business review

august 1966

FEDERAL RESERVE
BANK OF DALLAS

contents

first-half expansion of the nation's economy

Paced by sharp increases in defense spending and business capital outlays, the Nation's economy moved forward rather decisively but unevenly during the first half of 1966. Sales in final markets — consumer, investment, government, and foreign — posted a record upsurge in the first quarter and then advanced less than half as much in the April-June months. Consumers contributed to the buoyant demands in the private sector by boosting outlays for a broad range of goods and services. Spending for consumer durables, however, fluctuated widely in the January-June period, adding significantly to final sales in the first quarter and then declining markedly in the second quarter.

The character of the business expansion changed significantly in the January-June period, as the effects of the stepped-up U.S. commitment in southeast Asia ramified throughout the economy. When the decision was made last summer to move large numbers of troops and huge amounts of equipment into South Viet-Nam to stem the Communist advance, the American economy was already operating at very high levels of resource utilization. The subsequent sharp upturn in calls for military supplies of nearly every description tended to overheat the economy and introduced a series of distortions and imbalances into the pattern of growth.

Pressure upon the economy's productive capacity increased appreciably during the first half, particularly in the January-March period, as many lines of enterprise turned out goods at or beyond preferred operating rates. Skilled labor was generally in short supply; consequently, wage rate gains in excess of the Administration's noninflationary guidelines were encountered. Moreover, a number of important industrial materials were relatively scarce. Fears of serious inflation were heightened during the first half by the approach to full usage of the Nation's productive powers.

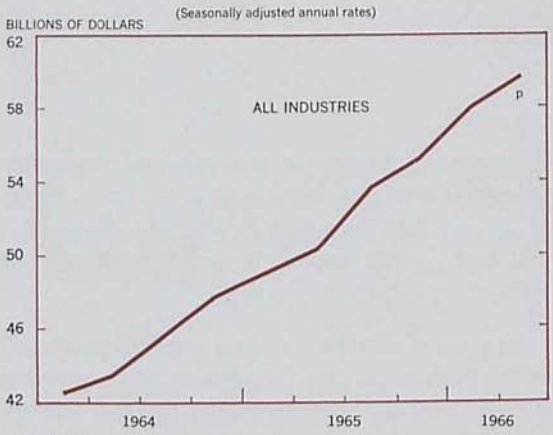
The value of all goods and services produced in the Nation — that is, gross national product — advanced $27.6 billion over the last quarter of 1965 to the record seasonally adjusted annual rate of $732.0 billion in the second quarter of 1966, reflecting a gain of 8.8 percent over a year earlier. Higher prices, however, accounted for slightly more than half of the overall GNP advance in the January-June months, since the increase in the physical volume of output during the period amounted to a more modest $13.0 billion. The growth rate of real output in the first half was 4.2 percent on an annual-rate basis, in contrast to the 7.8-percent pace implied by the current-dollar gain. In the second quarter, almost two-thirds of the current-dollar GNP advance was accounted for by higher prices; thus, the slowdown in the economy's growth in the April-June period was especially marked when measured in terms of constant dollars.

Defense expenditures began to trend upward noticeably in the late summer of 1965. Late last year, increases in military expenditures reflected mainly larger payrolls as a result of pay increases for the Armed Forces. Beginning with the first quarter of this year, however, expansions in the size of the military forces and substantially larger deliveries of defense supplies and equipment were the primary stimulants to enlarged Federal spending. During the fiscal year ended June 30, 1966, the direct cost of the Viet-Nam conflict totaled $5.8 billion, up from

PLANT AND EQUIPMENT OUTLAYS

UNITED STATES

(Seasonally adjusted annual rates)



p—Preliminary.
SOURCES: Securities and Exchange Commission.
U.S. Department of Commerce.

the $4.7 billion estimated in the President's Budget Message to Congress in January.

Overall, outlays by the Federal Government climbed at the seasonally adjusted annual rate of $4.8 billion in the first half, with nondefense spending accounting for only about $300 million of the advance. Purchases of goods and services by state and local governments during the same period rose $3.4 billion over the level of such expenditures in the late months of 1965. The advance was evenly paced, as purchases moved upward $1.7 billion per quarter.

Spurred by a closer approach to capacity operations, the expectation of further sales gains in 1966, rising military orders, and record profits, business firms increased their investment commitments significantly in the first half. In the second quarter, business investment totaled $78.3 billion on a seasonally adjusted annual-rate basis, which is $4.4 billion higher than in the fourth quarter and up 15.3 percent from a year earlier. Although the Nation's farmers sharply increased their outlays for tractors, combines, and other agricultural machinery in the January-June months, the bulk of the first-half gain reflected substantially larger investment by nonfarm businesses in new plants and equipment, with new automobiles and trucks being among the important investment items.

Almost one-half of business capital spending during the first 6 months of this year was directed to capacity expansion, in contrast to the dominant goal of modernization which had prevailed in prior half-year periods of the current business upturn. Manufacturing establishments accounted for about 58 percent of the increased spending on new plants and equipment during the January-June period, although nearly all major lines of commercial enterprise participated in the gain. Producers of machinery, transportation equipment, textiles, and paper all added significantly to their stocks of capital goods. Investment by the machinery and transportation equipment industries was strongly stimulated by rising defense orders. The Nation's airlines also sharply increased capital spending in the first half, mainly for short-haul and intermediate-range jet-powered aircraft, to help meet the surging demands of the American public for air travel.

Another important type of investment in the Nation's economy is residential housing. Spending for new residences, along with repairs and alterations of existing structures, rose $1.0 billion in the first quarter to the record seasonally adjusted annual rate of $28.6 billion. The advance in the first quarter reflected the increase in housing starts that occurred late last year, an increase which apparently resulted from unusually favorable weather. The rate of new housing starts, after seasonal adjustment, turned downward noticeably in the spring months as the flow of funds into mortgage markets became somewhat constrained. Despite the sharp downturn in housing starts, actual outlays decreased only moderately in the April-June months, because a larger proportion of single-family dwellings were completed in the period and construction costs were higher.

After a marked increase in the last months of 1965, the rate at which businesses added to in-

ventories moderated in the January-March period and then climbed sharply again in the second quarter. In the early months of this year, the pace of inventory investment slowed in durable goods manufacturing and in nondurable retail trade. The increased accumulation of business stocks in the second quarter reflected, in large measure, a sharp uptrend in dealers' holdings of new U.S.-made cars. Dealer stocks of new cars at the end of June totaled slightly over 1.7 million units, almost 300,000 units above the year-earlier record. Apart from the excess supply of new cars and the scarcity of some materials (such as copper), inventories generally remained in a favorable relation to sales, and stock-sales ratios during the first half were little changed from corresponding year-earlier levels. Thus, the economy managed to avoid the problems associated with the hoarding of goods to obtain book profits from price rises.

The mainstay of any economic advance, of course, is consumer spending. Consumers contributed importantly to the first-half advance, particularly in the first quarter, when personal consumption outlays rose $10.4 billion on a seasonally adjusted annual-rate basis. Consumers spent rather freely in the early months of the year for a broad range of goods and services, despite a $3.0 billion spurt in social security taxes after January 1. Consumers reduced their savings rate, however, and relied upon borrowed funds to purchase a significantly larger volume of durable goods, especially automobiles and color television sets. Almost two-thirds of the first-quarter gain in spending for durables was accounted for by automobiles and parts, as dealers sold new domestically produced cars at the seasonally adjusted annual rate of 9.1 million units. Among the nondurable goods, there was an unusually strong upward climb in expenditures for food, partly reflecting higher costs.

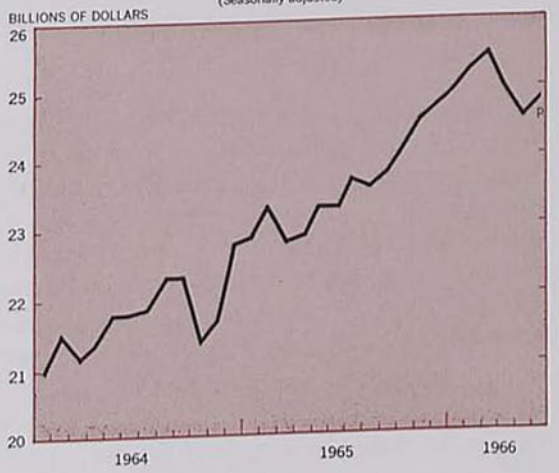
In the second quarter, consumer spending moved ahead at only about one-third the rate of the first 3 months, reflecting a downturn in durable goods purchases and a moderating rate of growth in nondurable goods expenditures. In the latter case, a large part of the slowdown probably stemmed from lower food prices, as such prices began to break at retail stores around mid-April and trended downward through early summer. Outlays for consumer durables were lowered, largely because of a marked decline in automobile sales in the April-June months. Excise taxes on automobiles were raised in late March to the levels which had prevailed at the end of 1965. Moreover, the growth of disposable income was retarded by the increased payroll withholding rates effective on May 1. Other factors which may have influenced consumers to reduce their spending on cars included larger draft calls for young men, the controversy over the safeness of U.S.-made automobiles, and tighter credit. Throughout the first half, spending on services continued to move ahead.

Of the four major markets for final products (consumer, investment, government, and foreign), net exports of goods and services was the only one to lose ground during the first half. While the volume of exports moved upward in

RETAIL SALES

UNITED STATES

(Seasonally adjusted)



p—Preliminary.
SOURCE: U.S. Department of Commerce.

the January-June period, imports rose even more. This lessening in the favorable U.S. trade balance mirrors a number of factors. The strong growth of domestic economic activity and the pressure upon resources tended to discourage the expansion of shipments abroad of materials and fabricated products. Farm commodities, however, exhibited strength in world markets. Food grain deficits in India and other nations and continued strong demands from industrialized countries boosted agricultural exports to a record. On the import side, the high levels of domestic resource utilization led to increased purchases abroad of such diverse items as textiles, machine tools, and various raw and semifinished industrial materials.

Construction spending advanced strongly to successive new highs in the first 3 months of 1966 and then trended downward through early summer. Throughout the first half, private outlays for industrial, commercial, and institutional buildings were significantly higher than a year earlier, while spending for new residences showed gains in the first quarter. Public spending for new construction eased in the second quarter from the rate of expenditures in the January-March period, partially reflecting a slowdown in the pace of work on the Interstate Highway System. Also, some state and local governments may have delayed starts on various public works projects because of higher interest rates on tax-exempt bonds.

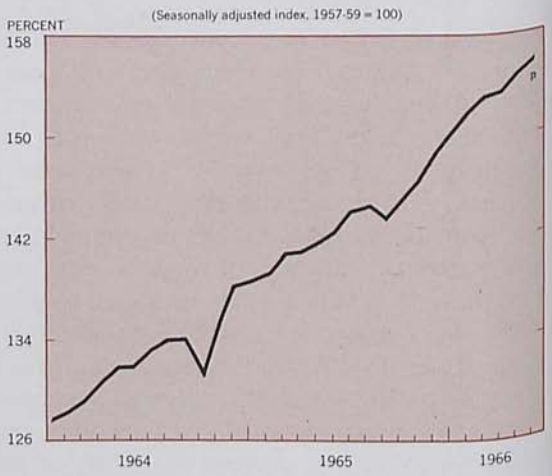
Economic developments in the first half were partly reflected in a marked expansion of industrial production. The combined output of the Nation's mines, factories, and utilities rose to successive new highs during the period and reached 155.8 percent of the 1957-59 average in June, gaining 7.1 percentage points over the December level and up a significant 13.1 percentage points from a year earlier. As in the case of GNP, the uptrend during the first half was uneven, as almost two-thirds of the overall gain was recorded in the January-March period. All major types of production showed gains in the January-June months, but the advance was paced by durable manufactures, which spurted upward at the annual rate of almost 13 percent in the first quarter. The output of durable goods rose less dramatically in the second quarter, largely because of a sharp reduction in automobile production.

While factory output advanced 5.2 percent in the January-June period, new orders received by manufacturers rose even more. As a result, the backlog of unfilled orders increased to new highs in every month of the period, buoyed by particularly large bookings for defense equipment (such as aircraft), which requires comparatively long lead times before delivery.

INDUSTRIAL PRODUCTION

UNITED STATES

(Seasonally adjusted index, 1957-59 = 100)



p—Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

Although the American economy continued to grow during the first half of 1966, there was little reduction, on balance, in the number of persons unemployed after January. The Armed Forces absorbed about 200,000 young men in the first 6 months of the year, while the number of persons on manufacturing payrolls increased significantly. Moreover, the three echelons of government expanded their hirings of civilian

workers. Part of the gain in nonagricultural employment, however, was offset by a further reduction in the agricultural sector. The Administration's interim goal of a 4.0-percent unemployment rate was reached in January, and joblessness fell to 3.7 percent — a 12-year low — in February. A large influx of teen-agers into the work force in May moved the rate of joblessness back up to the target level, where it remained in June.

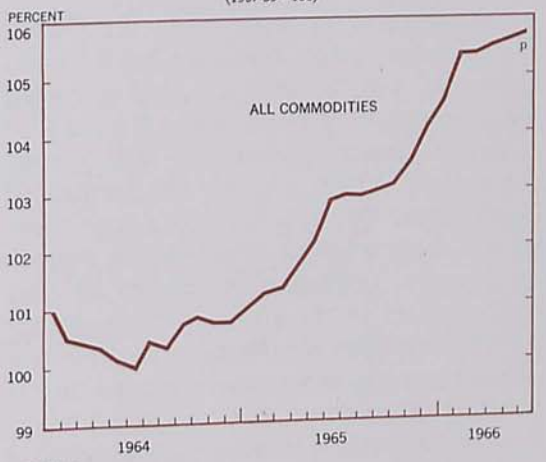
Personal income advanced to new highs during each month of the first half of 1966. The enlargement of nonagricultural payrolls over the period, coupled with higher wage rates, served to boost wage and salary disbursements. Farm income benefited during the early months of the year from sharp increases in farm product prices. As agricultural prices receded after March, farm receipts declined to about the level reported for last December. The upward progression of interest rates buoyed personal interest income in the first 6 months of the year, while rental income showed the largest advance in several years.

The specter of inflation was a constant accompaniment of the business expansion in the January-June period. Both wholesale prices and consumer prices, especially the latter, advanced disturbingly during the first half. Much of the increase in wholesale prices, however, occurred in the first 2 months of the year, when prices of farm products and processed foods surged upward. Agricultural prices rose during the winter months in response to the smaller supplies of red meats and unfavorable weather for the growth of vegetable crops. Subsequent to February, costs of agriculturally related commodities in primary markets drifted downward, and the decline partly masked the effects on the total wholesale price index of the fairly steady uptrend in industrial commodity quotations. The increase in industrial commodity prices was broadly based, with gains evident for such diverse products as furniture, leather goods, machinery, nonferrous metals, rubber products, and cigarettes.

WHOLESALE PRICES

UNITED STATES

(1957-59 = 100)



p—Preliminary.
SOURCE: U.S. Department of Labor.

Consumer prices moved ahead sharply during the first half, boosted by increased food costs in the January-April months and progressively higher service costs throughout the 6-month period. Retail food prices, which tend to follow changes in wholesale agricultural commodity prices with a lag of 1 to 2 months, showed a downturn in May, mirroring the greater availability of red meats, broilers, and fresh vegetables. Increased medical costs and higher mortgage interest rates were important contributors to the upward movement of the price of services during the January-June period.

financial developments

Mounting credit demands, aggressive competition for funds on the part of commercial banks and other depository-type institutions, official action to slow the rate of credit expansion, and sharp advances in interest rates on both money and capital market instruments were among the major domestic financial developments in the first half of 1966. In the international area, there was renewed deterioration in the balance-of-payments position of the

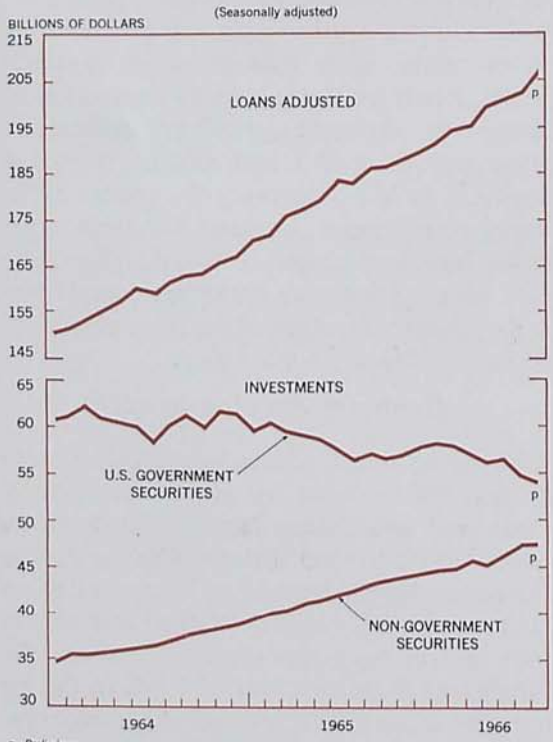
United States, despite the success of continuing efforts to limit capital outflow abroad.

The tempo of domestic credit demand increased rather sharply during the first 6 months of the year, with the advance in total borrowing requirements paced by the expanded needs of corporate businesses, state and local governments, and certain agencies of the Federal Government. Demands stemming from these sources, however, were augmented by borrowing pressures originating in virtually all other major sectors of the economy. Although the disposable income of individuals, the cash flow of corporate and other businesses, and the tax revenues of governments were rising, the desired outlays of these spending units advanced at even faster rates, necessitating recourse to borrowed funds. As total credit demand in the economy increased, growth in savings slowed. Moreover, savings tended to flow directly into investment outlets, rather than through financial intermediaries.

COMMERCIAL BANK LOANS AND INVESTMENTS

UNITED STATES

(Seasonally adjusted)



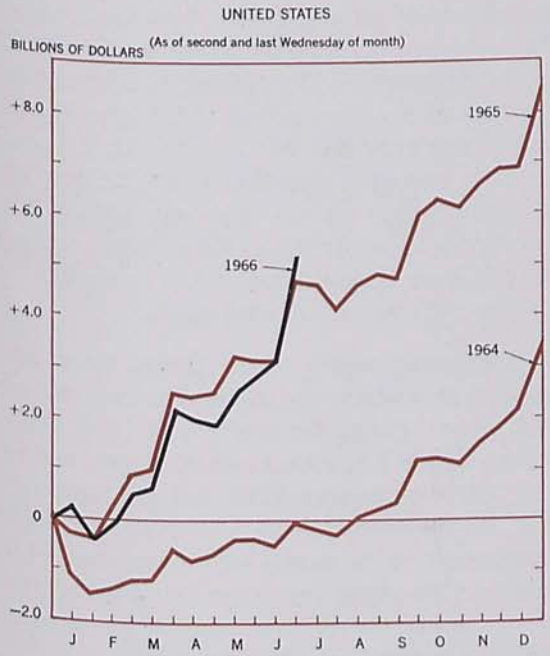
p—Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

In capital markets, the demand for funds reached record levels in the first half of 1966. Offerings of bond and stock issues by corporate businesses increased to an estimated total of $10.2 billion, or $2.2 billion more than the amount sold during the first 6 months of last year. Sales of debt instruments accounted for 83 percent of the total. Manufacturing businesses borrowed about 38 percent of the new capital raised, while public utility and communications firms accounted for approximately one-fifth and one-tenth, respectively, of the total. In June, public offerings of corporate bonds reached the largest monthly volume recorded in over 4 years. Moreover, the gross proceeds from corporate new capital and refunding issues in June were at a record level.

The volume of Treasury cash borrowing in the first half of 1966 was substantially larger than in the comparable period of last year. A total of $4.0 billion in new cash was raised by the Treasury during the January-June period, consisting of $1.0 billion of Tax Anticipation certificates, a $1.3 billion addition to regular weekly bill offerings, and $1.7 billion of certificates of indebtedness. In the first half of last year, Treasury cash borrowing totaled $3.0 billion. In addition to its cash borrowing operations, the Treasury refunded $4.4 billion of the two issues of notes maturing in February and $8.1 billion of the two issues of notes and bonds maturing in May. In a prerefunding operation undertaken in February, the Treasury exchanged $5.4 billion of two new notes maturing in August 1967 and November 1970 for a like amount of the five outstanding note and bond issues maturing between April 1 and August 15.

In addition to the cash borrowing and refunding operations of the Treasury, offerings of securities by Federal agencies were exception-

COMMERCIAL AND INDUSTRIAL LOANS AT WEEKLY REPORTING MEMBER BANKS



SOURCE: Board of Governors, Federal Reserve System.

ally heavy in the January-June period. Agency borrowing amounted to an estimated $3.4 billion, compared with $1.1 billion in the first half of 1965. Moreover, sales of participations in Federal loans were made to the public in the amount of $2.2 billion, or more than twice the amount sold in all of 1965. These agency financing operations added substantially to the pressures in markets already strained by record corporate and state and local government borrowing.

Despite sharply rising revenues from taxes and other sources, state and local governments made exceptionally heavy demands on the capital markets in the first half of 1966. New bond issues in the amount of $2.9 billion were sold in the first 3 months, the largest first-quarter volume of record, and it is estimated that an additional $3.2 billion was marketed during the April-June period. Much of the important commercial bank buying support which had been provided to the municipal bond market in earlier years was lacking in the first half of this year, as banks substantially reduced their net purchases of these securities. On the other hand, individuals apparently added heavily to their investments in these new issues.

With the gradual tightening of bank credit conditions during the first half of 1966, the relative importance of commercial banks as large suppliers of funds to credit markets tended to decline somewhat. Thus, their contribution to the overall increase in credit was smaller than in other recent periods. Total bank credit rose at a seasonally adjusted annual rate of about 7.5 percent in the first 6 months of this year to reach a level of $305.4 billion at the end of June. During the comparable period last year, bank credit advanced at an annual rate of almost 11.0 percent.

The rise in commercial bank credit during the January-June period of this year stemmed almost entirely from the continued strength of loan demand. Loans rose at a seasonally adjusted annual rate of 12.2 percent, compared with the year-earlier advance of 16.7 percent. Exceptionally strong demand for borrowing by businesses was reflected in the expansion of commercial and industrial loans, which rose at a rate of 20.5 percent, or only moderately slower than the unusually rapid rate set in the first 6 months of 1965. Continued expansion in outlays for plants and equipment — spending which was already at record levels — and increased working capital requirements associated with a full-employment and growing economy were major factors underlying the strength of demand for business borrowing. Although loan demand was generally strong among all major categories of commercial and industrial businesses, manufacturing firms in both the nondurable and the durable areas added especially heavily to their outstanding borrowings.

Real estate and consumer loans of commercial banks continued to expand in the first half of the year but at rates substantially reduced from those which held during the first 6 months of 1965. Gradually tightening credit conditions, a slowdown in automobile sales in the late spring and early summer, and reduced activity in housing construction probably were major factors in this performance. Loans for financing security transactions rose during the January-June period; however, the dollar advance in this loan category was about one-half as much as the gain last year.

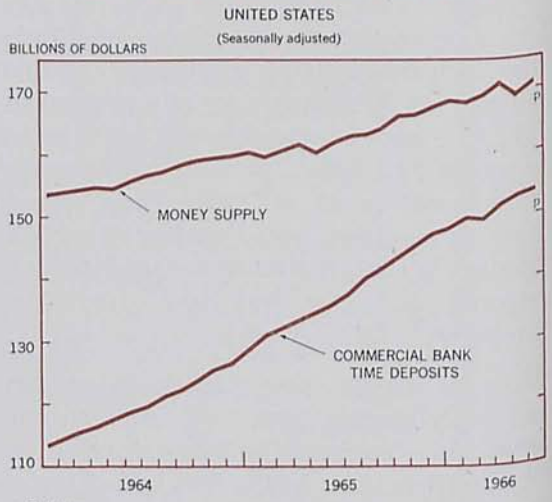
In responding to the strong demand for loans prevailing concurrently with the tightening availability of funds in money and credit markets, commercial banks reduced their investments in U.S. Government securities by the seasonally adjusted amount of $3.2 billion. This decrease compares with net sales and redemptions of $2.9 billion of these securities in the first half of 1965 and represents a further extension of the downward trend in bank holdings of Treasury issues that began more than 4 years ago.

Commercial bank purchases of the securities of state and local governments also slowed markedly in the first 6 months of 1966. Banks acquired these issues at the seasonally adjusted annual rate of 10.3 percent, a pace that was down sharply in comparison with the 1965 rate of 17.6 percent. It is interesting to note that, in the earlier years of the current economic expansion, commercial banks had purchased between 60 and 90 percent of the annual net new issues of these securities. In the first quarter of 1966, however, this participation rate was reduced perhaps below 20 percent.

The rate of inflow of time and savings deposits into commercial banks slackened markedly in the first half of 1966, despite substantial upward adjustments in rates offered on certificates of deposit and other time deposits. Substantial changes also occurred in the makeup of the gross flows contributing to this reduced rate of growth. On an unadjusted basis, time and savings deposits (excluding interbank deposits) increased $8.6 billion, or 5.9 percent, in the January-June period of this year, compared with growth of $11.3 billion, or 9.0 percent, in the same months of 1965. Most of the reduction in the rate of growth in these deposits can be attributed to the absolute decline in passbook deposits, for which regulation Q ceiling rates remained unchanged.

The money supply of the United States expanded at a seasonally adjusted annual rate of 4.4 percent during the first half of 1966, compared with a 7.5-percent rate of growth during the fourth quarter of 1965 and a 4.8-percent rate for the year 1965. The currency and coin component of the money supply increased at a rate of 5.5 percent during the first 6 months of 1966, while the demand deposit component rose at a rate of only 3.9 percent.

MONEY SUPPLY AND TIME DEPOSITS



p—Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

Monetary policy in the first half of 1966 exerted gradually increasing pressure upon the reserve position of the commercial banking system and, thus, complemented the restrictive

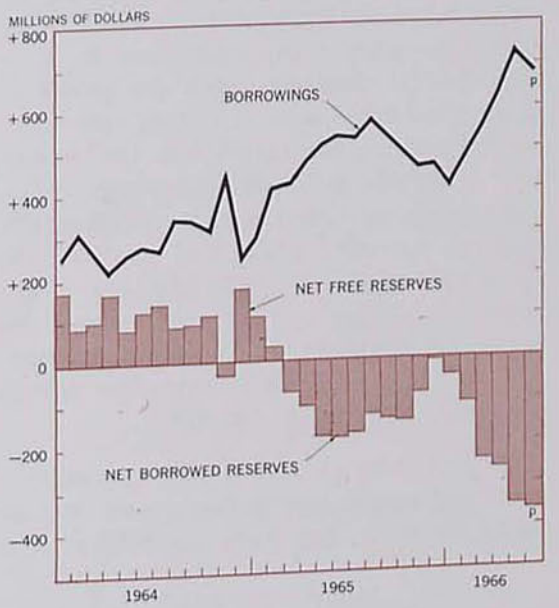
measures taken in early December 1965. The reduced availability of reserve funds was reflected in a persistent deepening of net borrowed reserves of member banks and, against a background of continuing strong demands for funds, in a rising level of interest rates in money and capital markets. Net borrowed reserves averaged $44 million in January but deepened in each succeeding month to reach a level of $362 million in June.

Inasmuch as average excess reserves fluctuated within the relatively narrow range of $371 million in February to $312 million in June, the effect of the more restrictive monetary policy was to limit the avenues open to member banks in meeting the higher levels of required reserves occasioned by credit expansion. That is, banks were forced increasingly to seek accommodation at the Federal Reserve bank discount windows as a condition of satisfying further increases in customer borrowing requirements. As a result of these pressures, daily average borrowings of member banks at the Federal Reserve banks increased in each month, rising from $402 million in January to $722 million in May. Borrowings in June declined slightly to a level of $674 million.

On June 27, the Board of Governors of the Federal Reserve System announced an increase — from 4 percent to 5 percent — in reserves required against the amount of time deposits (other than savings deposits) in excess of $5 million at each member bank. It was estimated that the increase, which became effective on July 14 for reserve city member banks and July 21 for country member banks, would raise the amount of required reserves by approximately $420 million. The Board visualized that this action would exercise a tempering influence on bank issuance of time certificates of deposit and, in combination with the operation of other instruments of monetary policy, apply moderate additional restraint upon the expansion of banks' loanable funds. On July 15, the Board of Governors took further steps to dampen the growth of bank time deposits by lowering the regulation Q ceiling rates which member banks may pay on certain multiple-maturity deposits. The maximum rate was lowered to 5 percent, from 5½ percent, on such deposits maturing in 90 days or more and to 4 percent on those maturing between 30 and 89 days.

MEMBER BANK BORROWINGS AND RESERVES

UNITED STATES



p—Preliminary.
SOURCE: Board of Governors, Federal Reserve System.

The flow of funds into the money and capital markets during the first half of 1966 was also restricted by various fiscal programs. Since January 1, the revenues of the U.S. Government have been augmented by the effects of increased social security contributions from both employers and employees, higher excise taxes on automobiles and telephone and teletype services, graduated payroll withholding rates on taxable income, and accelerated corporate tax payments. These measures added substantially to Federal revenues during the first half; consequently, the Federal budget deficit was reduced to $2.3 billion in fiscal year 1966. This

is the lowest such deficit in 6 years and is well below the January estimate of $6.4 billion.

Interest rates in money and capital markets rose sharply in the first half of 1966 and, by mid-July, had reached post-1930 record highs. The general upward movement in rates reflected the strong and rising pressures originating from the demand side, constraints upon expansion in the total available supply of funds, and the impact of the December 6, 1965, changes in the discount rate and regulation Q. Although gradual implementation of a less expansive monetary policy represented the principal general constraint upon the supply of funds, a notable feature of interest rate developments during the period was the reduced flow of savings to all depository-type institutions, including commercial banks. Available evidence strongly suggests that much of this shrinkage, which was especially heavy with respect to savings and loan associations and mutual savings banks, developed from the competitive yields available to savers on directly purchased marketable securities.

Savings flows to savings and loan associations and mutual savings banks were also affected, however, by strong competition from commercial banks. The revisions in regulation Q ceilings which became effective in early December 1965 permitted banks to compete more aggressively for time deposits, including time certificates of deposit, by offering rates as high as 5½ percent for maturities of 30 days or more. Advances in rates actually paid by commercial banks enabled them to increase their share of the total savings flows accruing to the three depository-type institutions in the first half of the year.

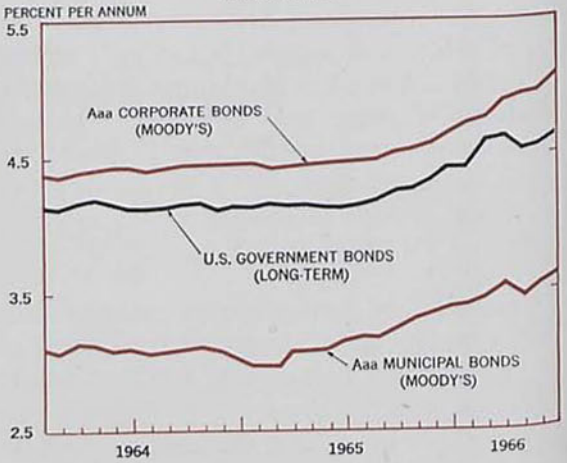
SHORT-TERM RATES

UNITED STATES

SOURCE: Board of Governors, Federal Reserve System.

CAPITAL MARKET RATES

UNITED STATES



SOURCE: Board of Governors, Federal Reserve System.

In money markets, rate advances from December 1965 to June 1966 were mostly in the range of 79 to 86 basis points of yield (as measured by daily average rates in each month). Rates on 3- and 6-month Treasury bills, however, were held to gains of only 13 and 11 basis points, respectively, primarily because of the strong demand for these issues and the relatively limited amounts available in the market. In June, Federal funds were traded at an average rate of 5.17 percent, although a substantial volume of transactions occurred at rates as high as 5⅝ to 5¾ percent. Average yields in June on other money market instruments included 5.51 percent for prime 4- to 6-month commercial paper, 5.39 percent for

90-day prime bankers' acceptances and 3- to 6-month finance company paper, and 4.50 percent for 3-month Treasury bills.

Money market rates advanced further after midyear, with most gains by July 15 being in the range of 10 to 15 basis points above the June averages. A sharp rebound in Treasury bill rates, however, increased yields on the 90-day and 6-month issues by 35 and 30 basis points, respectively, above the end-of-June levels.

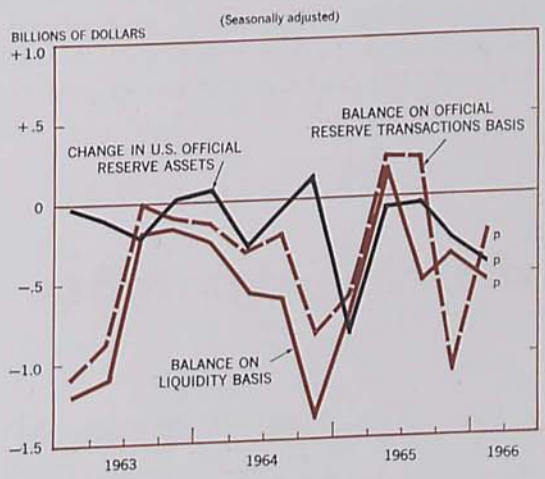
On June 29, following announcement by the Board of Governors of increased reserve requirements on certain time deposits of member banks, a number of large commercial banks raised the rate charged to borrowers with prime credit ratings from 5½ percent to 5¾ percent. Similar actions were promptly taken by other commercial banks. This latest advance in the bank prime rate followed other recent increases in early December of 1965 (from 4½ percent to 5 percent) and in March of the current year (from 5 percent to 5½ percent). In late June, the Federal Home Loan Bank Board also announced that member savings and loan associations would be permitted to increase rates paid to savers without forfeiture of their borrowing privileges at the Federal home loan banks. This action was followed by widespread upward adjustments by savings and loan associations in their savings rates.

In capital markets, rates also advanced strongly in the first half of the year. Heavy demands upon capital markets by corporate borrowers and by state and local governments were important factors in pushing yields on long-term securities to recent historical highs. The yield on high-grade, long-term corporate bonds (Moody's index) moved from an average of 4.68 percent in December 1965 to 5.07 percent in June. Market rates on municipals (Moody's Aaa bonds) rose during the same period from 3.39 percent to 3.60 percent. In the U.S. Government securities market, the yield on long-term Treasury bonds averaged 4.63 percent in June, compared with 4.43 percent in December 1965.

balance of payments

Measured on the liquidity basis — that is, by changes in U.S. official reserve assets and in U.S. liabilities to all foreign residents — the deficit in the Nation's international balance of payments was at the seasonally adjusted annual rate of $2¼ billion in the first quarter of 1966. This performance reflects a substantial deterioration from last year's fourth-quarter deficit of $1.4 billion (annual rate) and the full-year 1965 deficit of about the same amount. It was considerably more favorable, however, than the $2.8 billion rate recorded in the first quarter of last year, when the U.S. payments position was affected by unusually adverse factors, such as the dock strike, heavy capital outflows to affiliates of U.S. corporations abroad, and an acceleration of bank lending to foreigners.

U.S. BALANCE OF PAYMENTS

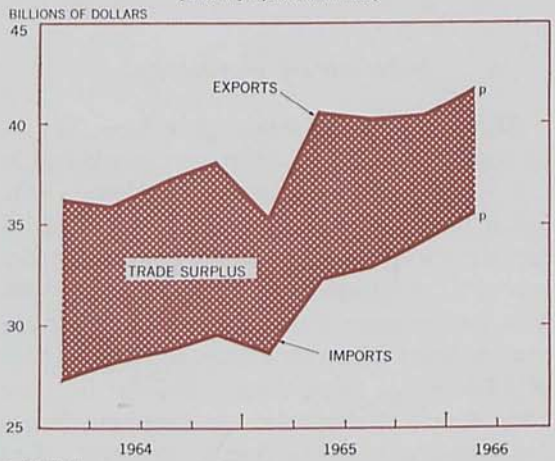


p—Preliminary.
SOURCE: U.S. Department of Commerce.

Merchandise exports from the United States were at the seasonally adjusted annual rate of $28.5 billion in the first quarter, or more than $2.2 billion above the total for 1965. Merchandise imports, however, rose at an even

U.S. EXPORTS AND IMPORTS

(Seasonally adjusted annual rates)



p—Preliminary.
SOURCE: U.S. Department of Commerce.

faster pace, climbing $2.5 billion to an annual rate of $24.0 billion. Thus, the export surplus in the first quarter dropped to the seasonally adjusted annual rate of $4.5 billion, compared with the export balance of $4.8 billion in 1965.

The reduction in net capital outflows which occurred during 1965 appears to have continued through the first 3 months of the current year. The continued low rate of outflows was due mainly to a decline from last year in foreign investments by U.S. corporations and to further liquidation of foreign assets by U.S. banks. The net outflow of U.S. private capital during the first quarter, after allowance for funds borrowed abroad by U.S. corporations to finance their foreign investments, was at an annual rate of $2.8 billion, or about the same as during the previous quarter. However, after adjustment for the effects of Canadian borrowing in the United States, which was postponed from the fourth quarter of last year to the first quarter of 1966, the rate of outflow in the January-March period is indicated to be only $2.4 billion.

During the first quarter of 1966, the United States experienced a decline of $424 million in its official reserve holdings, compared with a decrease of $271 million in the fourth quarter of last year. Net gold sales of $68 million were less than in the previous quarter, partly because of a U.S. purchase of $100 million from Canada. Other reserve losses included a decrease of $222 million in holdings of convertible currencies and a reduction of $134 million in the U.S. gold tranche position in the International Monetary Fund.

district highlights

Based upon preliminary estimates, daily average crude oil production in the District declined 1.1 percent during July but was 6.9 percent above a year earlier. The decreased flow of oil was widely shared by wells in Texas, northern Louisiana, and southeastern New Mexico. The pace of District refinery operations continued strong in July, little changed from June and only moderately below the record rate of crude oil processing established last January. Crude oil stocks, however, showed a tendency to build up in the District during July, and spot markets for southwestern crude displayed less firmness than earlier in the year. The August allowables for Louisiana and southeastern New Mexico are unchanged from July. In Texas the allowable for August is 33.0 percent of proratable

potential, down fractionally from last month but up from 28.0 percent a year ago.

Nonagricultural wage and salary employment in the five southwestern states rose 0.7 percent during June to attain a level of 5,375,200. This advance is considerably more than the typical seasonal gain for the month. Manufacturing employment moved ahead 2.0 percent, as contrasted to the nonmanufacturing increase of 0.4 percent. The settlement of labor-management disputes in the aircraft and the electrical machinery industries helped boost manufacturing employment during June. Employment in both mining and construction showed increases of better than 2 percent for the month. However, government employment, the only category to decline, eased almost 2 percent. Finance, as well as services, posted a moderate gain.

Nonagricultural employment in the five states in June registered a substantial increase of 4.4 percent over the same month last year. Manufacturing boomed ahead with a 7.0-percent advance; however, nonmanufacturing, showing a 3.8-percent increase, did respectably well also. Within specific sectors of the Southwest's economy, government employment registered a gain of 6.2 percent; services, 4.5 percent; and trade, 3.7 percent. Somewhat smaller increases were recorded in finance and in transportation and public utilities. Mining employment dipped 0.1 percent.

Unemployment rates have been very low in the major labor market areas of the Southwest. The unemployment rate for Dallas was only 2.4 percent in May. Nearby, Fort Worth registered a somewhat higher rate, 2.8 percent. Houston, the largest city in the Southwest, also had a low unemployment rate of 2.5 percent. In contrast to the low rates for the major southwestern cities, the labor market areas along the international border continue to be plagued by higher unemployment rates. For instance, El Paso's unemployment rate in May was 4.5 percent. While the Brownsville-Harlingen-San Benito labor market showed a rate of 7.3 percent unemployed for May, Laredo's rate was even higher — 8.2 percent.

The seasonally adjusted Texas industrial production index advanced 1.9 percent during June to reach a level of 151.6 percent of the 1957-59 base. The June increase reflected strength in the manufacturing sector, with the durable goods industries posting a vigorous 5.0-percent gain. This gain represented continuing expansion in transportation equipment, electrical machinery, and ordnance industries — industries which have been important recipients of Defense Department prime contracts. The nondurables manufacturing sector registered a 1.8-percent gain during June, largely as a result of an upturn in petroleum refining operations. Texas mining output, however, declined 0.6 percent from the very high level of production in May, reflecting a downward adjustment in the Texas Railroad Commission's crude oil allowable from 35.0 percent in May to 34.5 percent in June.

Texas industrial production registered a year-to-year gain of 10.7 percent in June — the largest such advance recorded in the current business expansion. The June 1966 gain over the same month last year reflected strength in all the major production sectors; durable goods, nondurable goods, and mining increased 14.7 percent, 10.9 percent, and 7.1 percent, respectively. The manufacturing sector has been showing fairly regular upward advances each month since June of last year. In contrast, the mining sector has been more erratic, with a marked improvement in crude oil production occurring in May of the current year.

After declining for two consecutive months, new passenger car registrations in four major Texas markets rebounded in June to total 19,125, gaining 13 percent over the previous month but up only 1 percent over a year

earlier. Dallas, Houston, and San Antonio all showed significant advances over May; Fort Worth, however, experienced a fractional decrease. During the first half of this year, registrations in the four markets totaled a modest 1 percent higher than in the same months of 1965, with fractional losses in Dallas and Houston being more than offset by moderate increases in Fort Worth and San Antonio.

In the 4 weeks ended July 23, District department store sales were 7 percent higher than in the corresponding period of last year. On a cumulative basis, sales at District department stores thus far in 1966 totaled 8 percent more than a year earlier.

General rains are needed over much of the District. Although soil moisture has been adequate thus far this year, crop development and high temperatures have tended to deplete surface moisture.

The July 1 crop production report estimates wheat output in the five southwestern states to be 170 million bushels, or 20 percent smaller than in 1965. Outturns of oats and barley are placed at 3 percent and 7 percent, respectively, below the previous year. Corn output is indicated to be 12 percent less than in 1965. Reductions in the acreages planted partly account for the smaller output of corn, oats, and wheat.

Cotton acreage in the southwestern states has been reduced sharply from that of last year. Louisiana shows the greatest percentage decline — 27 percent — and is followed closely by Arizona and Texas, with 25 percent each. Oklahoma and New Mexico report decreases of 21 percent and 20 percent, respectively. In Texas, acreages are lower in all except one crop reporting district and vary from 7 percent larger than a year ago in the Cross Timbers to 35 percent smaller in the Northern High Plains.

During the first half of 1966, the District's weekly reporting member banks experienced a net contraction of deposits amounting to $225.1 million, in contrast to a net gain of $71.4 million in the corresponding period in 1965. The loss in the current year is attributable to a marked slowdown in the growth of time and savings deposits and a speedup in demand deposit withdrawals.

Demand deposits at the weekly reporting member banks fell $252.8 million between December 29, 1965, and June 29, 1966, to a level of $4,794.9 million. In the year-earlier period, these deposits were reduced $163.5 million to a level of $4,990.1 million. It is thus apparent that, during the year ended June 29, 1966, the District's weekly reporting member banks experienced an absolute decline of $195.2 million in their demand deposits. Most of the year-to-year loss was concentrated in the first part of 1966.

Time and savings deposits, which have been a major source of loanable funds at the District's banks since 1962, showed only a slight increase of $27.7 million in the first half of 1966, in contrast to a gain of $234.9 million in the first 6 months of 1965. Savings deposits declined $54.8 million during the 1966 period; such deposits increased $96.0 million in the first part of last year. The only time and savings deposit category showing an improved performance was negotiable time certificates of deposit issued in denominations of $100,000 or more. During the first half of 1966, these CD's reached $1,075.5 million by rising $101.6 million, which exceeds the corresponding 1965 gain by $34.8 million.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

August 1966

FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	July 27, 1966[1]	June 29, 1966	July 28, 1965
ASSETS			
Net loans and discounts	4,963,699	4,969,251	4,705,161
Valuation reserves	*92,143*	*88,459*	*81,563*
Gross loans and discounts	5,055,842	5,057,710	4,786,724
Commercial and industrial loans	2,424,962	2,340,697	2,173,640
Agricultural loans[2]	84,339	57,411	60,862
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	4	204	274
Other securities	47,152	45,302	39,012
Other loans for purchasing or carrying:			
U.S. Government securities	1,131	2,523	2,129
Other securities	319,043	310,991	298,811
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	160,974	186,357	138,564
Other	258,894	274,435	292,874
Real estate loans	467,775	464,874	420,013
Loans to domestic commercial banks	123,566	201,652	117,888
Loans to foreign banks	7,145	6,175	6,308
Consumer instalment loans	599,669	1,167,089	[3]1,236,349
Loans to foreign governments, official institutions, etc.	99		
Other loans[2]	561,089		
Total investments	2,251,566	2,177,867	2,104,291
Total U.S. Government securities	1,140,748	1,118,903	1,231,698
Treasury bills	39,372	44,822	65,295
Treasury certificates of indebtedness	5,824	7,164	0
Treasury notes and U.S. bonds maturing:			
Within 1 year	125,372	130,279	243,445
1 year to 5 years	584,311	575,987	544,108
After 5 years	385,869	360,651	378,850
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	13,907	1,058,964	872,593
All other	941,168		
Other bonds, corporate stocks, and securities:			
Participation certificates in Federal agency loans[2]	82,375		
All other (including corporate stocks)	73,368		
Cash items in process of collection	771,423	781,938	669,202
Reserves with Federal Reserve Bank	556,520	496,565	516,925
Currency and coin	78,187	69,361	69,598
Balances with banks in the United States	443,529	442,242	436,267
Balances with banks in foreign countries	4,979	4,226	3,125
Other assets	313,049	317,613	301,046
TOTAL ASSETS	9,382,952	9,259,063	8,805,615
LIABILITIES			
Total deposits	8,080,143	7,936,569	7,693,611
Total demand deposits	4,868,180	4,794,947	4,669,311
Individuals, partnerships, and corporations	3,374,935	3,155,250	3,167,184
States and political subdivisions	320,859	325,008	304,110
U.S. Government	129,827	240,768	159,349
Banks in the United States	950,214	977,069	953,386
Foreign:			
Governments, official institutions, etc.	2,630	3,035	4,490
Commercial banks	20,564	19,553	17,198
Certified and officers' checks, etc.	69,151	74,264	63,594
Total time and savings deposits	3,211,963	3,141,622	3,024,300
Individuals, partnerships, and corporations:			
Savings deposits	1,209,316	1,309,670	1,313,410
Other time deposits	1,425,484	1,292,141	[3]1,320,693
States and political subdivisions	551,486	517,486	374,410
U.S. Government (including postal savings)	5,902	3,359	3,519
Banks in the United States	17,235	16,226	9,528
Foreign:			
Governments, official institutions, etc.	1,000	1,300	500
Commercial banks	1,540	1,440	2,240
Bills payable, rediscounts, and other liabilities for borrowed money	303,873	338,699	190,046
Other liabilities	157,947	162,054	163,940
CAPITAL ACCOUNTS	840,989	821,741	758,018
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	9,382,952	9,259,063	8,805,615

[1] Because of format and coverage revisions as of July 6, 1966, earlier data are not fully comparable.

[2] Certificates of participation in Federal agency loans include Commodity Credit Corporation certificates of interest previously included in "Agricultural loans" and Export-Import Bank participations previously included in "Other loans."

[3] Amount includes deposits accumulated for payment of instalment loans; as a result of a change in Federal Reserve regulations, effective June 9, 1966, such deposits are no longer reported.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended July 6, 1966	4 weeks ended June 1, 1966	5 weeks ended July 7, 1965
RESERVE CITY BANKS			
Total reserves held	606,521	601,093	624,449
With Federal Reserve Bank	563,126	556,859	582,567
Currency and coin	43,395	44,234	41,882
Required reserves	600,887	597,387	620,559
Excess reserves	5,634	3,706	3,890
Borrowings	23,100	24,124	31,276
Free reserves	—17,466	—20,418	—27,386
COUNTRY BANKS			
Total reserves held	612,723	617,702	576,949
With Federal Reserve Bank	468,622	472,047	441,518
Currency and coin	144,101	145,655	135,431
Required reserves	584,867	584,064	544,692
Excess reserves	27,856	33,638	32,257
Borrowings	10,728	8,664	5,546
Free reserves	17,128	24,974	26,711
ALL MEMBER BANKS			
Total reserves held	1,219,244	1,218,795	1,201,398
With Federal Reserve Bank	1,031,748	1,028,906	1,024,085
Currency and coin	187,496	189,889	177,313
Required reserves	1,185,754	1,181,451	1,165,251
Excess reserves	33,490	37,344	36,147
Borrowings	33,828	32,788	36,822
Free reserves	—338	4,556	—675

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
Date	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1964: June	8,282	3,934	4,348	4,563	2,250	2,313
1965: June	8,596	4,163	4,433	5,104	2,455	2,649
1966: January	9,147	4,235	4,912	5,577	2,700	2,877
February	8,827	4,027	4,800	5,612	2,675	2,937
March	8,788	4,047	4,741	5,674	2,688	2,986
April	8,934	4,151	4,783	5,797	2,781	3,016
May	8,669	4,019	4,650	5,795	2,743	3,052
June	8,742	4,080	4,662	5,704	2,667	3,037

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	June 29, 1966	May 25, 1966	June 30, 1965
ASSETS			
Loans and discounts	8,656	8,574	8,116
U.S. Government obligations	2,291	2,339	2,452
Other securities	2,140	2,100	1,727
Reserves with Federal Reserve Bank	902	829	909
Cash in vault	216	211	201
Balances with banks in the United States	986	984	1,054
Balances with banks in foreign countries[e]	6	6	5
Cash items in process of collection	872	821	848
Other assets[e]	357	444	433
TOTAL ASSETS[e]	16,426	16,308	15,745
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,212	1,164	1,311
Other demand deposits	7,538	7,422	7,427
Time deposits	5,693	5,820	5,216
Total deposits	14,443	14,406	13,954
Borrowings[e]	345	249	251
Other liabilities[e]	218	239	214
Total capital accounts[e]	1,420	1,414	1,326
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	16,426	16,308	15,745

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]			
	June 1966 (Annual-rate basis)	Percent change June 1966 from				June 30, 1966	Annual rate of turnover		
		May 1966	June 1965	6 months, 1966 from 1965			June 1966	May 1966	June 1965r
ARIZONA: Tucson	$ 3,483,600	—9	—8	—1		$ 155,103	22.3	24.0	25.4
LOUISIANA: Monroe	1,886,184	0	6	10		73,681	26.2	26.9	24.6
Shreveport	5,180,856	—3	6	9		204,115	25.4	26.1	25.0
NEW MEXICO: Roswell[2]	642,348	2	5	8		34,465	19.0	18.5	17.9
TEXAS: Abilene	1,849,752	3	13	10		87,508	20.7	19.3	19.2
Amarillo	4,084,476	—7	4	12		137,970	29.6	32.0	29.2
Austin	4,204,140	2	—3	7		192,801	21.9	22.0	24.0
Beaumont-Port Arthur	5,387,664	8	17	14		205,184	26.0	24.3	23.8
Brownsville-Harlingen-San Benito	1,209,708	—12	2	13		56,685	21.7	24.8	22.6
Corpus Christi[3]	3,851,280	8	14	10		177,176	22.5	21.5	21.0
Corsicana[2]	342,720	—3	22	15		28,333	12.2	12.9	10.5
Dallas	63,292,212	2	14	16		1,626,502	38.8	38.6	35.5
El Paso	4,971,372	—1	5	1		192,106	25.4	25.3	23.9
Fort Worth	13,713,588	—5	7	11		492,916	27.7	29.6	27.2
Galveston-Texas City	1,909,344	—1	—1	2		87,390	21.2	21.6	21.9
Houston[3]	63,321,948	7	16	13		1,876,796	33.0	30.4	29.9
Laredo	532,308	—1	1	10		28,957	17.9	18.2	18.7
Lubbock	3,695,196	1	4	7		145,197	25.2	24.9	24.7
Midland	1,665,012	9	—6	—10		109,813	14.7	13.3r	15.9
Odessa	1,367,040	14	24	17		64,008	21.7	19.1	19.0
San Angelo	909,936	4	8	14		55,517	16.6	15.9	16.2
San Antonio	11,306,760	—5	7	13		510,715	22.1	23.9	21.8
Texarkana (Texas-Arkansas)	978,564	—9	19	18		53,454	18.6	19.9	17.1
Tyler	1,570,200	2	10	9		82,704	18.8	18.2	18.0
Waco	1,848,036	—6	10	13		106,323	17.7	19.2	16.5
Wichita Falls	2,071,476	—5	1	12		107,905	19.0	19.5	18.2
Total—26 centers	$205,275,720	2	11	12		$6,893,324	29.5	29.1	27.7

[1] Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
[2] County basis.
[3] Revised (1965) SMSA boundaries.
r — Revised.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 27, 1966	June 29, 1966	July 28, 1965
Total gold certificate reserves	573,909	426,775	391,725
Discounts for member banks	43,808	52,173	7,120
Other discounts and advances	0	290	0
U.S. Government securities	1,527,953	1,616,509	1,622,998
Total earning assets	1,571,761	1,668,972	1,630,118
Member bank reserve deposits	955,151	902,467	899,105
Federal Reserve notes in actual circulation	1,244,525	1,226,975	1,125,265

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	June 1966	May 1966	June 1965	January—June 1966	January—June 1965
FIVE SOUTHWESTERN STATES[1]	460	533	501	2,638	2,752
Residential building	171	210	206	1,089	1,068
Nonresidential building	160	150	177	835	989
Nonbuilding construction	129	173	118	714	694
UNITED STATES	4,854	5,132r	4,625	26,706	24,695
Residential building	1,828	1,970	2,080	10,579	10,715
Nonresidential building	1,885	1,826	1,551	9,827	8,422
Nonbuilding construction	1,140	1,335	993	6,299	5,558

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

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	June 1966p	May 1966p	June 1965	Percent change from May 1966	Percent change from June 1965
ELEVENTH DISTRICT	3,461.4	3,495.2	3,192.3	—1.0	8.4
Texas	2,988.2	3,002.6	2,754.1	—.5	8.5
Gulf Coast	546.4	547.3	517.7	—.2	5.5
West Texas	1,368.9	1,377.7	1,264.2	—.6	8.3
East Texas (proper)	128.3	130.0	110.2	—1.5	16.4
Panhandle	97.6	97.7	99.2	—.1	—1.6
Rest of State	847.0	849.9	762.8	—.4	11.0
Southeastern New Mexico	296.5	315.9	289.1	—6.2	2.6
Northern Louisiana	176.7	176.7	149.1	.0	18.5
OUTSIDE ELEVENTH DISTRICT	4,873.9	4,871.8	4,555.6	.0	7.0
UNITED STATES	8,335.3	8,367.0	7,747.9	—.4	7.6

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

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	June 1966p	May 1966	April 1966r	June 1965r
TEXAS				
Total industrial production	151.6	148.8	144.9	137.0
Manufacturing	178.5	173.0	172.4	158.6
Durable	185.2	176.4	176.5	161.4
Nondurable	173.6	170.5	169.5	156.6
Mining	116.3	117.0	108.8	108.6
UNITED STATES				
Total industrial production	155.8	155.0	153.7	142.7
Manufacturing	158.5	157.7	156.4	144.1
Durable	165.1	164.3	162.7	148.1
Nondurable	150.2	149.5	148.4	139.0
Mining	118.4	118.1	115.8	115.3
Utilities	169.5	169.0	168.3	161.9

p — Preliminary.
r — Revised.
SOURCES: Board of Governors of the Federal Reserve System.
Federal Reserve Bank of Dallas.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS 1966, estimated July 1	TEXAS 1965	TEXAS Average 1960–64	FIVE SOUTHWESTERN STATES[1] 1966, estimated July 1	FIVE SOUTHWESTERN STATES[1] 1965	FIVE SOUTHWESTERN STATES[1] Average 1960–64
Winter wheat....	65,340	72,630	62,436	170,330	212,716	164,459
Corn.....	17,664	19,371	27,935	26,130	29,596	41,196
Oats.....	22,148	21,975	21,503	30,111	31,019	32,623
Barley.....	2,280	2,698	6,292	24,104	25,914	31,074
Rice[2].....	21,168	21,714	15,838	40,803	40,512	30,991
Hay[3].....	2,891	3,065	2,363	7,761	8,348	7,008
Flaxseed.....	720	940	955	720	940	955
Irish potatoes[4]...	4,440	2,921	2,637	8,236	5,813	5,633
Sweet potatoes[4]..	975	1,280	1,112	4,607	6,104	4,769

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] In thousands of bags containing 100 pounds each.
[3] In thousands of tons.
[4] In thousands of hundredweight.
SOURCE: U.S. Department of Agriculture.

CROP ACREAGE

(In thousands of acres)

Crop	TEXAS For harvest 1966	TEXAS Harvested 1965	TEXAS Harvested Average 1960–64	FIVE SOUTHWESTERN STATES[1] For harvest 1966	FIVE SOUTHWESTERN STATES[1] Harvested 1965	FIVE SOUTHWESTERN STATES[1] Harvested Average 1960–64
Cotton.....	4,400	5,850	6,650	5,644	7,479	8,470
Winter wheat....	2,970	3,228	3,068	7,884	8,252	7,519
Corn.....	552	587	992	813	877	1,417
Oats.....	791	879	848	1,058	1,149	1,249
Barley.....	114	142	287	694	645	1,047
Rye.....	31	29	26	85	87	93
Rice.....	504	462	442	1,065	977	931
Sorghums.....	6,257	6,195	6,437	7,728	7,651	7,940
Hay.....	2,207	2,181	1,923	4,740	4,787	4,246
Peanuts.....	295	292	288	434	430	414
Flaxseed.....	96	99	104	96	99	104
Irish potatoes....	30	22	19	51	40	36
Sweet potatoes..	13	16	15	65	78	71

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
SOURCE: U.S. Department of Agriculture.

BUILDING PERMITS

Area	NUMBER June 1966	NUMBER 6 mos. 1966	VALUATION (Dollar amounts in thousands) June 1966	VALUATION 6 mos. 1966	Percent change June 1966 from May 1966	Percent change June 1966 from June 1965	Percent change 6 months, 1966 from 1965
ARIZONA							
Tucson.....	856	3,969	$ 5,645	$ 13,662	455	152	18
LOUISIANA							
Shreveport....	427	2,170	3,620	14,205	8	120	56
TEXAS							
Abilene.....	79	441	846	8,452	—60	—74	—6
Amarillo.....	356	1,184	5,511	19,375	147	116	11
Austin.....	350	1,970	7,301	42,997	—4	—33	34
Beaumont.....	111	1,114	1,555	8,754	—42	11	—19
Corpus Christi..	414	2,245	2,681	18,506	—26	28	27
Dallas.....	2,149	12,063	17,643	106,430	8	—35	—1
El Paso.....	373	2,557	3,411	29,358	—31	—28	—7
Fort Worth....	669	3,733	5,806	28,103	24	6	8
Galveston.....	121	515	981	4,222	154	35	50
Houston.....	2,454	12,993	23,632	176,855	—39	—7	21
Lubbock.....	167	1,187	1,749	29,635	—68	—34	33
Midland.....	71	615	723	10,676	—58	—59	15
Odessa.....	117	716	1,959	8,248	110	64	36
Port Arthur....	113	542	355	3,135	—34	—37	—16
San Antonio...	1,599	8,127	7,663	53,105	41	12	73
Waco.....	206	1,207	1,200	6,472	102	—60	—50
Wichita Falls..	60	460	517	7,495	—3	1	27
Total—19 cities..	10,692	57,808	$92,798	$589,685	—10	—11	16

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons June 1966p	Number of persons May 1966	Number of persons June 1965r	Percent change June 1966 from May 1966	Percent change June 1966 from June 1965
Total nonagricultural wage and salary workers..	5,375,200	5,336,100	5,148,900	0.7	4.4
Manufacturing.....	984,000	964,500	919,200	2.0	7.0
Nonmanufacturing.....	4,391,200	4,371,600	4,229,700	.4	3.8
Mining.....	238,300	233,200	238,400	2.2	—.1
Construction.....	363,000	354,900	360,000	2.3	.8
Transportation and public utilities.....	417,500	412,000	407,600	1.3	2.4
Trade.....	1,263,400	1,256,100	1,218,700	.6	3.7
Finance.....	270,800	266,900	262,700	1.5	3.1
Service.....	788,200	777,800	754,000	1.3	4.5
Government.....	1,050,000	1,070,700	988,300	—1.9	6.2

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

ELEVENTH FEDERAL RESERVE DISTRICT

Dallas Head Office Territory
Houston Branch Territory
San Antonio Branch Territory
El Paso Branch Territory