurables and durables production during February. Weakness in the mining sector, however, limited the month-to-month gain in the total index to 0.7 percent. In the durable goods sector, output gains were recorded in the furniture and fixtures, primary and fabricated metal, and machinery industries. The February advances in the primary metal and machinery

industries resulted partially from the resumption of normal production schedules after labor difficulties in January. Broadly based gains were registered in the nondurables sector in February, especially in the printing and publishing and textile industries. February crude oil output in Texas slipped, however, from the January level.

Total nonagricultural wage and salary employment in the five southwestern states advanced 0.3 percent from January to February, reaching a level of 4,976,300 persons. This advance reflected fractional employment increases in both the manufacturing and the nonmanufacturing sectors. However, employment in trade, construction, and mining registered downturns in February. Employment in the five states posted a strong 3.8-percent gain over the same month in 1964, with strength evident in both the manufacturing and the nonmanufacturing sectors. The gain from February last year to February 1965 reflected an advance of 10.5 percent in construction employment and an increase of 5.2 percent in service employment.

After gaining for 6 consecutive months, daily average crude oil production in the Eleventh District dipped 1 percent in March to a level that was 2 percent higher than a year earlier. The decline from February is attributable to decreases in Texas and northern Louisiana, as crude oil output in southeastern New Mexico was relatively unchanged. A smaller allowable in Texas contributed to the slower rate of production in the State. In northern Louisiana, the month-to-month decrease reflected, in part, some buyer prorationing in the area. At mid-March, inventories of crude oil stored aboveground in the District were 5 percent less than a year earlier.

A March 1 survey of prospective plantings for 1965 shows that southwestern farmers intend to seed about 27 million acres to spring-planted crops, or 3 percent less than the acreage planted to these crops in 1964. According to the U. S. Department of Agriculture, there are some noticeable shifts among crops in 1965. Decreases in acreages of cotton, corn, oats, barley, and peanuts more than offset increases in those of sorghums, Irish potatoes, sweet potatoes, soybeans, and sugar beets. Acreages of hay, rice, and flaxseed are expected to remain stable. Farmers in the District states plan to seed 7.6 million acres to cotton in 1965 — moderately below last year's plantings. Of the spring-seeded crops, soy-

beans lead in acreage expansion, followed by sorghums.

The 1964 citrus fruit crop in the District states is estimated at 7.8 million boxes. An output of this size would be more than one-fourth above the previous year but one-fifth below the 1958-62 average. Indicated production of grapefruit is 32 percent above the 1963 outturn, and the orange crop is up 19 percent.

Realized net income per farm in 1964 declined in each of the five District states except Oklahoma. The figures ranged from \$2,448 per farm in Oklahoma to \$19,363 per farm in Arizona. The realized net income per farm in Texas amounted to \$3,877 in 1964.

AVAILABILITY OF FEDERAL OPEN MARKET COMMITTEE MINUTES

Minutes of the meetings of the Federal Open Market Committee from the time of its organization in 1936 through the end of 1960 are being made available by the Federal Reserve System for the use of scholars and other interested persons. To that end, the Board of Governors has transferred to the custody of the Archivist of the United States the original signed copies of the minutes for these years.

Although the Federal Reserve System has long made available a great deal of information on its actions and operations, this is the first time that official records of this type relating to monetary and credit policy actions have been released to the public for research or historical studies. These materials increase significantly the

sources of information regarding Federal Reserve policy decisions over the years.

Copies of the minutes transferred to National Archives are available for inspection and use at each Federal Reserve bank and branch, as well as at the Board's offices in Washington, D. C.

In addition, the National Archives is in a position to furnish complete microfilm copies (16 rolls of 35 mm. film, either positive or negative) at a cost of \$55, including shipping charges. The National Archives will also furnish prints of individual pages at 20 cents each. Requests for these materials should be sent directly to that agency, Eighth Street and Pennsylvania Avenue, N. W., Washington, D. C. 20408.

PER JACOBSSON FOUNDATION LECTURES

On November 9, 1964, in Basle, Switzerland, the Per Jacobsson Foundation presented the inaugural lectures of a series to be continued in future years and other cities. The Foundation thus honored the late Managing Director of the International Monetary Fund and began to carry out its principal purpose, which is to sponsor and publish regularly lectures on international monetary affairs by recognized authorities.

The first two lectures, both on the subject of "Economic Growth and Monetary Stability," were given by Maurice Frère,

former Governor of the National Bank of Belgium and President of the Bank for International Settlements (viewing the subject from the standpoint of a developed country), and by Rodrigo Gómez, Director General of the Bank of Mexico (the view from a developing country).

The Foundation has now published the texts of these lectures in English, French, and Spanish and will make copies available to interested persons. Requests for copies (indicating the language desired) should be addressed to:

THE PER JACOBSSON FOUNDATION
INTERNATIONAL MONETARY FUND BUILDING
WASHINGTON, D. C. 20431

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par
bank***

The Prosper State Bank, Prosper, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on March 15, 1965. The officers are: U. N. Clary, Chairman of the Board; Ralph C. Boyer, President; Charles J. Winkates, Vice President; Mrs. M. L. Boyer, Cashier; and Mrs. Mary Keith, Assistant Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

April 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	Mar. 31, 1965	Feb. 24, 1965	Apr. 1, 1964
ASSETS			
Net loans.....	4,648,285	4,528,818	4,273,483
Valuation reserves.....	82,887	82,026	76,297
Gross loans.....	4,731,172	4,610,844	4,349,780
Commercial and industrial loans.....	2,188,413	2,156,015	2,057,207
Agricultural loans.....	58,537	60,835	46,335
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	4,274	20,303	274
Other securities.....	46,165	39,036	78,348
Other loans for purchasing or carrying:			
U. S. Government securities.....	2,413	2,396	3,458
Other securities.....	291,126	282,280	256,558
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	129,357	119,858	111,413
Other.....	276,736	259,840	264,927
Loans to domestic commercial banks.....	134,923	106,328	133,383
Loans to foreign banks.....	9,173	6,431	2,418
Real estate loans.....	387,604	378,234	344,954
Other loans.....	1,202,451	1,179,288	1,050,505
Total investments.....	2,107,658	2,098,795	2,113,266
Total U. S. Government securities.....	1,337,390	1,327,570	1,379,497
Treasury bills.....	143,975	109,553	107,541
Treasury certificates of indebtedness.....	0	0	6,647
Treasury notes and bonds maturing:			
Within 1 year.....	176,777	180,323	125,075
1 to 5 years.....	625,124	608,678	741,660
After 5 years.....	391,514	429,016	398,574
Other securities.....	770,268	771,225	733,769
Cash items in process of collection.....	771,084	594,623	670,394
Balances with banks in the United States.....	514,640	451,503	497,908
Balances with banks in foreign countries.....	3,106	3,193	3,701
Currency and coin.....	63,623	65,776	58,926
Reserves with Federal Reserve Bank.....	544,510	539,345	563,722
Other assets.....	288,883	282,385	238,605
TOTAL ASSETS.....	8,941,789	8,564,438	8,420,005
LIABILITIES AND CAPITAL ACCOUNTS			
Total deposits.....	7,840,900	7,517,231	7,347,621
Total demand deposits.....	4,928,115	4,644,121	4,749,151
Individuals, partnerships, and corporations.....	3,209,371	3,152,292	3,120,147
Foreign governments and official institutions, central banks, and international institutions..	5,661	5,747	2,472
U. S. Government.....	176,322	146,902	162,725
States and political subdivisions.....	328,490	282,104	277,936
Banks in the United States, including mutual savings banks.....	1,108,075	966,102	1,096,572
Banks in foreign countries.....	18,131	25,518	13,437
Certified and officers' checks, etc.....	82,065	65,456	75,862
Total time and savings deposits.....	2,912,785	2,873,110	2,598,470
Individuals, partnerships, and corporations			
Savings deposits.....	1,283,212	1,256,512	1,130,960
Other time deposits.....	1,224,814	1,207,789	1,096,439
Foreign governments and official institutions, central banks, and international institutions..	500	500	500
U. S. Government, including postal savings..	3,594	3,594	3,899
States and political subdivisions.....	389,357	393,625	357,168
Banks in the United States, including mutual savings banks.....	8,868	8,790	7,104
Banks in foreign countries.....	2,440	2,300	2,400
Bills payable, rediscounts, etc.....	214,701	168,680	229,268
All other liabilities.....	155,403	150,351	142,524
Capital accounts.....	730,785	728,176	700,592
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	8,941,789	8,564,438	8,420,005

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Mar. 31, 1965	Feb. 24, 1965	Apr. 1, 1964
Total gold certificate reserves.....	374,857	546,321	544,671
Discounts for member banks.....	1,770	1,645	1,777
Other discounts and advances.....	870	2,610	0
U. S. Government securities.....	1,627,078	1,446,760	1,348,458
Total earning assets.....	1,629,718	1,451,015	1,350,235
Member bank reserve deposits.....	908,883	933,288	921,333
Federal Reserve notes in actual circulation.....	1,070,710	1,069,106	956,759

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Mar. 3, 1965	4 weeks ended Feb. 3, 1965	4 weeks ended Mar. 4, 1964
RESERVE CITY BANKS			
Total reserves held.....	603,244	614,626	581,574
With Federal Reserve Bank.....	561,957	571,122	541,684
Currency and coin.....	41,287	43,504	39,890
Required reserves.....	598,901	609,822	575,316
Excess reserves.....	4,343	4,804	6,258
Borrowings.....	31,072	7,929	13,795
Free reserves.....	26,729	3,125	7,537
COUNTRY BANKS			
Total reserves held.....	589,755	600,778	564,694
With Federal Reserve Bank.....	454,404	460,320	440,894
Currency and coin.....	135,351	140,458	123,800
Required reserves.....	551,283	556,674	525,702
Excess reserves.....	38,472	44,104	38,992
Borrowings.....	973	266	595
Free reserves.....	37,499	43,838	38,397
ALL MEMBER BANKS			
Total reserves held.....	1,192,999	1,215,404	1,146,268
With Federal Reserve Bank.....	1,016,361	1,031,442	982,578
Currency and coin.....	176,638	183,962	163,690
Required reserves.....	1,150,184	1,166,496	1,101,018
Excess reserves.....	42,815	48,908	45,250
Borrowings.....	32,045	8,195	14,390
Free reserves.....	10,770	40,713	30,860

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: February...	8,354	4,007	4,347	3,706	1,811	1,895
1964: February...	8,359	3,887	4,472	4,440	2,217	2,223
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
February...	8,582	4,006	4,576	4,984	2,438	2,546

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Feb. 24, 1965	Jan. 27, 1965	Feb. 26, 1964
ASSETS			
Loans and discounts.....	7,773	7,654	6,955
U. S. Government obligations.....	2,592	2,651	2,697
Other securities.....	1,606	1,566	1,453
Reserves with Federal Reserve Bank.....	933	976	916
Cash in vault.....	198	199	182
Balances with banks in the United States.....	1,029	1,064	1,101
Balances with banks in foreign countries.....	5	6	5
Cash items in process of collection.....	671	725	707
Other assets.....	344	464	387
TOTAL ASSETS.....	15,151	15,305	14,403
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,199	1,276	1,205
Other demand deposits.....	7,290	7,421	7,136
Time deposits.....	5,019	4,927	4,486
Total deposits.....	13,508	13,624	12,827
Borrowings.....	171	197	158
Other liabilities.....	188	207	197
Total capital accounts.....	1,284	1,277	1,221
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	15,151	15,305	14,403

e — 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 ¹					DEMAND DEPOSITS ¹			
	February 1965 (Annual-rate basis)	January 1965 ^r (Annual-rate basis)	Percent change			Feb. 28, 1965	Annual rate of turnover		
			Feb. 1965 from		2 months, 1965 from 1964		February 1965	January 1965 ^r	February 1964
			Jan. 1965	Feb. 1964					
ARIZONA									
Tucson.....	\$ 3,925,728	\$ 3,819,816	3	5	4	\$ 165,816	23.6	22.9	22.8
LOUISIANA									
Monroe.....	1,648,428	1,709,940	-4	21	23	73,027	23.2	24.1	20.5
Shreveport.....	4,523,208	4,517,820	0	3	2	198,961	22.9	22.8	21.0
NEW MEXICO									
Roswell ²	596,400	610,236	-2	-7	-7	31,611	18.8	19.0	17.6
TEXAS									
Abilene.....	1,628,232	1,806,372	-10	5	6	90,587	17.9	19.7	16.7
Amarillo.....	3,819,192	3,985,476	-4	12	12	135,996	28.0	29.1	25.1
Austin.....	3,796,944	3,593,832	6	6	6	162,062	22.4	20.2	20.7
Beaumont-Port Arthur.....	4,340,304	4,470,408	-3	7	8	198,053	21.8	22.5	21.4
Brownsville-Harlingen-San Benito.....	1,292,544	1,323,612	-2	8	6	51,847	25.0	25.0	23.6
Corpus Christi.....	2,920,980	2,969,400	-2	6	3	137,194	21.2	21.5	21.4
Corsicana ²	307,620	292,644	5	14	17	25,998	11.6	10.5	11.2
Dallas.....	58,903,584	51,923,016	13	23	22	1,548,336	38.2	33.8	32.1
El Paso.....	4,964,316	4,614,768	8	12	5	193,525	25.0	23.3	24.0
Fort Worth.....	12,110,556	11,762,280	3	9	6	481,500	25.2	24.7	23.4
Galveston-Texas City.....	1,809,396	1,770,180	2	-1	0	83,220	21.3	20.1	21.1
Houston.....	50,713,128	51,841,128	-2	8	14	1,722,189	29.4	30.2	29.1
Laredo.....	476,616	474,384	0	9	11	27,539	17.3	16.6	16.1
Lubbock.....	3,061,428	3,861,708	-21	-9	-4	137,949	22.1	27.0	24.8
Midland.....	1,728,216	1,791,720	-4	6	7	119,729	14.4	15.2	15.7
Odessa.....	1,104,588	1,004,424	10	4	2	62,918	18.4	17.5	18.3
San Angelo.....	756,144	781,536	-3	3	4	51,461	14.8	15.4	14.5
San Antonio.....	10,034,244	9,983,532	1	12	10	477,116	21.2	21.2	20.3
Texas (Texas-Arkansas).....	979,500	947,628	3	-4	-2	48,792	19.6	19.2	20.7
Tyler.....	1,521,168	1,491,864	2	14	13	78,670	18.9	18.7	17.8
Waco.....	1,876,584	1,848,168	2	14	11	100,541	18.7	19.0	18.6
Wichita Falls.....	1,960,116	1,863,180	5	8	8	110,625	17.2	15.8	15.7
Total—26 centers.....	\$180,799,164	\$175,059,072	3	12	13	\$6,515,262	27.7	26.9	25.7

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.² County basis.^r — Revised.

INDEXES OF DEPARTMENT STORE SALES

Eleventh Federal Reserve District

(Daily average sales, 1957-59 = 100)

Date	Seasonally adjusted	Unadjusted
1964: February.....	125	91
September.....	123	118
October.....	117	120
November.....	124	142
December.....	129	223
1965: January.....	131	102
February.....	125	91

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	February 1965 from		2 months, 1965 from 1964
	January 1965	February 1964	
Total Eleventh District.....	-14	-4	2
Corpus Christi.....	-4	-13	-4
Dallas.....	10	-6	2
El Paso.....	-1	0	0
Houston.....	-16	3	8
San Antonio.....	-21	-5	2
Shreveport, La.....	-16	-2	2
Waco.....	-9	-8	-3
Other cities.....	-10	-4	0

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Percent change from			
	Feb. 1965p	Jan. 1965p	Feb. 1964	Jan. 1965
ELEVENTH DISTRICT.....	3,303.8	3,271.3	3,171.7	1.0
Texas.....	2,804.4	2,786.5	2,729.2	.6
Gulf Coast.....	536.9	537.5	561.3	-1
West Texas.....	1,245.8	1,237.2	1,193.4	.7
East Texas (proper).....	113.2	113.1	115.1	.1
Panhandle.....	103.5	103.3	97.9	.2
Rest of State.....	805.1	795.4	761.5	1.2
Southeastern New Mexico.....	309.6	294.5	280.8	5.1
Northern Louisiana.....	189.8	190.3	161.7	-3
OUTSIDE ELEVENTH DISTRICT.....	4,553.1	4,562.7	4,569.5	-2
UNITED STATES.....	7,856.9	7,834.0	7,741.2	.3

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	February 1965p	January 1965p	February 1964
CRUDE OIL RUNS TO REFINERY			
STILLS (Daily average).....	111	110	110
DEMAND (Daily average)			
Gasoline.....	117	116	116
Kerosene.....	141	130	137
Distillate fuel oil.....	119	105	109
Residual fuel oil.....	101	106	94
Four refined products.....	115	112	111
STOCKS (End of month)			
Gasoline.....	114	114	108
Kerosene.....	148	143	137
Distillate fuel oil.....	113	121	117
Residual fuel oil.....	68	70	84
Four refined products.....	110	112	109

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

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State and crop	Indicated 1964	1963	Average 1958-62
ARIZONA			
Oranges.....	2,000	2,200	1,254
Grapefruit.....	2,800	3,210	2,358
LOUISIANA			
Oranges.....	10	15	205
TEXAS			
Oranges.....	900	240	2,168
Grapefruit.....	2,100	500	3,794

SOURCE: U. S. Department of Agriculture.

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	Feb. 1965	Jan. 1965	Feb. 1964	January—February	
				1965	1964
FIVE SOUTHWESTERN STATES ¹					
Residential building.....	387	453	504	840	817
Nonresidential building....	149	164	140	313	365
Nonbuilding construction...	97	187	161	283	247
UNITED STATES.....	3,223	3,127	3,201	6,342	6,543
Residential building.....	1,299	1,273	1,427	2,568	2,798
Nonresidential building....	1,060	1,155	1,082	2,214	2,238
Nonbuilding construction...	863	700	692	1,559	1,506

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

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	Feb. 1965p	Jan. 1965	Dec. 1964r	Feb. 1964r
TEXAS				
Total industrial production.....	130.7	129.9	129.9	125.8
Manufacturing.....	152.8	150.7	150.7	143.6
Durable.....	151.3	149.2	148.2	136.7
Nondurable.....	153.9	151.8	152.5	148.6
Mining.....	101.7	102.7	102.5	102.5
UNITED STATES				
Total industrial production.....	138.8	138.1	137.5	128.2
Manufacturing.....	140.3	139.4	139.0	129.1
Durable.....	142.0	141.3	140.6	128.9
Nondurable.....	138.1	137.1	136.9	129.4
Mining.....	112.5	112.4	112.3	108.9
Utilities.....	156.5	155.5	154.7	143.4

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 Feb. 1965 from	
	Feb. 1965p	Jan. 1965	Feb. 1964r	Jan. 1965	Feb. 1964
Total nonagricultural					
wage and salary workers..	4,976,300	4,962,400	4,793,300	0.3	3.8
Manufacturing.....	873,400	870,100	843,700	.4	3.5
Nonmanufacturing.....	4,102,900	4,092,300	3,949,600	.3	3.9
Mining.....	233,900	234,000	228,400	-.1	2.4
Construction.....	332,900	336,000	301,300	-.9	10.5
Transportation and public utilities.....	383,700	373,200	392,800	2.8	-2.3
Trade.....	1,175,800	1,183,900	1,132,600	-.7	3.8
Finance.....	253,200	252,300	244,500	.4	3.6
Service.....	727,900	724,800	691,800	.4	5.2
Government.....	995,500	988,100	958,200	.7	3.9

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		
	Feb. 1965	2 mos. 1965	Feb. 1965	2 mos. 1965	Feb. 1965 from		2 months, 1965 from 1964
					Jan. 1965	Feb. 1964	
ARIZONA							
Tucson.....	506	1,035	\$ 1,081	\$ 2,150	1	-53	-61
LOUISIANA							
Shreveport....	276	597	1,150	2,919	-35	2	44
TEXAS							
Abilene.....	61	135	1,685	2,408	133	43	15
Amarillo.....	140	300	3,573	7,491	-9	30	-5
Austin.....	244	551	3,422	7,183	-9	-38	-45
Beaumont.....	282	457	2,104	5,060	-29	30	61
Corpus Christi..	339	694	2,731	4,810	31	62	-8
Dallas.....	1,550	3,210	14,813	25,607	37	-17	-20
El Paso.....	411	766	4,258	11,594	-42	7	84
Fort Worth.....	542	1,105	4,331	8,894	-5	33	0
Galveston.....	87	187	291	640	-17	-57	-40
Houston.....	1,564	3,342	26,352	45,440	38	-6	-19
Lubbock.....	182	367	4,174	7,043	45	-39	-29
Midland.....	74	160	710	3,233	-72	-21	-5
Odessa.....	115	214	683	1,241	22	11	17
Port Arthur....	111	203	385	704	21	-37	-58
San Antonio....	845	1,853	4,303	8,072	14	10	-28
Waco.....	183	380	2,035	3,931	7	12	33
Wichita Falls..	100	203	545	2,231	-68	-53	27
Total—19 cities..	7,612	15,759	\$78,626	\$150,651	9	-8	-14