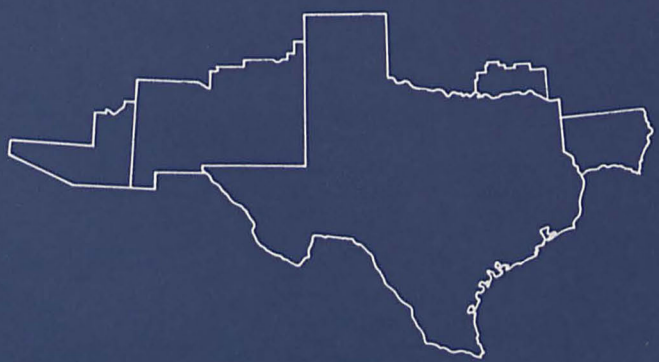
business review



february 1967

FEDERAL RESERVE
BANK OF DALLAS

contents

the paper tiger

The banking industry's paper tiger — the ever-mounting volume of checks — remains far from being tamed. Giant strides have been made toward coping with the avalanche of checks, but progress has not been rapid enough to keep pace with the gain in the use of checks. The stakes in the orderly and efficient handling of the billions of pieces of paper that flow through the banking system each year are high and quite personal, since the pocketbooks of everyone who gives or receives payment by check are involved.

Unless there is a more rapid and universal usage of checks that can be handled mechanically, the current degree of efficiency and speed of collection, which is often taken for granted by those outside of the banking industry, may be seriously impaired. Concern about such a possibility has prompted the Federal Reserve System to adopt further measures to encourage increased usage of checks which can be handled by high-speed electronic equipment.

The principal and most practical means that has been devised thus far to maintain an efficient check collection system is the Magnetic Ink Character Recognition Program of the American Bankers Association. This program was developed through long and painstaking research and study by a broad spectrum of the business and financial community — including businessmen, equipment manufacturers, check printers, and representatives of the ABA, individual banking institutions, and the Federal Reserve System.

The MICR program, as it is popularly known, has been in operation for about 8 years. During this period, substantial progress has been made in establishing the program due to the broad-scale efforts of the business and banking community. The Federal Reserve banks have been aggressive supporters of the MICR program. Although its support during the initial stages of the program was mainly promotional in nature, by 1964 the Federal Reserve Bank of Dallas had assumed a more active role toward the end of increasing the effectiveness of the MICR program.

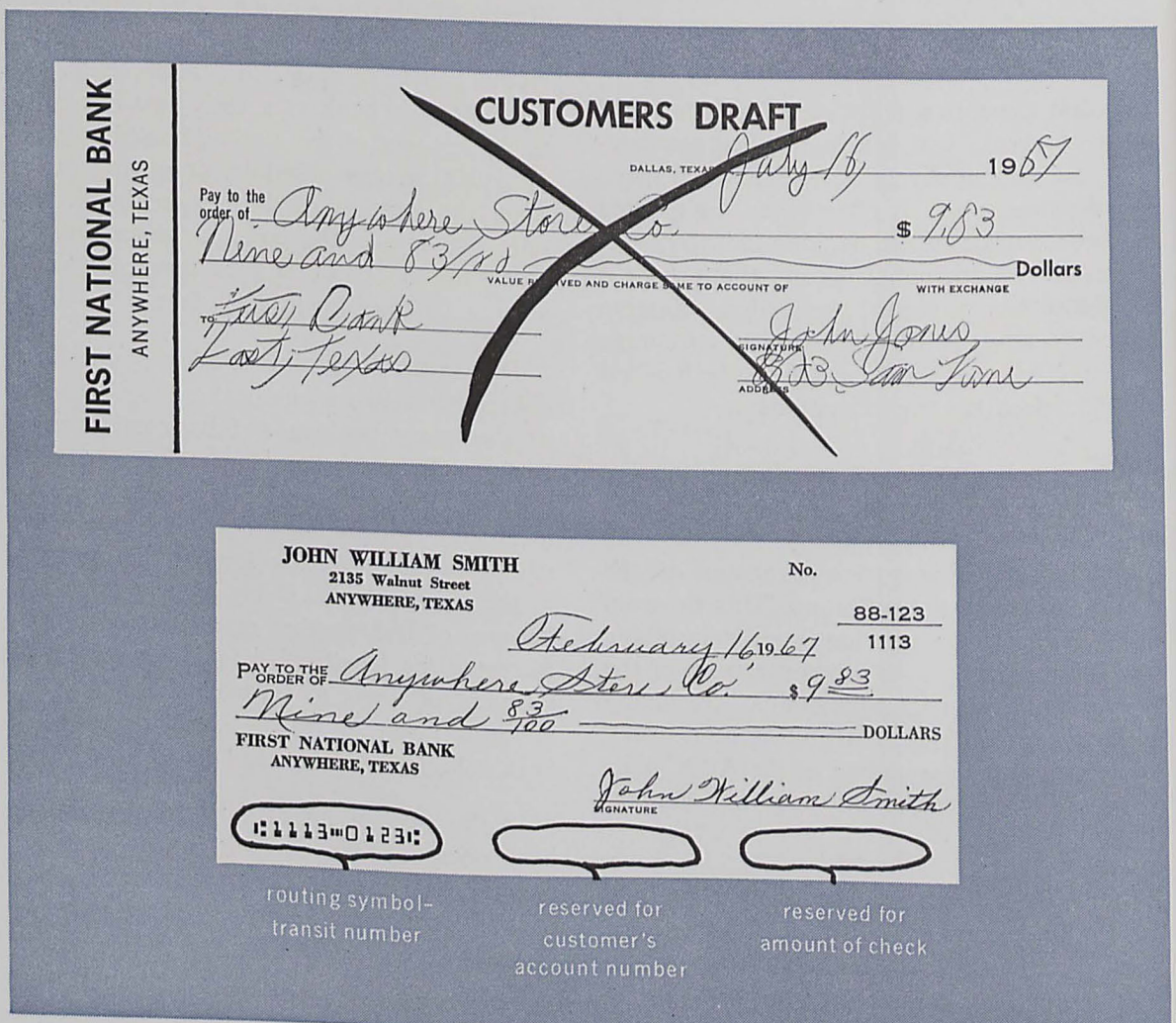
The actions taken by the Federal Reserve Bank of Dallas have generally involved placing restrictions on the types of transit items it would handle as cash items. A check handled by a Reserve bank as a cash item is credited to the account of the sending bank in accordance with a time schedule, depending mainly upon the location of the drawee bank. This time schedule is the basis for determining if credit for the check will be granted immediately or deferred for up to 2 days.

Due to the sheer time it takes physically to deliver items to various banks, the observance of customary banking and business hours of work, and the like, it is not always possible for the Federal Reserve Bank to receive payment from banks upon which checks are drawn within the time schedule for granting of credit to the sending bank. Delay of items in transit because of bad weather or other reasons also increases the length of time it takes for final payment of items to be made. The fact that credit is given to banks before an item has been collected gives rise to "float."

In the case of noncash items, the sending bank does not receive credit for an item until the Federal Reserve Bank receives payment from the bank upon which it is drawn. Since they require special handling, the collection time for noncash items is almost always longer than for cash items.

Effective January 1, 1964, restrictions were placed upon the handling of odd-sized or nonstandard checks, called "headache" items by bankers. The dimensions or design of these items, including envelope drafts, are so unusual that they cannot be processed by low-speed proof machine equipment and must receive special handling. Beginning in 1965, the Reserve Bank also placed restrictions on handling voucher checks which are folded or doubled, because they cannot be processed in a fully automated fashion on high-speed equipment. These actions were taken to improve the efficiency of the check collection system.

Last August, all commercial banks in the Eleventh Federal Reserve District were notified that the Federal Reserve Bank would institute additional and broader requirements for handling cash items through its facilities. Notice was given that, effective September 1, 1967, checks not bearing routing-transit numbers preprinted or postencoded in magnetic ink, according to specifications of the American Bankers Association, will *not* be handled as cash items. Checks not meeting ABA requirements are called nonconforming items, and they are incompatible with high-speed check-handling processes.



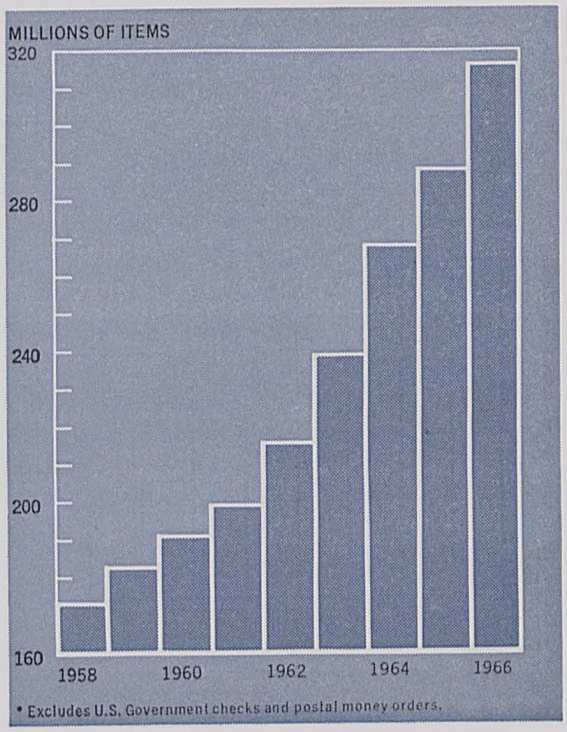
Beginning in September, nonconforming items of $1,000 or more sent to the Head Office or branches of the Federal Reserve Bank of Dallas by banks located outside the city of the receiving Federal Reserve office will be handled as noncash items. All other nonconforming items will be charged back and returned to the sending bank. Returned items can be resubmitted to the Federal Reserve Bank either as cash items, if the sending bank encodes the routing symbol-transit number on the items, or as noncash collection items.

The various decisions of the Reserve Bank to restrict its processing and forwarding of checks as cash items to only those checks which are capable of being processed on high-speed equipment were made after long and considered deliberation. The actions taken — especially the most recent one — have been prompted by recognition of the fact that urgent steps had to be taken to improve check handling, which was fast being overwhelmed by a mountain of paper. Further, with the Federal Reserve Bank taking the leadership in restricting the types of items it will handle, it is felt that the commercial banks, operating within their highly competitive environment, will be in a stronger position to encourage their customers to cooperate in a program that is vital to the interests of everyone.

A growing volume of business, especially when it is profitable, is delightful to almost everyone connected with the firm — workers, owners, and even taxing authorities, who, in one way or another, share in the increased profits. Bankers are among those businessmen who have experienced a growing volume of business. However, one area of bank services, check clearing, has shown such rapid growth and reached such large proportions that efficiency must be stepped up, charges for the services increased, or both.

Data are not available on the growth in the total volume of checks handled by individual

CHECKS HANDLED* AT FEDERAL RESERVE BANK OF DALLAS AND ITS BRANCHES



commercial banks and clearinghouse associations. But, trends in check activity at the four offices of the Federal Reserve Bank of Dallas may be enlightening. Exclusive of U.S. Government checks, postal money orders, and checks drawn on the Federal Reserve banks, the number of checks handled at the four offices between 1958 and 1966 rose from nearly 172.7 million items to about 315.9 million checks. This 83-percent increase in the number of pieces of paper handled was accompanied by almost a doubling of the dollar amount of checks processed. The growth in the number of checks handled by the Federal Reserve Bank of Dallas during the period outstripped, by a substantial percentage, the increase in the volume processed by all 12 Federal Reserve banks.

It is difficult to visualize how the present daily volume of checks could be processed without the MICR program. Currently, the Federal

Reserve Bank and its branches are using seven high-speed check-handling systems; yet, a substantial number of checks must be held over on days when the inflow of items is particularly heavy. As a matter of fact, most nonconforming items are held over every day. If these items were fully qualified, they could be processed on high-speed machines at the rate of 65,000 items per hour. Instead, nonconforming items are rejected by the high-speed equipment. Special handling of these items is required in order to provide an accurate total of all the checks received from a particular bank, since both fully qualified and nonconforming items are often sent to the Reserve Bank in one mailing. The nonconforming items are then sorted and listed, according to drawee bank, on proof machines at the rate of only 1,500 items per hour.

The Federal Reserve System is apprehensive that delays in presenting checks for payment might result in losses to banks and the public. Further, the float created by the slower collection of nonconforming checks is a major concern. The float of the Dallas Federal Reserve Bank averages between $125 million and $150 million daily. The deferment schedule accounts for a sizable portion of the float, while the remainder arises from holdover, bad weather, and transportation delays. Federal Reserve banks have been urged by a congressional committee to reduce the volume of float, and the September restriction on the handling of nonconforming items is a major step in this direction.

NONCONFORMING TRANSIT ITEMS AT FEDERAL RESERVE BANKS

(Based on December 1966 surveys)

Description	Federal Reserve Bank of Dallas and its branches		All Federal Reserve banks and branches	
	Number of nonconforming items	As percent of total	Number of nonconforming items	As percent of total
Individual accounts	14,936	16.1	108,904	20.8
Corporate accounts	27,837	30.0	184,113	35.2
Counter drafts	36,977	39.9	103,975	19.9
Changed checks	2,694	2.9	20,957	4.0
Insurance premium drafts	6,200	6.7	32,851	6.3
All others	4,094	4.4	71,524	13.8
TOTAL	92,738	100.0	522,324	100.0

SOURCE: Federal Reserve Subcommittee on Collections.

Southwesterners face a major challenge in reducing the volume of nonconforming items. As compared with the experience for all 12 Federal Reserve banks, the proportion of nonconforming items handled by the Federal Reserve Bank of Dallas is quite large. On December 21, 1966, a little over 8 percent of the checks received at its four offices did not bear MICR routing designation, as compared with less than 3 percent for the 12 Reserve banks combined.

The survey also revealed the types of accounts and items for which the problem of nonconformity was most serious. As the accompanying table shows, counter drafts account for the major proportion of nonconforming items — about 40 percent of the total — followed by corporate accounts and individual accounts. An early and substantial improvement in the usage of MICR transit numbers on personal and corporate checks and the elimination of the use of counter and customer drafts would provide a significant boost to the efficiency of check-clearing operations.

In order to inform the public of the restrictions to be imposed in September, as well as the part they can play in improving the handling of their checkbook dollars, the Federal Reserve Bank of Dallas is conducting a comprehensive educational and promotional program. Some of its educational efforts include distribution of promotional material for the use of banks and business firms, provision of mailers to be included with the bank statements of individual customers, articles in various publications and news media, speeches at meetings of

businessmen and bankers, and letters to and discussions with large issuers of nonconforming checks.

Some businessmen who have already embarked upon a program of eliminating customer draft forms have been pleasantly surprised. One large retail firm which recently began to require customers to use personalized checks has found that losses from bad checks have been reduced from over $1,000 per month to just slightly more than $100. It is well known that losses on hot checks and also the source of most ULA (unable to locate account) items are primarily centered in the acceptance of customer drafts.

king cotton has problems

The U.S. cotton industry's economic welfare is highly related to the Nation's share of world markets for cotton. Exports of this commodity are vital to the maintenance of farm income and to the overall level of economic activity in major cotton-producing states. The income and employment of ginners, warehousemen, merchants, farm supply firms, and other business concerns are affected by the volume of cotton exports.

The number 1 cash crop in the United States is cotton, and farm income derived from this fiber accounts for a large share of the cash receipts from farming in many states. The southwestern states have a great stake in cotton developments, since almost 45 percent of U.S. production originates in this area.

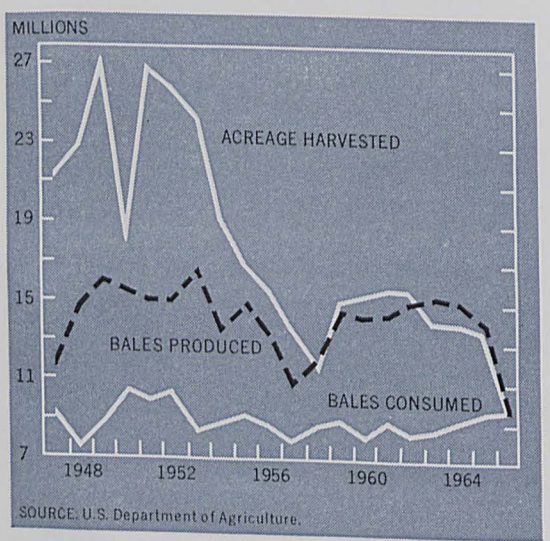
Although change has been part of cotton's tradition, some very distinct adjustments have taken place in its production, consumption, and trade during the past two decades. In 1947, there were only 16 countries producing more than 100,000 bales annually; today, there are 25 such countries. Many of the countries joining the ranks of cotton producers have even become net exporters of the crop. World production has continued upward as more acreage has been planted and yields per acre have improved. Following the disruption of all facets of the cotton industry in World War II, production advanced sharply and reached a new high of more than 42 million bales in the early fifties. Output has continued to increase and, now, is near the 50-million-bale level. Foreign countries contributing most heavily to increased production and exports have been Mexico, Brazil, Peru, Guatemala, Nicaragua, Egypt, Syria, India, and Pakistan.

Cotton production in foreign free world countries increased from less than 9 million bales annually in 1947 to more than 23 million bales in 1966. The acreage expansion in foreign countries has been spurred by the profitability of cotton as a cash crop and earner of foreign exchange.

A contrasting acreage situation has occurred in the United States. Acreage controls in force at the start of World War II were lifted in order to assure adequate cotton supplies for the war effort. Prices also were supported at

relatively high levels to encourage a production response. In 1950, it was necessary to reimpose acreage controls after surpluses began accumulating at a rapid rate. A drastic reduction in acreage had hardly been accomplished when the Korean War began. The much smaller U.S. crop harvested in 1950 and the world's fear of a general war resulted in increased demand. Prices in world markets reached record levels of more than 60 cents per pound, and a price ceiling was placed on American cotton. There were no acreage restrictions in the United States for the 1951-53 crops, and production again outstripped consumption; consequently, surpluses soared.

U.S. COTTON ACREAGE, PRODUCTION, AND CONSUMPTION



Acreage controls were reinstituted for the 1954 crop, and restrictions have continued in force for each successive crop. During the period from 1954 to 1966, cotton acreage harvested in the United States declined from about 19 million acres to less than 10 million acres — the smallest acreage in almost a century. Although world acreage has been decreasing slightly from the level of more than 80 million acres in 1965, most of the decrease is associated with that in the United States. Despite the acreage reduction, the United States currently harvests 20 percent of the world's output from about 12 percent of the acreage.

World cotton consumption has moved upward during the past two decades, although the use of cotton has varied widely among countries and regions. Foreign free world countries used about 25 million bales in the 1965-66 season, compared with 14 million bales two decades earlier. Net exporting countries will continue to require more cotton for internal use.

Many of the cotton-producing nations are developing countries, and they use the product grown domestically, rather than importing other fibers and utilizing scarce exchange. Moreover, the developing countries usually have problems with population growth and low per capita incomes, which tend to reduce the effective demand for imports. The industrialized nations of the world show a slight upward trend in cotton consumption, depending upon the status of the textile industry within each country and the inroads made by synthetic fibers. There are several major factors that operate to increase or deter cotton consumption — population, cotton prices, prices of man-made fibers, and general economic conditions.

Man-made fibers provide stringent competition for cotton and have adversely affected the use of cotton fiber. The consumption of man-made fibers rose from slightly over 2 billion pounds in 1947 to about 12 billion pounds in 1965, and a further rise likely occurred in 1966. Despite the absolute gain in world cotton consumption, the rate of growth has not increased as fast as that for man-made fibers. In fact, man-made fibers have increased their share of total fiber consumption from 12 percent to over 30 percent in two decades. A large part of the expansion occurred in the past 10 years, with new synthetics receiving wider market acceptance than some man-made fibers which had been in use for a number of years.

PER CAPITA MILL CONSUMPTION OF FIBERS

United States

(Percentage of total consumption)

Year	Cotton	Wool	Man-made fibers	All fibers[1]
1947	72.6	10.9	16.5	100.0
1948	69.8	10.8	19.4	100.0
1949	70.6	9.2	20.2	100.0
1950	68.5	9.3	22.2	100.0
1951	71.3	7.1	21.6	100.0
1952	69.6	7.2	23.2	100.0
1953	68.8	7.6	23.6	100.0
1954	68.6	6.4	25.0	100.0
1955	65.4	6.2	28.4	100.0
1956	66.8	6.7	26.5	100.0
1957	65.3	5.9	28.8	100.0
1958	64.9	5.5	29.6	100.0
1959	63.4	6.4	30.2	100.0
1960	64.7	6.3	29.0	100.0
1961	62.2	6.3	31.5	100.0
1962	59.5	6.1	34.4	100.0
1963	55.7	5.7	38.6	100.0
1964	54.6	4.6	40.8	100.0
1965p	52.7	4.6	42.7	100.0

[1] Does not include flax and silk.
p — Preliminary.
SOURCE: U.S. Department of Agriculture.

Total production of man-made fibers currently is equivalent to more than 33 million bales of cotton, and output of synthetics probably will increase further. The greater use of these man-made fibers by textile mills in developed countries has been at the expense of cotton. Mill consumption of man-made fibers has tended to concentrate in the United States, Western Europe, and Japan. For instance, the United Kingdom has reduced the proportion of cotton used in its textile mills from more than 50 percent of all fibers in 1950 to less than 30 percent at the present time.

The relatively high price of U.S. cotton for many years has done much to foster production of the crop in other countries. Furthermore, the expanded production of man-made fibers, both in the United States and in other countries, has contributed to the slowing in consumption of cotton. The response of cotton production and consumption to rather small price changes is considerable. It has been estimated that a 1-cent-per-pound change in the world price of cotton is associated with a change, in the same direction, in world plantings of over 200,000 acres of cotton. Likewise, a 1-cent-per-pound change in the price of cotton can mean a change in consumption, in the opposite direction, of more than 100,000 bales.

The high world price for cotton in the early fifties not only encouraged the development of new fibers but was an incentive for mills to use the new materials in various textile products. The synthetic fibers were found to be suitable for a wide range of products and to rate high as a substitute for cotton. The quality control maintained on man-made fibers permits less wastage; and even though the price per pound is higher, the difference in cost is not as great when a larger percentage of output is usable.

Cotton prices have been declining since the early fifties, when world production gained momentum and the strong demand for cotton was short-lived as the volume anticipated for the Korean conflict did not materialize. The rate of the price decline has slowed since 1958. Price weakness was particularly noticeable in the past 5 years. The continued large world output, accumulating surpluses, and greater inroads in textile markets by man-made fibers have placed pressure on cotton prices.

The potential for U.S. cotton exports is directly associated with the difference between foreign production and consumption, changes in stocks, and the availability of substitute fibers. World stocks of cotton have generally varied in proportion to U.S. stocks because of the relative importance of American production and the Nation's provisions for maintaining control over surpluses. The carry-over of world stocks during the past 20 years varied from a low of 12 million bales on August 1, 1951, to the record 30 million bales on August 1, 1966. The U.S. carry-over of 16.8 million bales on August 1, 1966, was higher than usual but

U.S. SHARE OF WORLD COTTON ACREAGE, PRODUCTION, AND EXPORTS

(Percentage of total)

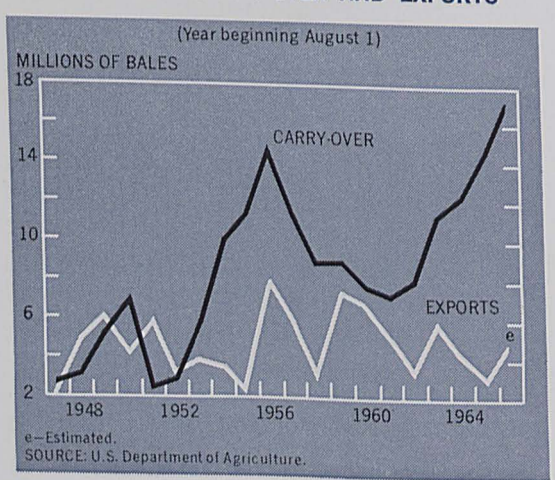
Year	Acreage	Production	Exports
1957	17.1	25.9	40.4
1958	15.1	25.6	20.7
1959	18.9	31.1	41.4
1960	19.1	31.0	38.8
1961	19.4	31.9	31.6
1962	19.6	31.2	21.4
1963	17.7	30.5	31.7
1964	17.2	29.2	24.4
1965	16.7	28.0	17.3
1966p	12.8	21.4	27.3

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

represented about the same general proportion of world stocks as it had in the preceding decade.

Currently, cotton is the only U.S. farm commodity with alarmingly high stocks. Surpluses of many other commodities reached troublesome levels a few years ago but have been sharply reduced. Despite a reduction in acreage, which receded from a high of over 27 million acres in 1949 to a low of less than 10 million acres in 1966, cotton production has been maintained at a high level. The enlargement of farm units, doubling of yields per acre, greater use of irrigation, and more mechanization have made it possible to produce more cotton on fewer acres and with considerably less labor. The rapid improvement in production efficiency, relatively slow growth in total consumption, and increased competition from man-made fibers have created problems. The problems may be broadly identified as excessive farm labor and substantial reductions in the purchases of goods and services used in production and marketing by the cotton industry.

U.S. COTTON CARRY-OVER AND EXPORTS



e—Estimated.
SOURCE: U.S. Department of Agriculture.

The U.S. cotton industry has been dependent upon a strong export market and has been a major participant in world trade. This country's share of world export trade in cotton declined from 40 percent to about 25 percent in the past two decades. The level of world trade has lagged behind world consumption because many cotton-producing countries consume more of their domestic output and, at the same time, others have increased domestic production and are more nearly self-sufficient.

Under these conditions, the United States finds its foreign market shrinking. In addition, man-made fibers are taking a larger share of domestic and foreign textile markets in the industrialized nations. Cotton's share of the domestic fiber market has decreased steadily and, currently, accounts for about 53 percent, as compared with 43 percent for man-made fibers.

The current U.S. surplus of cotton probably will be overcome rather quickly if the adjustment in 1966 is an indication of production trends. Exports are likely to increase, as prices under the current Government program are based upon estimated world prices. The total carry-over may decline as much as 4 million bales during the present marketing year, since domestic consumption is estimated to be near last year's output. Nevertheless, if the past provides any judgment about the future, it seems clear that the U.S. capacity to produce cotton is well ahead of foreseeable domestic and foreign consumption at existing prices.

J. C. GRADY, JR.

district highlights

The seasonally adjusted Texas industrial production index climbed somewhat less than 1 percent in December to reach 150.5 percent of the 1957-59 base, the first time that the index has attained the 150 mark or better. The December output was 9 percent higher than in the same month a year earlier.

Output of durable goods in the State rose less than 2 percent between November and December, with electrical machinery, fabricated metal products, and nonelectrical machinery being especially strong. A production increase in aircraft and parts was counterbalanced by a decrease in automobile assemblies. Despite declines in construction, output in a closely related industry — namely, stone, clay, and glass products — advanced moderately during the month. Compared with a year ago, durable goods manufacturing was up 11 percent. Nondurable goods manufacturing exhibited a very slight increase during December but was almost 6 percent ahead of the same month in 1965. Petroleum refining and related industries showed the only notable advance, being over 3 percent higher than in the previous month; other nondurable goods categories registered only small changes.

During 1966, the Texas production index advanced at a faster rate than the national index of industrial production, rising in excess of 12 points versus an increase of less than 10 points for the national index. The actual level of the Texas index continued below the national one, but the gap between them has been narrowing steadily as a result of a more rapid rate of industrial growth in the State than in the Nation as a whole.

Nonagricultural wage and salary employment in the five southwestern states advanced about 1 percent during December to a level of 5,539,700 workers; this advance is somewhat greater than the normal seasonal change. Manufacturing employment did not decline as much as usual, and the nonmanufacturing work force rose somewhat greater than normal. Within the manufacturing sector, durable goods firms showed employment strength as opposed to nondurable goods concerns. Trade employment, reflecting a normal seasonal gain for December, rose over 4 percent; post office employment, as well, increased seasonally during the month. However, construction employment eased over 1 percent, which is somewhat less than the normal seasonal decline.

Nonagricultural employment in the five states in December rose about 4 percent over the same month in 1965. Manufacturing employment showed great strength, increasing almost 6 percent; for nonmanufacturing, there was a 4-percent gain. All nonmanufacturing employment categories registered year-to-year increases except mining, which declined slightly. Employment in construction was almost 2 percent ahead of the comparable 1965 figure.

Registrations of new passenger automobiles in December in four major market areas in Texas were 9 percent below both the previous month and December 1965. During 1966, total registrations in the four markets were fractionally lower than in 1965. Cumulative registrations in Dallas and Houston each were down 1 percent, but those in Fort Worth and San Antonio increased 4 percent and 2 percent, respectively.

Department store sales in the Eleventh District during 1966 were 6 percent greater than in 1965. On the other hand, sales for the 4 weeks ended January 21 were 1 percent below

the corresponding period last year, and cumulative sales for the first 3 weeks in 1967 were 2 percent lower than in the comparable period in 1966.

Despite some light rains in scattered areas, soil moisture remains generally short over most of the Eleventh District. Winter wheat and oats need rain badly to prevent freeze and wind damage. Dryland small grains have received very little effective moisture since last fall. Range and pasture grasses are providing limited green grazing, and dry forage supplies are rapidly diminishing. Grazing of small grains has been largely discontinued because of limited growth resulting from dry, cold weather. Supplemental feeding has been required in most areas to maintain the condition of livestock.

As a result of the rapid reduction in money market rates in recent weeks relative to rates paid on large negotiable certificates of deposit, the District's weekly reporting commercial banks have experienced a large inflow of such deposits since mid-December. On December 14, 1966, negotiable CD's issued in denominations of $100,000 or more by the District's weekly reporting commercial banks reached their lowest level ($999.8 million) since March 23, 1966. The sharp turnaround of money market rates in December 1966 and early January 1967, however, reversed the 5-month-long outflow of these deposits. By January 18, 1967, these deposits had risen 11.2 percent to a level of $1,111 million, or only $8 million below the peak level attained on July 13, 1966.

The Nation's weekly reporting commercial banks have experienced a similar but slightly smaller inflow of large negotiable certificates of deposit since mid-December. The latest figures available show that the Nation's weekly reporting commercial banks had a $1,615 million net inflow (or a gain of 10.5 percent) of large negotiable CD's between December 14, 1966, and January 18, 1967.

new par banks

The Northline State Bank, Houston, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, January 21, 1967. The officers are: W. S. Elkins, President; W. J. Keitt, Vice President; Bernard S. Beaman, Jr., Executive Vice President; and Micheal L. Bosco, Cashier.

The American Bank of Commerce, Grapevine, Texas, a 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 its opening date, February 2, 1967. The officers are: Carlton D. Pittard, Chairman of the Board; D. D. Patteson, President; and R. B. Goldstein, Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

February 1967

FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Jan. 25, 1967	Dec. 28, 1966	Jan. 26, 1966[1]
ASSETS			
Net loans and discounts	4,991,715	5,238,671	4,802,435
Valuation reserves	98,544	88,331	89,864
Gross loans and discounts	5,090,259	5,327,002	4,892,299
Commercial and industrial loans	2,503,228	2,521,719	2,237,359
Agricultural loans[2]	87,780	85,602	64,506
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	20,007	14,002	2
Other securities	38,501	35,046	50,043
Other loans for purchasing or carrying:			
U.S. Government securities	1,309	733	2,875
Other securities	315,770	330,698	309,084
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	162,236	174,033	130,576
Other	244,212	262,326	276,696
Real estate loans	464,894	467,292	445,690
Loans to domestic commercial banks	157,844	307,507	151,597
Loans to foreign banks	3,969	4,506	3,918
Consumer instalment loans	510,506	513,568	[3]1,219,953
Loans to foreign governments, official institutions, etc.	0	0	
Other loans[2]	580,003	609,970	
Total investments	2,203,638	2,224,172	2,271,815
Total U.S. Government securities	1,084,324	1,089,864	1,289,511
Treasury bills	48,171	48,596	112,393
Treasury certificates of indebtedness	15,209	15,659	41,623
Treasury notes and U.S. bonds maturing:			
Within 1 year	161,997	164,848	195,003
1 year to 5 years	601,416	599,844	581,606
After 5 years	257,531	260,917	358,886
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	7,601	12,315	982,304
All other	944,551	963,864	
Other bonds, corporate stocks, and securities:			
Participation certificates in Federal agency loans[2]	99,377	90,188	
All other (including corporate stocks)	67,785	67,941	
Cash items in process of collection	799,679	778,395	777,544
Reserves with Federal Reserve Bank	675,993	543,791	552,144
Currency and coin	78,015	87,857	70,895
Balances with banks in the United States	458,164	484,429	442,913
Balances with banks in foreign countries	4,141	4,752	3,746
Other assets	335,713	342,705	328,934
TOTAL ASSETS	9,547,058	9,704,772	9,250,426
LIABILITIES			
Total deposits	8,210,622	8,363,840	8,052,059
Total demand deposits	4,938,592	5,184,598	4,864,814
Individuals, partnerships, and corporations	3,375,835	3,549,767	3,376,221
States and political subdivisions	289,110	281,115	242,802
U.S. Government	100,607	98,146	152,635
Banks in the United States	1,075,450	1,155,733	1,008,127
Foreign:			
Governments, official institutions, etc.	5,239	3,138	2,815
Commercial banks	20,149	22,881	20,233
Certified and officers' checks, etc.	72,202	73,818	61,981
Total time and savings deposits	3,272,030	3,179,242	3,187,245
Individuals, partnerships, and corporations:			
Savings deposits	1,114,401	1,187,044	1,307,987
Other time deposits	1,490,780	1,357,486	[3]1,300,787
States and political subdivisions	640,968	609,523	560,853
U.S. Government (including postal savings)	8,878	8,790	3,519
Banks in the United States	15,473	14,059	11,259
Foreign:			
Governments, official institutions, etc.	800	800	1,300
Commercial banks	730	1,540	1,540
Bills payable, rediscounts, and other liabilities for borrowed money	316,267	280,520	228,488
Other liabilities	168,171	206,799	165,987
CAPITAL ACCOUNTS	851,998	853,613	803,892
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	9,547,058	9,704,772	9,250,426

[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	4 weeks ended Jan. 4, 1967	5 weeks ended Dec. 7, 1966	5 weeks ended Jan. 5, 1966
RESERVE CITY BANKS			
Total reserves held	653,539	629,947	623,833
With Federal Reserve Bank	602,150	583,727	575,451
Currency and coin	51,389	46,220	48,382
Required reserves	646,966	622,737	618,325
Excess reserves	6,573	7,210	5,508
Borrowings	53,744	75,180	11,170
Free reserves	—47,171	—67,970	—5,662
COUNTRY BANKS			
Total reserves held	654,241	643,123	617,597
With Federal Reserve Bank	497,400	492,542	470,403
Currency and coin	156,841	150,581	147,194
Required reserves	620,790	610,008	585,116
Excess reserves	33,451	33,115	32,481
Borrowings	2,161	8,469	2,667
Free reserves	31,290	24,646	29,814
ALL MEMBER BANKS			
Total reserves held	1,307,780	1,273,070	1,241,430
With Federal Reserve Bank	1,099,550	1,076,269	1,045,854
Currency and coin	208,230	196,801	195,576
Required reserves	1,267,756	1,232,745	1,203,441
Excess reserves	40,024	40,325	37,989
Borrowings	55,905	83,649	13,837
Free reserves	—15,881	—43,324	24,152

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Jan. 25, 1967	Dec. 28, 1966	Jan. 26, 1966
Total gold certificate reserves	575,648	448,582	418,000
Discounts for member banks	1,023	400	13,646
Other discounts and advances	0	0	1,160
U.S. Government securities	1,628,077	1,502,065	1,648,153
Total earning assets	1,629,100	1,502,465	1,662,959
Member bank reserve deposits	1,108,165	966,058	972,656
Federal Reserve notes in actual circulation	1,246,827	1,283,132	1,177,134

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Dec. 28, 1966	Nov. 30, 1966	Dec. 29, 1965
ASSETS			
Loans and discounts[1]	8,932	8,639	8,445
U.S. Government obligations	2,299	2,330	2,461
Other securities[1]	2,244	2,274	1,964
Reserves with Federal Reserve Bank	966	966	983
Cash in vault	241	228	229
Balances with banks in the United States	1,111	1,125	1,147
Balances with banks in foreign countries[e]	7	6	6
Cash items in process of collection	884	913	947
Other assets[e]	485	452	484
TOTAL ASSETS[e]	17,169	16,933	16,666
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,410	1,363	1,394
Other demand deposits	7,835	7,635	7,783
Time deposits	5,889	5,829	5,487
Total deposits	15,134	14,827	14,664
Borrowings	285	356	342
Other liabilities[e]	281	283	262
Total capital accounts[e]	1,469	1,467	1,398
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	17,169	16,933	16,666

[1] Beginning June 15, 1966, Commodity Credit Corporation certificates of interest and Export-Import Bank participations are included in "Other securities," rather than "Loans and discounts."

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]			
	December 1966 (Annual-rate basis)	Percent change: December 1966 from November 1966	Percent change: December 1966 from December 1965	Percent change: 12 months, 1966 from 1965	December 31, 1966	Annual rate of turnover: December 1966	Annual rate of turnover: November 1966	Annual rate of turnover: December 1965r
ARIZONA: Tucson	$ 3,615,384	—12	0	2	$ 157,713	22.5	24.3	23.6
LOUISIANA: Monroe	2,031,024	10	5	9	71,305	28.7	26.1	25.1
Shreveport	5,319,744	—6	1	10	214,436	25.1	26.5	26.0
NEW MEXICO: Roswell[2]	638,172	—8	—3	2	33,862	18.9	20.7	19.2
TEXAS: Abilene	1,943,952	4	3	9	94,019	20.5	20.1	20.4
Amarillo	4,371,024	7	—1	8	136,086	32.2	29.7	31.7
Austin	4,502,172	0	13	8	184,051	24.5	24.4	23.4
Beaumont-Port Arthur	5,447,916	—1	9	11	213,061	25.6	26.2	24.5
Brownsville-Harlingen-San Benito	1,550,328	1	—3	8	61,522	25.9	26.0	26.6
Corpus Christi	3,743,664	5	3	7	184,561	20.2	19.2	20.6
Corsicana[2]	325,704	—11	1	10	27,337	11.7	12.6	11.8
Dallas	62,495,196	—6	12	16	1,702,115	37.2	39.7	34.7
El Paso	5,063,052	0	2	2	195,671	25.6	25.1	24.9
Fort Worth	14,301,816	3	6	10	516,893	28.1	28.0	26.9
Galveston-Texas City	1,826,016	—4	—4	1	94,669	20.0	21.6	21.1
Houston[3]	61,371,960	2	8	12	1,869,722	32.5	31.2	29.5
Laredo	623,520	—2	20	12	32,616	19.3	20.0	18.0
Lubbock	2,998,260	—4	—13	5	139,611	20.9	20.8	24.2
Midland	1,542,792	0	—2	—5	117,271	13.4	13.4	14.4
Odessa	1,251,564	2	6	12	60,197	20.3	19.3	18.4
San Angelo	932,700	—3	—1	9	57,535	16.5	17.0	16.9
San Antonio	11,669,148	0	1	10	490,298	23.7	23.4	24.0
Texarkana (Texas-Arkansas)	1,145,472	4	12	7	56,919	20.4	20.0	19.9
Tyler	1,638,888	6	2	6	83,136	19.5	18.5	20.4
Waco	1,996,548	—5	—1	10	104,045	18.8	19.4	19.3
Wichita Falls	2,023,944	8	—4	6	109,544	18.5	17.1	17.8
Total—26 centers	$204,369,960	—1	7	12	$7,008,195	29.2	29.4	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.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS: Total	GROSS DEMAND DEPOSITS: Reserve city banks	GROSS DEMAND DEPOSITS: Country banks	TIME DEPOSITS: Total	TIME DEPOSITS: Reserve city banks	TIME DEPOSITS: Country banks
1964: December	8,852	4,213	4,639	4,713	2,288	2,425
1965: December	9,077	4,241	4,836	5,451	2,610	2,841
1966: July	8,912	4,165	4,747	5,734	2,660	3,074
August	8,637	3,982	4,655	5,764	2,670	3,094
September	8,797	4,080	4,717	5,736	2,634	3,102
October	8,847	4,064	4,783	5,726	2,595	3,131
November	8,914	4,061	4,853	5,751	2,581	3,170
December	9,098	4,202	4,896	5,781	2,575	3,206

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	December 1966p	November 1966p	December 1965	Percent change from: November 1966	Percent change from: December 1965
ELEVENTH DISTRICT	3,516.4	3,467.6	3,341.6	1.4	5.2
Texas	3,031.1	2,985.3	2,889.6	1.5	4.9
Gulf Coast	563.1	555.3	540.7	1.4	4.1
West Texas	1,378.1	1,364.2	1,313.5	1.0	4.9
East Texas (proper)	160.2	127.2	119.8	25.9	33.7
Panhandle	99.4	96.6	100.8	2.9	—1.4
Rest of State	830.3	842.0	814.8	—1.4	1.9
Southeastern New Mexico	311.2	308.2	298.5	1.0	4.3
Northern Louisiana	174.1	174.1	153.5	.0	13.4
OUTSIDE ELEVENTH DISTRICT	5,053.4	5,006.4	4,838.5	.9	4.4
UNITED STATES	8,569.8	8,474.0	8,180.1	1.1	4.8

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

ANNUAL BANK DEBITS AND ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

(Dollar amounts in thousands)

Standard metropolitan statistical area	Debits to demand deposit accounts[1]: 1966	1965	Percent change	Demand deposits[1]: Annual rate of turnover: 1966	1965
ARIZONA					
Tucson	$ 3,914,567	$ 3,844,327	2	24.1	24.5
LOUISIANA					
Monroe	1,902,402	1,752,440	9	25.3	23.7
Shreveport	5,325,796	4,834,907	10	25.3	24.2
NEW MEXICO					
Roswell[2]	638,955	627,694	2	18.7	18.2
TEXAS					
Abilene	1,878,965	1,733,221	8	20.3	19.4
Amarillo	4,266,064	3,974,168	7	30.9	28.6
Austin	4,257,025	3,935,491	8	22.8	22.3
Beaumont-Port Arthur	5,262,551	4,717,476	12	25.1	23.6
Brownsville-Harlingen-San Benito	1,303,025	1,227,987	6	22.8	22.5
Corpus Christi	3,766,141	3,523,145r	7	21.0	20.6r
Corsicana[2]	336,393	307,211	9	11.9	11.2
Dallas	63,396,639	54,732,500r	16	38.4	34.3r
El Paso	4,866,956	4,765,774	2	24.5	23.8
Fort Worth	13,960,444	12,707,573	10	28.0	26.3
Galveston-Texas City	1,936,879	1,919,237	1	21.8	21.3
Houston	60,979,348	54,477,032r	12	31.4	29.1r
Laredo	567,142	506,388	12	18.8	18.2
Lubbock	3,556,131	3,411,757	4	23.7	23.4
Midland	1,576,478	1,661,711	—5	13.7	14.6
Odessa	1,262,932	1,125,660	12	19.7	18.4
San Angelo	903,860	830,374	9	16.2	15.6
San Antonio	11,614,114	10,626,633	9	23.4	22.3
Texarkana (Texas-Arkansas)	1,063,718	917,506	16	19.5	18.5
Tyler	1,579,559	1,496,422	6	19.0	18.7
Waco	2,061,419	1,876,485	10	19.7	18.4
Wichita Falls	2,075,144	1,956,095	6	18.4	16.8
Total—26 centers	$204,252,647	$183,489,214r	11	29.1	27.1r

[1] Unadjusted deposits of individuals, partnerships, and corporations and of states and political subdivisions.
[2] County basis.
r — Revised.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	December 1966p	November 1966	October 1966r	December 1965r
TEXAS				
Total industrial production	150.5	149.3	148.0	138.2
Manufacturing	167.9	166.6	164.9	155.6
Durable	183.7	180.9	180.1	165.4
Nondurable	157.4	157.1	154.8	149.0
Mining	117.9	117.1	115.9	106.4
Utilities	189.3	186.6	186.9	172.5
UNITED STATES				
Total industrial production	158.7	158.6	158.8	149.0
Manufacturing	161.0	161.0	161.4	151.0
Durable	167.3	167.6	169.1	155.2
Nondurable	153.2	152.8	151.7	145.7
Mining	122.8	120.8	121.4	118.3
Utilities	177.0	176.5	175.2	164.9

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

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	December 1966	November 1966	December 1965	January—December 1966	January—December 1965
FIVE SOUTHWESTERN STATES[1]	337	370	444	5,270	5,255
Residential building	84	107	150	1,817	2,077
Nonresidential building	123	125	192	1,709	1,838
Nonbuilding construction	130	137	102	1,744	1,340
UNITED STATES	3,189	3,461	3,698	50,150	49,272
Residential building	903	1,076	1,446	17,827	21,248
Nonresidential building	1,358	1,424	1,433	19,393	17,219
Nonbuilding construction	928	961	819	12,930	10,805

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons			Percent change Dec. 1966 from	
	December 1966p	November 1966	December 1965r	Nov. 1966	Dec. 1965
Total nonagricultural wage and salary workers	5,539,700	5,477,600	5,314,500	1.1	4.2
Manufacturing	997,400	999,600	942,900	—.2	5.8
Nonmanufacturing	4,542,300	4,478,000	4,371,600	1.4	3.9
Mining	233,200	232,900	234,300	.1	—.5
Construction	353,600	358,400	347,200	—1.3	1.8
Transportation and public utilities	427,000	424,500	412,900	.6	3.4
Trade	1,348,500	1,290,100	1,299,300	4.5	3.8
Finance	271,900	271,900	261,600	.0	3.9
Service	793,900	792,200	762,300	.2	4.1
Government	1,114,200	1,108,000	1,054,000	.6	5.7

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

BUILDING PERMITS

Area	NUMBER		VALUATION (Dollar amounts in thousands)		Percent change Dec. 1966 from		
	Dec. 1966	12 mos. 1966	Dec. 1966	12 mos. 1966	Nov. 1966	Dec. 1965	12 months, 1966 from 1965
ARIZONA							
Tucson	418	6,387	$ 660	$ 24,982	—77	—35	1
LOUISIANA							
Shreveport	175	3,970	845	28,098	—73	—40	25
TEXAS							
Abilene	33	755	975	13,911	477	69	—16
Amarillo	113	4,179	2,992	35,033	232	38	3
Austin	258	3,655	4,442	78,635	—44	—9	21
Beaumont	127	1,905	315	14,757	—75	—77	—19
Corpus Christi	300	4,396	2,723	34,818	—23	—26	26
Dallas	1,215	21,878	13,578	188,652	—9	—7	—5
El Paso	292	4,798	4,973	59,807	—28	—4	4
Fort Worth	492	7,461	3,549	74,198	11	—2	39
Galveston	65	1,087	223	11,532	—46	—69	46
Houston	1,135	22,880	16,599	333,149	—59	—61	—2
Lubbock	94	1,835	5,771	61,683	342	—11	31
Midland	61	1,018	498	13,811	66	—11	—6
Odessa	72	1,224	242	11,196	6	—51	—16
Port Arthur	44	1,071	48	4,818	—76	—75	—23
San Antonio	775	14,815	6,715	86,949	93	27	19
Waco	158	2,394	550	14,448	—84	—87	—35
Wichita Falls	38	791	304	14,469	—68	—43	30
Total—19 cities	5,865	106,499	$66,002	$1,104,946	—31	—34	5