

business review



august 1967

**FEDERAL RESERVE
BANK OF DALLAS**

contents

<i>contrasts — the economy through midyear</i>	<i>3</i>
<i>district highlights</i>	<i>13</i>

contrasts—the economy through midyear

The first half of 1967 was a period of adjustment for the Nation's economy and marked a pause following the rapid expansion of 1965-66. Slower growth or declines occurred in spending, production, and employment; but the levels of these measures of overall activity remained at or near the record highs reached earlier. Efforts by businesses to reduce inventories from the undesirably high levels attained in late 1966 represented a major factor in the first-half slowdown.

In many respects, slowing of the economic advance this year was a desirable change from the overexpansionary and inflationary situation of 1965-66, when excessive spending, pressures on resources, and price increases were bearing down upon the economy and threatening its future viability. As might be expected, however, the pause in economic expansion created uncertainty and less favorable expectations among consumer, business, and other spending units, especially in the early months of the year. Although consumers and businesses slowed the pace of their spending, outlays by government continued large and on a rising trend. Federal spending for defense and other purposes provided even greater stimulation than in the last half of 1966, and purchases of goods and services by state and local governments showed a further large increase. Under the stimulus of easier monetary policy, rapid monetary expansion occurred during the first half of the year.

At mid-1967, sluggishness in private spending and in total output continued, but levels of production and employment remained high. A number of factors suggest the existence of more buoyant expectations and the possibility of re-

newed expansion in spending later in the year. Adjustment in business inventories — namely, a slowing in the rate of accumulation — had proceeded rapidly by midyear and may have approached the point where it will cease to be a dampening influence on spending and production. Moreover, as individuals moderated the pace of their spending in the fourth quarter of 1966 and in early 1967, they also added heavily to their savings and liquid asset holdings, thus providing a solid base for possible future increases in spending. Fiscal policy and monetary policy were highly stimulative during the first half of 1967; and in view of the generally accepted proposition that such stimuli influence spending only after a lag, the major impact of these policy measures may well be in the offing.

Total spending measured in current dollars — that is, gross national product, or the value of all goods and services produced — increased at an annual rate of 3.5 percent from the fourth quarter of 1966 to the second quarter of 1967, or less than one-half the average rate of gain during the previous 2 years. Increases of \$4.2 billion in the first quarter and \$9.0 billion in the second quarter raised GNP to the record seasonally adjusted annual rate of \$775.3 billion during the April-June period.

Most of the advance in spending during the first 6 months, however, was reflected in price increases, with the result that output and sales expressed in physical terms ("real" GNP) gained only 1.1 percent. This slower rate of expansion in real GNP compares with annual advances averaging about 6 percent in 1965 and 1966. Actually, real GNP showed a slight decline in the first quarter of 1967 from the

record level of the fourth quarter of 1966, the first time in about 6 years this measure had failed to increase, but the decline was more than offset by the second-quarter expansion.

The sharply reduced pace at which businesses added to their inventories during the first 6 months of this year was the principal factor dampening growth in GNP. Under the stimulus of general economic expansion — featuring expanding sales, high and rising rates of utilization of physical capacity, price inflation, and tighter monetary conditions — business inventories had advanced rapidly in 1965 and 1966. By the fourth quarter of 1966, business inventory accumulation reached a seasonally adjusted annual rate of \$18.5 billion, a rate of gain that was undesirably high in relation to current and projected sales.

The weight of inventory accumulation was especially marked among manufacturers, particularly producers of durable goods. Slowing sales of consumer durables — including automobiles, kitchen white goods, and radio and television sets — were a major factor in the en-

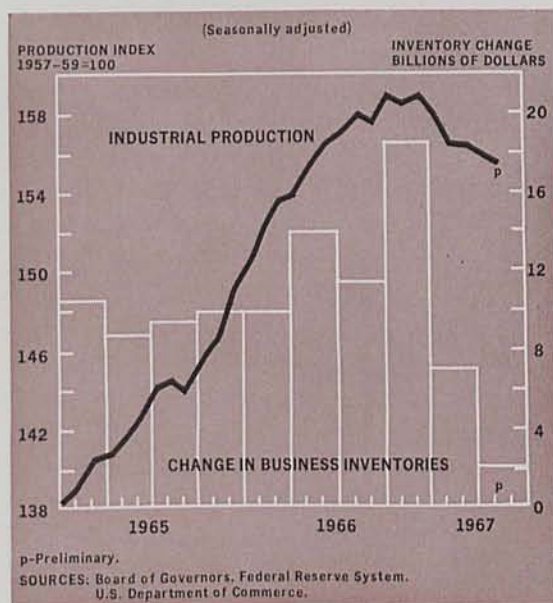
larged stocks of manufacturers. Goods ordered for defense purposes and consisting mainly of items in the process of production also contributed importantly to the growth of manufacturers' inventories (but not, of course, to the problem of inventory adjustment). During January-June, both factory output and new orders received by manufacturers declined. The manufacturers' inventory-shipsments ratio rose to a high of 1.83 in April, as compared with 1.62 in April 1966; moreover, the average ratio for the first 6 months was well above that for any comparable period since 1961.

Because of slowing sales and the earlier rapid rate of inventory accumulation, businesses made sharp downward adjustments in the rate at which they added to stocks in the first half of 1967. The seasonally adjusted annual rate of accumulation declined from \$18.5 billion in the last 3 months of 1966 to \$7.1 billion in the first quarter and \$2.1 billion in the second quarter of the current year.

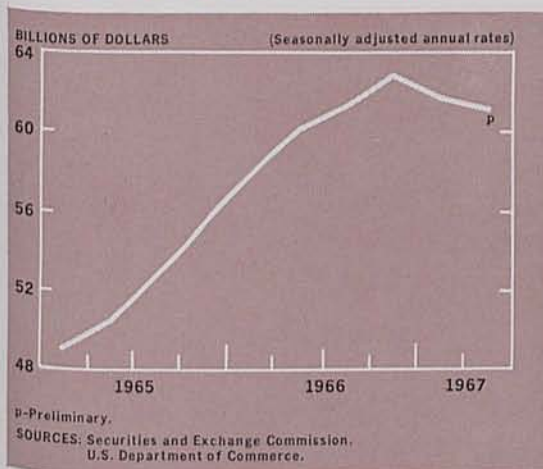
As might be expected, industrial production responded quickly to the easing of sales and the large inventory buildup. Production declined at an annual rate of 4.8 percent from December 1966 (when the index of industrial production was at the peak level of 159.0 percent of the 1957-59 base) to June 1967; however, industrial output in June was still only slightly below the relatively high level which prevailed a year earlier. The decline in industrial production this year contrasts sharply with the 5-percent rate of advance from 1960 to 1964 and the accelerated 9-percent rate that held from 1964 to 1966. The easing of production has been reflected principally in the decreased output of durables, especially iron and steel, fabricated metal products, electrical machinery, and such consumer durables as automobiles, furniture, and television sets.

Growth in business fixed investment was halted in the first half of 1967, and the reduction contributed to the slowing in total output

PRODUCTION AND INVENTORIES



PLANT AND EQUIPMENT OUTLAYS



and spending. Business investment had expanded 16.4 percent in 1965 and 12.8 percent in 1966. In the first 6 months of 1967, however, such spending declined at the annual rate of 3.6 percent from the level of the fourth quarter of last year.

Although businesses spent large and increasing amounts for plant and equipment during the 1963-66 period—including outlays for both modernization and expansion of facilities—capacity utilization rates advanced under the stimulus of rising demand and output. From the first to the third quarters of 1966, the rate of utilization of manufacturing capacity held at a peak of 91 percent before declining to about 85 percent as production was cut back in 1967. With operating rates declining late last year and early this year, businesses made downward revisions in current and future spending plans. Nevertheless, business confidence has remained strong, and recent restoration of the investment tax credit and of accelerated depreciation represents an additional incentive for businesses to proceed with investment plans for new plant and equipment.

The rate of new construction expenditures, which rose sharply from late 1964 to the spring of last year and then declined markedly,

remained relatively stable from mid-1966 to mid-1967. In June of this year, the estimated level of outlays was about the same as in 1965 but was well above the average of the early sixties. During the first half of 1967, the rate of spending for private nonfarm residential construction rose moderately, but expenditures for commercial and industrial properties weakened. New construction spending by Federal, state, and local governments held at about the level of the previous 6 months.

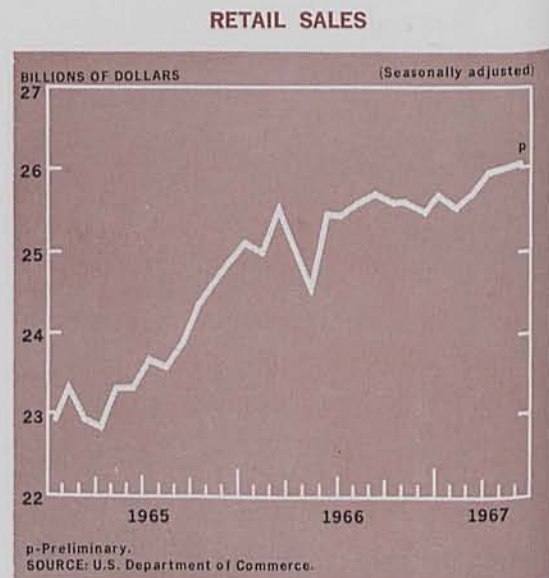
New private housing starts, which had fallen sharply from December 1965 to October 1966, rose noticeably late last year and continued to show moderate, although encouraging, strength during the first half of 1967. At 1.3 million units in June, starts reached the highest level recorded so far this year but remained well below the average for other recent years prior to 1966. The decline in mortgage rates in early 1967 and the expanded inflow of mortgage funds to savings and loan associations and other mortgage lending institutions were important factors leading to improvement in the residential building situation.

Rising government expenditures for goods and services provided strong support to the economy during the January-June period and represented a major factor in the moderate growth of total spending. The margin of increase in government purchases, equivalent to a seasonally adjusted annual rate of increase (GNP basis) of 16.7 percent, was slightly greater than the overall dollar expansion of gross national product. Total Federal Government spending for goods and services and outlays for national defense advanced at annual rates of 19.6 percent and 21.3 percent, respectively, while purchases by state and local governments increased at the rate of 13.5 percent.

The growth in national defense expenditures during the first 6 months of 1967 represented a continuation of the sharp advances in the

annual rates of spending last year — 22.9 percent in the first half of 1966 and 24.7 percent in the second half — and stemmed mainly from the U.S. commitment in Viet-Nam. By spring this year, troop strength in Viet-Nam totaled 460,000, and the increase in defense goods in the process of production was being reflected in the unusually high inventories of manufacturers. In the fiscal year ended June 30, total defense spending was up an estimated \$1.3 billion in comparison with the level of outlays projected in the President's budget in January.

The slowing of economic expansion which began late last year had a relatively mild impact upon personal income and employment. Personal income continued to advance to new highs during each month of the first half of 1967 and, for the period, grew at a rate of 5.8 percent, compared with 8.6 percent during 1966. Although consumers had begun to slow the pace of their outlays in 1966, especially purchases of durables, personal consumption outlays in the first 6 months of the current year expanded at a faster rate than personal income, partly due to the reduced rate of personal tax payments. Thus, the increase in dis-

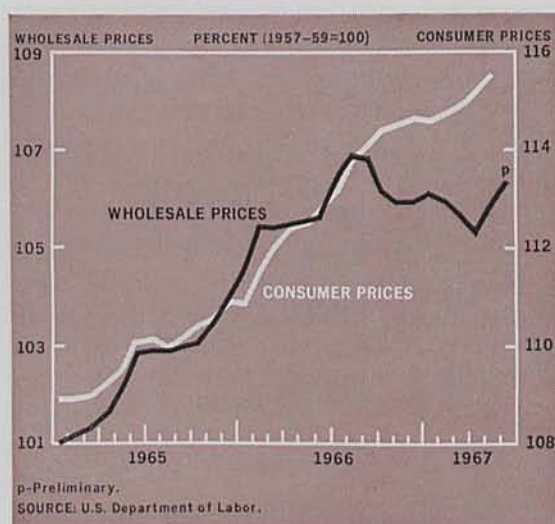


posable personal income — at a 7.0-percent rate over the 6 months — compared favorably with that for the first half of 1966, and the rate of personal savings held near the advanced level reached late last year.

Despite the decline in industrial output and the slowdown in other areas of the economy, employment remained relatively stable and at a high level during the first half of 1967. Payroll employment in June was up slightly compared with January, with continuing employment gains in government and services about offsetting decreases in manufacturing and construction. Even though employment was maintained at a high and stable level, amounts of overtime work and pay were reduced. Due mainly to the large influx of workers in June, the civilian labor force expanded slightly during the 6 months. In June the unemployment rate rose to 4.0 percent from the average rate of 3.7 percent that had prevailed during the first 5 months of the year. The May-June rise stemmed mostly from unemployment among adult women seeking seasonal work.

Although the overexpansionary and inflationary pressures of 1965-66 had begun to

WHOLESALE AND CONSUMER PRICES



subside by early 1967, most prices continued to rise during the first half of the year. Successive monthly increases in consumer prices after January raised the index in June to the record level of 116.0 percent of the 1957-59 base — reflecting a rate of expansion of 2.7 percent, as compared with 4.1 percent during January-June last year. As in other recent years, prices of services continued to advance sharply; however, prices of food declined. Wholesale prices declined from January to April, mainly in response to a sharp drop in some agricultural prices and a slowing in the rate of increase in industrial commodity prices. In May and June, the total wholesale index recovered to the January level, as prices of farm products rose sharply while industrial commodity prices were stable.

financial developments

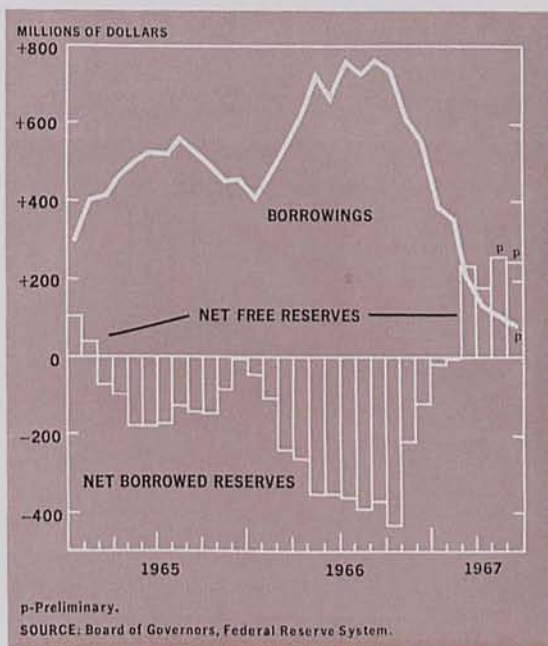
Major domestic financial developments during the first half of 1967 included a stimulative monetary policy, substantial changes in interest rate levels, rapid increases in bank credit and the money supply, and extraordinarily heavy public offerings of new securities on the part of corporate businesses and state and local governments. In the international area, the U.S. balance of payments continued to deteriorate, despite an improvement in the balance of trade.

The Federal Reserve System moved aggressively during the first 6 months of 1967 to achieve an expansionary posture in monetary policy. Easing actions were taken because of the reduced rate of growth of the economy and with a view to inhibiting the development of a cumulative decline in overall economic activity. Federal Reserve holdings of U.S. Government securities increased rapidly; reserve requirements on some time deposits were reduced in March; and the discount rates of the Reserve banks were lowered in April. Mainly as a result of these actions, the reserve position of member banks improved sharply. This improvement was reflected in the decline in mem-

ber bank borrowings at the Reserve banks — with borrowings averaging \$557 million in December 1966 but \$112 million in June 1967 — and in the rapid shift from average net borrowed reserves of \$165 million in December 1966 to net free reserves of \$236 million in March 1967 and \$257 million in June 1967.

The System, through open market operations, pursued an aggressive policy of adding to its holdings of Government securities. Average holdings increased in each month and were \$1.9 billion higher in June 1967 than in December 1966. This sharp expansion is more than twice the increase that occurred during the comparable period a year ago, when monetary policy was moving in the direction of restraint. As another step to increase the supply of funds available to the banking system, the Board of Governors on February 28, 1967, had announced a reduction in reserve requirements — from 4 percent to 3 percent — on savings deposits and on other time deposits up to \$5

RESERVE POSITION OF MEMBER BANKS

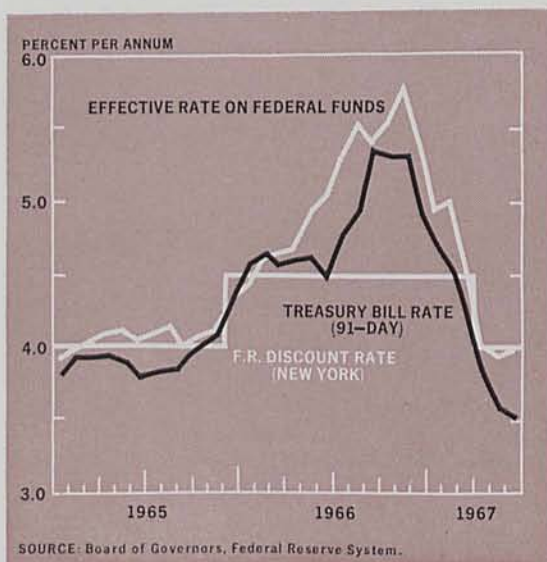


million. It is estimated that this reduction in reserve requirements made available \$850 million in reserves, \$350 million at reserve city banks and \$500 million at country banks.

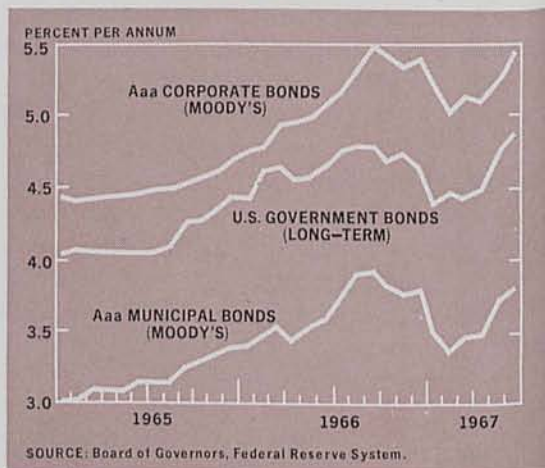
Early in April, the Board of Governors announced approval of the actions of the directors of each of the Federal Reserve banks in lowering the discount rate from 4½ percent to 4 percent. These reductions followed declines in open market rates and in the discount rates of central banks in some other major countries. At the time of the reduction in the discount rate, both the yield on 3-month Treasury bills and the Federal funds rate had retreated from 1 percentage point or more above the discount rate to levels somewhat below the discount rate. In the case of the other major central banks, discount rate reductions had been announced in Canada, Germany, and the United Kingdom.

Interest rates in both money and capital markets decreased in early 1967. Although the downward adjustment in rates was occasioned by the easing of credit demands associated with slowing in the pace of economic advance and the development of less ebullient expectations,

SHORT-TERM RATES



LONG-TERM RATES



official monetary actions designed to increase the supply and flow of funds provided the major impetus for the decrease. In money markets, the rate declines were markedly deeper and more persistent than those which occurred in capital markets. Short-term rates continued to fall until May, while long-term market rates had reached lows for the period in February.

Following these declines, however, rates moved upward, with market yields on longer-term instruments rising quite sharply and reaching a point toward the end of June which was within the range of the 1966 highs. The cessation of the declines and the subsequent upturn in both money and capital market rates reflected a number of factors, including heavy demands for funds by corporations and state and local governments, anticipations of a resurgence in the economy in the second half of 1967 (including firming of monetary policy and interest rates), and expectations of large Treasury borrowings during the remainder of the year.

The greater decline in money market rates than in capital market rates created a large gap between short- and long-term rates and shifted the shape of the yield curve. At the end of 1966, the yield curve was downward sloping,

indicating a market expectation of lower rates, but by April the curve was upward sloping, indicating a market expectation of higher interest rates.

In the money market, the average yield on 3-month Treasury bills moved from 4.96 percent in December 1966 to 3.54 percent in June, declining 142 basis points. During the latter part of June, however, the market rate on such bills rose and, by early July, reached a level of 4.29 percent. Other money market rates also fell substantially from December through May. In terms of basis points, the declines were as follows:

Commercial paper	133
Finance company paper	147
Bankers' acceptances	133

The yields on these money market instruments adjusted upward subsequently.

In capital markets, rates moved downward only moderately and ceased their downtrend in February.

<i>Issue</i>	<i>Dec. 1966</i>	<i>Feb. 1967</i>
U.S. Government bonds (long-term) ...	4.65	4.47
Aaa state and local government bonds ...	3.79	3.38
Aaa corporate bonds ...	5.39	5.03

These rates then adjusted upward quite substantially. During the last week in June, long-term U.S. Government issues showed an average yield of 4.95 percent; state and local government issues, 3.85 percent; and corporate issues, 5.56 percent.

Bank credit increased rapidly in the first half of 1967, due mainly to the sharp expansion in the reserve base. Total bank credit at the Nation's commercial banks rose at a seasonally adjusted annual rate of 10.6 percent in the December 1966-June 1967 period. In contrast to 1966, when most of the growth in bank

credit occurred in loans (particularly commercial and industrial loans), the growth in the first half of 1967 was centered in the securities portfolios, especially in holdings of non-U.S. Government securities. Of the \$16.5 billion advance in total bank credit (on a seasonally adjusted basis) between December 1966 and June 1967, only \$7.1 billion, or 43 percent, occurred in loans. In the first 6 months of 1967, while holdings of U.S. Government securities rose only by a seasonally adjusted \$2.2 billion, holdings of non-Governments increased \$7.2 billion, thereby facilitating the continuation of heavy bond sales on the part of state and local governments.

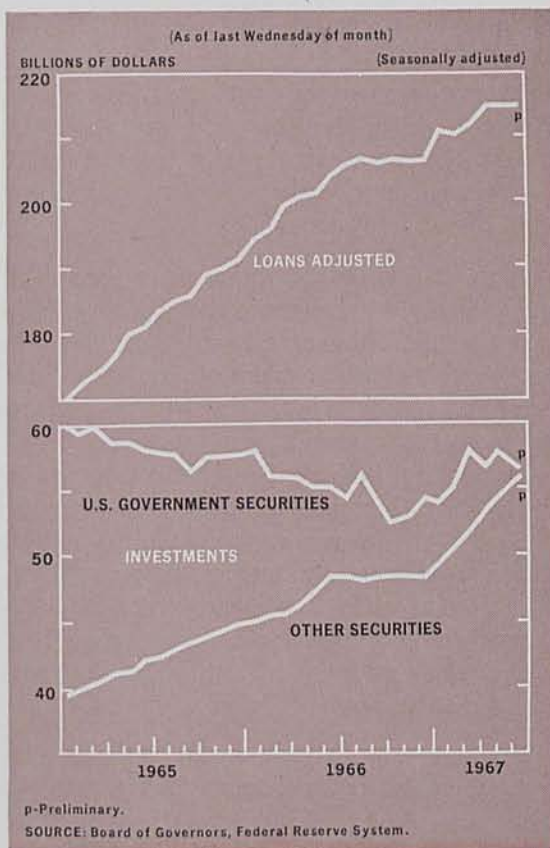
It may be noted, also, that there apparently were substantial changes in the growth of total credit at the different categories of banks in the first half of 1967. Loans at the larger banks expanded very little in the first half, while loans at the smaller banks grew quite rapidly—more rapidly, in fact, than in the first half of 1966. This differential in loan growth may be the result of the use made of the market for debt instruments by larger borrowers, who usually deal with the larger banks, and the unavailability of alternative sources of credit to the smaller borrowers, who strongly affect loan demand at the smaller banks.

The loan-deposit ratio at the Nation's commercial banks declined from 65.8 percent in December 1966 to 65.1 percent in May 1967 but then rose to 66.0 percent in June. The decline from December through May was the result of both the relatively modest increase in loans and the rapid growth of deposits. In the first half of 1966, the loan-deposit ratio rose from 63.7 percent to 66.0 percent.

While much of the reduction in the rate of growth of loans at the commercial banks was accounted for by business loans, each of the other major categories of loans showed less strength than in the same period last year. Business loans expanded a seasonally adjusted \$4.5

billion in the first 6 months of 1967; in the comparable 1966 period, these loans rose \$7.0 billion. Both consumer loans and real estate loans also increased less rapidly in the first half of 1967 than in the first half of 1966.

COMMERCIAL BANK LOANS AND INVESTMENTS



Both the money supply and time and savings deposits grew quite rapidly in the first half of 1967. It is estimated that, from December 1966 through June 1967, the money supply increased at a seasonally adjusted annual rate of 7 percent. This growth is in sharp contrast to the 3.4-percent annual rate of rise in the period from June 1960 to June 1966. The two components of the money supply, demand deposits and currency and coin, expanded at seasonally adjusted annual rates of 7 percent and 6 per-

cent, respectively, in the first 6 months of the current year.

Time deposits adjusted (which exclude deposits due to domestic commercial banks and the U.S. Government) expanded at a seasonally adjusted annual rate of 17 percent between December 1966 and June 1967. Much of this increase reflects the success of banks in attracting funds through offerings of time certificates of deposit. With the sharp decline in market rates on competing instruments, bank offering rates on CD's became increasingly attractive to both corporate and other investors. After declining to a level of \$15.4 billion during December 1966, the volume of large certificates of deposit outstanding at weekly reporting commercial banks expanded to \$19.3 billion during June 1967.

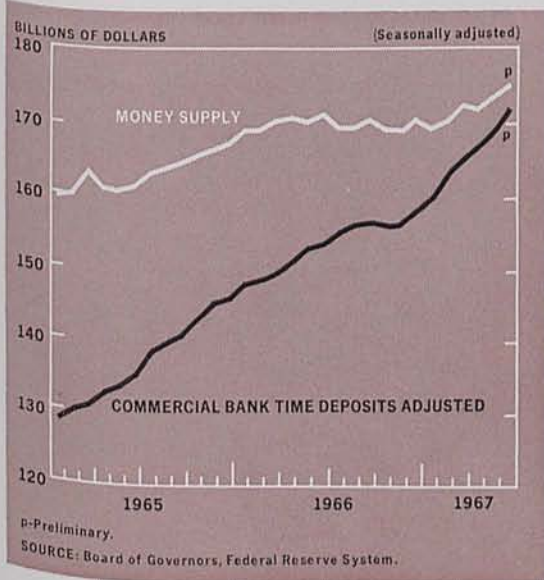
Inflows of funds at the Nation's savings and loan associations and mutual savings banks were quite large in the first half of 1967. Net savings inflows were an estimated \$8.6 billion, in striking contrast to the \$2.9 billion increase in the comparable 1966 period. The inflow during the first 6 months of 1967 represents a record growth for the period.

Both corporate businesses and state and local governments made heavy demands upon the capital market in the first half of 1967. The particularly heavy corporate demands for funds may be attributed to the continued high level of capital expenditures, the relatively low levels of corporate liquidity, the desire to pay off some short-term bank loans, and the anticipation of more stringent monetary conditions in the second half of the year. Similarly, long-term security issues of state and local governments were an estimated 23 percent higher in the first half of 1967 than in the first half of 1966. While some had expected that the large demand for funds would taper off after the first quarter, the demand, in fact, continued through the second quarter, with a record volume of new corporate offerings in June.

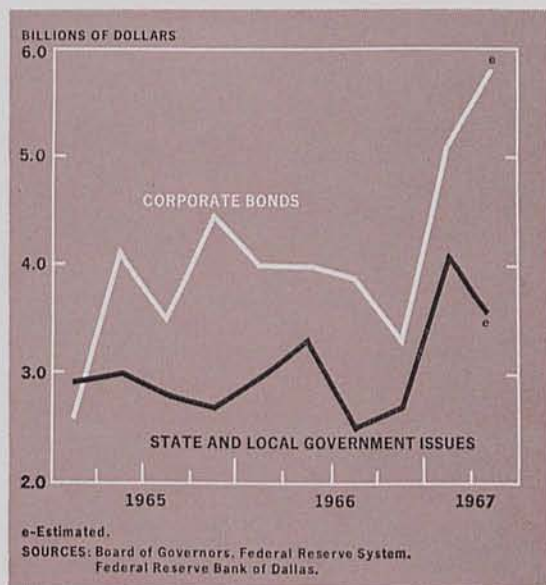
Total corporate security offerings in the first half of 1967 were an estimated \$11.7 billion, or about 15 percent more than in the first half of 1966. Of the \$11.7 billion of new issues, \$10.8 billion was bonds and \$0.9 billion was stocks. Manufacturing businesses borrowed about 45 percent of the new capital raised, while public utilities and communications firms accounted for 19 percent and 9 percent, respectively. Of substantial importance in corporate bond financing in the first half of 1967 was the switch in emphasis from private to public placement. As a result, public new issues were \$7.2 billion, or almost double the amount in the previous year.

The volume of Treasury cash borrowing during the first half of 1967 was only slightly less than that in the comparable period of last year. A total of \$3.9 billion in new funds was raised by the Treasury during the January-June period, consisting of a \$1.2 billion addition to regular bill offerings and a \$2.7 billion offering of Tax Anticipation bills. In the first half of last year, Treasury cash borrowing totaled \$4.0 billion. On June 29, the Treasury

MONEY SUPPLY AND TIME DEPOSITS



NEW DEBT ISSUES



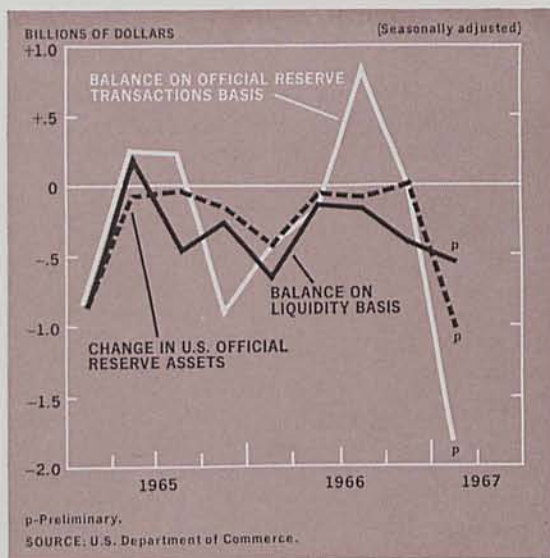
announced plans for selling \$6.2 billion of Tax Anticipation bills and other short-term securities to raise some of the new funds needed during fiscal 1968. In addition to its cash borrowing operations in the first half of 1967, the Treasury refunded \$11.2 billion of notes and bonds and prerefunded \$1.4 billion of certificates and notes.

balance of payments

Measured on either the liquidity basis or the official reserve transactions basis, the Nation's balance of payments remained large in the first quarter of 1967. While exports grew more rapidly than imports (and, consequently, the merchandise trade surplus rose to about \$4.0 billion, as compared with \$2.9 billion in the previous quarter), this gain was more than offset by an increase in U.S. Government expenditures abroad and the decline in loan repayments by foreign countries.

Measured on the liquidity basis—that is, by changes in U.S. official reserve assets and in U.S. liquid liabilities to all foreign residents—the deficit was at a seasonally adjusted an-

U.S. BALANCE OF PAYMENTS



nual rate of \$2.2 billion in the first quarter. On this basis, the deficit was somewhat larger than the \$1.4 billion recorded for the year 1966 and the \$1.7 billion deficit in the fourth quarter of 1966 but was less than the \$2.6 billion deficit in the first quarter of 1966. Measured on the official reserve transactions basis — that is, by changes in U.S. official reserve assets and in liquid and nonliquid liabilities to

foreign official agencies only — the deficit increased sharply. However, the extraordinarily large official reserve transactions deficit reflected the transfer of funds from foreign private accounts to foreign official accounts, a shift which reversed the movement in 1966.

Merchandise exports from the United States (excluding military items) rose from a seasonally adjusted annual rate of \$29.6 billion in the fourth quarter of 1966 to \$30.8 billion in the first quarter of 1967. In the same period, merchandise imports (excluding military items) remained almost unchanged, increasing only from \$26.7 billion to \$26.8 billion. As a result, the export surplus on merchandise trade rose about \$1.1 billion between the fourth quarter of 1966 and the first quarter of 1967.

During the first quarter of 1967, U.S. official reserve holdings declined slightly over \$1 billion. This decline was heavily centered in the holdings of foreign currencies. However, most of the reduction was offset by a \$700 million fall in liquid liabilities to foreign private residents. In addition, the U.S. gold tranche position in the International Monetary Fund decreased \$20 million, which is substantially below other recent declines.

district highlights

In response to the Mideast crisis that resulted in a curtailment of crude oil shipments to many Western nations, production of crude oil in the Southwest increased in June, and a further advance during July is certain. Daily average crude oil production in the Eleventh District rose 1.2 percent during June and was 2 percent ahead of the same month last year. Among producing areas in the District, east Texas showed the largest monthly gain of 3.6 percent, and west Texas was not far behind; production in other areas in the District changed by lesser amounts.

Between January and May of this year, regulatory authorities had lowered the Texas allowable steadily as a result of a slackening demand for crude oil and the consequent rise in petroleum inventories. When the war in the Middle East erupted, the demand for American crude oil rose, and the large inventories in the United States and Europe became an asset. The allowable for July, permitting production at nearly the highest level in Texas since the 1957 Suez crisis, was set at 48 percent of permissible production, or one-third higher than the June figure; the allowable for August has been placed at 54 percent. Louisiana has also raised its monthly allowables significantly. Production in the Southwest will probably be maintained at record levels during August. The expansion in output is not likely to be proportional to the advance in allowables, since many older wells may not be able to increase their output significantly. Partially as a result of a threatened crude oil shortage, two major producers and two smaller ones raised crude oil prices slightly during mid-July.

Total nonagricultural employment in the five southwestern states moved ahead to a level of

5,697,500 persons in June by increasing 0.8 percent, which is more than double the expected seasonal gain. The increases in both manufacturing and nonmanufacturing employment were above seasonal anticipations. Employment performed better than seasonally expected in all nonmanufacturing categories except mining and construction; employment in services was quite strong.

Nonagricultural employment in the five states in June was slightly more than 4 percent over the same month last year. The year-to-year gain in manufacturing employment was under the average for all employment, while the rise in nonmanufacturing employment was just in excess of the average. Nonmanufacturing employment was boosted above a year ago by especially strong gains in service and government employment. The other increases clustered about the average gain for nonmanufacturing employment, but both mining and construction employment fell below a year earlier.

In June the Texas industrial production index, seasonally adjusted, rose fractionally to 154.3 percent of its 1957-59 base. The month-to-month change for both durable goods manufactures and nondurable goods manufactures was not appreciable. Durable goods production edged upward, but the output of nondurable goods slipped slightly. Among the durable goods, electrical machinery registered the most prominent output advance of nearly 5 percent. Primary metal industries, with production down nearly 3 percent from May, had the greatest decline. Otherwise, the gains and losses within the durable goods sector were moderate and about evenly split. In the nondurable goods sector, textile mill products showed the largest production gain of almost 3 percent. There

were more declines than gains within the sector; month-to-month losses approaching 3 percent occurred in three of the nondurable goods industries.

Mining output was up slightly more than 1 percent over May, with the advance accounted for by increases in the production of metal, stone, and earth minerals and of crude petroleum. There was virtually no change from the prior month for the utilities category.

The industrial production index for the State in June was 4.5 percent ahead of the same month last year; the output of durable goods displayed a slightly greater than average increase, and nondurable goods production, a slightly less than average gain. Transportation equipment production showed the greatest increase in the durable goods sector — 15 percent. Output of stone, clay, and glass products, dipping nearly 8 percent, showed the largest decline. Other changes were more moderate, with the gains and losses among the remaining durables about equally divided. Within the nondurable goods sector, the changes tended to center around the average change for all nondurable manufacturing. The year-to-year gain in mining was about 3 percent, and the major strength in this sector came from the 7-percent increase in natural gas. The output of utilities advanced strongly over a year earlier, buoyed particularly by a 14-percent gain in the production of electricity.

Registrations of new passenger automobiles in four major Texas areas rose again in June and established a new high for the month. Combined registrations, totaling 19,710 in the four markets (Dallas, Fort Worth, Houston, and San Antonio), were up 2 percent over May and 3 percent above June 1966. However, cumulative registrations for the first half of the year were 3 percent below those in 1966.

Department store sales in the Eleventh District in the 4 weeks ended July 22 were 4 per-

cent greater than in the comparable period last year. Cumulative sales thus far in 1967 were 3 percent larger than in the like period in 1966.

Both loans adjusted and investments and total deposits increased at the weekly reporting commercial banks in the Eleventh District in the first 6 months of 1967. The increase in loans adjusted and total investments was heavily influenced by the rapid growth in holdings of non-U.S. Government securities at these banks, while the increase in total deposits reflected the extremely rapid rate of gain of time deposits.

Loans adjusted rose \$83 million in the first half of this year, of which \$33 million represented an increase in commercial and industrial loans. In the first half of 1966, commercial and industrial loans had expanded \$73 million. Total investments at the District's weekly reporting commercial banks rose \$93 million in the first 6 months of 1967, reflecting a \$107 million gain in holdings of non-U.S. Government securities but a \$14 million decline in Government securities.

The increase of \$53 million in total deposits was accounted for entirely by the rise of \$182 million in time and savings deposits, inasmuch as total demand deposits fell \$129 million. The growth in time and savings deposits, in turn, reflected a gain of \$139 million in negotiable time certificates of deposit issued in denominations of \$100,000 or more and a gain of \$133 million in other time deposits (excluding the large CD's); savings deposits declined \$53 million. In the first half of 1966, large CD's issued by these weekly reporting banks had expanded \$102 million.

Rains and showers have fallen over widely scattered areas of the Eleventh District, and soil moisture ranges from extremely short to adequate. In areas where precipitation has not been received, plants are under stress, and

early harvesting has been prevalent. U.S. Department of Agriculture estimates of winter wheat production in the five southwestern states, as of July 1, place output at 13 percent below the 1966 harvest. Rice production, on the other hand, is indicated to be 7 percent higher than last year. Harvesting of earlier than usual crops of cotton, sorghum grain, and rice is making good progress.

Livestock in the District are in fair to good condition, but increased supplemental feeding is required in moisture-deficient areas. An un-

usually varied pattern of grazing conditions exists because of divergent weather. Poor grazing and a shortage of stock water in some areas have encouraged heavy culling of herds and early marketings of young stock.

Prices received by Texas farmers and ranchers for all farm products during the first half of 1967 were 10 percent lower than in the same period a year earlier. Cash receipts from farm marketings in the five District states during January-May were 14 percent below the corresponding period last year.

**new
member
bank**

The Chelmont State Bank, El Paso, Texas, located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, became a member of the Federal Reserve System on July 24, 1967. The new member bank, which was organized in 1960, has capital of \$646,800, surplus of \$646,800, undivided profits of \$398,800, and total resources of \$17,682,500. The officers are: H. D. Fulwiler, Chairman of the Board; A. C. Donell, President and Trust Officer; G. G. Dalby, Senior Vice President and Assistant Trust Officer; Earl L. Chambers, Vice President and Cashier; Stewart M. Pinkerton, Jr., Assistant Vice President and Assistant Cashier; C. E. Stras, Comptroller; Mrs. Hollis Brown, Assistant Cashier; and Pete Jurado, Assistant Cashier.



STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

August 1967



FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	July 26, 1967	June 28, 1967	July 27, 1966
ASSETS			
Net loans and discounts.....	5,125,639	5,254,942	4,963,699
Valuation reserves.....	95,736	95,520	92,143
Gross loans and discounts.....	5,221,375	5,350,462	5,055,842
Commercial and industrial loans.....	2,494,310	2,555,112	2,454,636r
Agricultural loans, excluding CCC certificates of interest.....	103,493	102,359	84,339
Loans to brokers and dealers for purchasing or carrying: U.S. Government securities.....	18,761	7,753	4
Other securities.....	42,189	45,737	42,152
Other loans for purchasing or carrying: U.S. Government securities.....	871	814	1,131
Other securities.....	320,625	324,447	319,043
Loans to nonbank financial institutions: Sales finance, personal finance, factors, and other business credit companies.....	172,036	186,525	160,974
Other.....	278,776	284,659	258,894
Real estate loans.....	492,171	491,439	467,775
Loans to domestic commercial banks.....	156,395	240,317	128,566r
Loans to foreign banks.....	4,153	4,171	7,145
Consumer instalment loans.....	530,199	527,330	519,438r
Loans to foreign governments, official institutions, central banks, international institutions.....	0	0	99
Other loans.....	607,396	579,799	611,646r
Total investments.....	2,397,411	2,317,258	2,251,830r
Total U.S. Government securities.....	1,104,780	1,076,207	1,140,748
Treasury bills.....	69,192	42,346	39,372
Treasury certificates of indebtedness.....	13,872	15,167	5,824
Treasury notes and U.S. Government bonds maturing: Within 1 year.....	140,702	116,550	125,372
1 year to 5 years.....	625,560	644,798	584,311
After 5 years.....	255,454	257,346	385,869
Obligations of states and political subdivisions: Tax warrants and short-term notes and bills.....	27,778	16,046	13,907
All other.....	1,035,075	1,029,839	941,168
Other bonds, corporate stocks, and securities: Participation certificates in Federal agency loans.....	146,019	131,361	82,375
All other (including corporate stocks).....	83,759	63,805	73,632r
Cash items in process of collection.....	829,367	850,458	771,423
Reserves with Federal Reserve Bank.....	678,224	612,044	556,520
Currency and coin.....	79,132	77,889	78,187
Balances with banks in the United States.....	472,840	436,110	443,529
Balances with banks in foreign countries.....	4,952	4,779	4,979
Other assets.....	316,239	322,667	312,785r
TOTAL ASSETS.....	9,903,804	9,876,147	9,382,952
LIABILITIES			
Total deposits.....	8,460,209	8,416,524	8,080,143
Total demand deposits.....	5,106,287	5,055,661	4,868,180
Individuals, partnerships, and corporations.....	3,536,382	3,410,831	3,374,935
States and political subdivisions.....	276,169	289,421	320,859
U.S. Government.....	136,138	118,436	129,827
Banks in the United States.....	1,059,130	1,122,503	950,214
Foreign: Governments, official institutions, central banks, international institutions.....	3,221	4,431	2,630
Commercial banks.....	21,854	23,346	20,564
Certified and officers' checks, etc.....	73,393	86,693	69,151
Total time and savings deposits.....	3,353,922	3,360,863	3,211,963
Individuals, partnerships, and corporations: Savings deposits.....	1,114,147	1,134,251	1,209,316
Other time deposits.....	1,646,665	1,602,409	1,425,484
States and political subdivisions.....	555,703	591,637	551,486
U.S. Government (including postal savings).....	12,929	10,955	5,902
Banks in the United States.....	22,978	20,111	17,235
Foreign: Governments, official institutions, central banks, international institutions.....	800	800	1,000
Commercial banks.....	700	700	1,540
Bills payable, rediscounts, and other liabilities for borrowed money.....	408,425	360,721	303,873
Other liabilities.....	154,679	220,183	157,947
CAPITAL ACCOUNTS.....	880,491	878,719	840,989
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	9,903,804	9,876,147	9,382,952

r — Revised.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended July 5, 1967	5 weeks ended June 7, 1967	5 weeks ended July 6, 1966
RESERVE CITY BANKS			
Total reserves held.....	642,204	636,101	606,521
With Federal Reserve Bank.....	595,825	590,200	563,126
Currency and coin.....	46,379	45,901	43,395
Required reserves.....	638,464	631,521	600,887
Excess reserves.....	3,740	4,580	5,634
Borrowings.....	0	14	23,100
Free reserves.....	3,740	4,566	17,466
COUNTRY BANKS			
Total reserves held.....	632,219	625,930	612,723
With Federal Reserve Bank.....	475,775	471,500	468,622
Currency and coin.....	156,444	154,430	144,101
Required reserves.....	595,182	592,958	584,867
Excess reserves.....	37,037	32,972	27,856
Borrowings.....	3,828	4,054	10,728
Free reserves.....	33,209	28,918	17,128
ALL MEMBER BANKS			
Total reserves held.....	1,274,423	1,262,031	1,219,244
With Federal Reserve Bank.....	1,071,600	1,061,700	1,031,748
Currency and coin.....	202,823	200,331	187,496
Required reserves.....	1,233,646	1,224,479	1,185,754
Excess reserves.....	40,777	37,552	33,490
Borrowings.....	3,828	4,068	33,828
Free reserves.....	36,949	33,484	—338

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	July 26, 1967	June 28, 1967	July 27, 1966
Total gold certificate reserves.....	519,117	375,384	573,909
Discounts for member banks.....	3,467	4,820	43,808
Other discounts and advances.....	0	1,044	0
U.S. Government securities.....	1,828,588	1,896,031	1,527,953
Total earning assets.....	1,832,055	1,901,895	1,571,761
Member bank reserve deposits.....	1,078,236	994,292	955,151
Federal Reserve notes in actual circulation.....	1,314,801	1,289,462	1,244,525

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	June 28, 1967	May 31, 1967	June 29, 1966
ASSETS			
Loans and discounts.....	9,096	9,039	8,656
U.S. Government obligations.....	2,237	2,270	2,291
Other securities.....	2,421	2,397	2,140
Reserves with Federal Reserve Bank.....	994	947	902
Cash in vault.....	229	219	216
Balances with banks in the United States.....	1,063	1,031	986
Balances with banks in foreign countries.....	7	6	6
Cash items in process of collection.....	963	786	872
Other assets.....	501	492	357
TOTAL ASSETS.....	17,511	17,187	16,426
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,374	1,246	1,212
Other demand deposits.....	7,608	7,561	7,538
Time deposits.....	6,354	6,345	5,693
Total deposits.....	15,336	15,152	14,443
Borrowings.....	372	296	345
Other liabilities.....	299	245	218
Total capital accounts.....	1,504	1,494	1,420
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	17,511	17,187	16,426

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 1967 (Annual-rate basis)	Percent change			June 30, 1967	Annual rate of turnover		
		June 1967 from		6 months, 1967 from 1966		June 1967	May 1967	June 1966
		May 1967	June 1966					
ARIZONA: Tucson.....	\$ 4,158,444	—3	14	10	\$ 161,835	25.5	26.0	22.5
LOUISIANA: Monroe.....	2,011,908	2	6	5	71,857	27.1	26.2	26.8
Shreveport.....	5,889,384	—2	12	13	216,819	27.0	26.5	25.6
NEW MEXICO: Roswell ²	611,796	—4	—4	—2	37,795	16.9	18.7	18.8
TEXAS: Abilene.....	1,746,012	—6	—7	0	94,919	18.2	19.3	20.2
Amarillo.....	4,310,556	—4	6	0	136,744	31.3	32.2	29.0
Austin.....	4,688,856	3	9	11	211,475	22.3	23.3	22.3
Beaumont-Port Arthur-Orange.....	5,557,608	1	4	6	218,335	25.6	25.4	25.9
Brownsville-Harlingen-San Benito.....	1,360,284	0	12	1	62,591	22.0	22.6	21.4
Corpus Christi.....	3,907,896	—2	4	5	201,058	20.0	21.8	21.3
Corsicana ²	366,696	—10	5	8	29,449	12.7	14.2	12.2
Dallas.....	70,408,932	5	11	11	1,753,474	40.4	38.9	38.8
El Paso.....	5,277,684	1	7	9	189,729	27.2	26.3	25.6
Fort Worth.....	14,702,676	—2	9	7	511,358	29.2	30.3	27.3
Galveston-Texas City.....	2,240,352	6	18	10	93,704	24.0	23.3	21.1
Houston.....	70,010,086	9	12	10	2,059,717	34.4	32.2	32.2
Laredo.....	658,380	1	26	14	31,949	20.6	21.1	17.8
Lubbock.....	3,572,868	—5	0	—3	145,237	25.0	26.9	24.2
McAllen-Pharr-Edinburg.....	1,320,432	—4	15	13	79,830	17.1	18.6	15.5
Midland.....	1,584,684	—3	—2	—1	120,399	13.1	13.5	14.0
Odessa.....	1,248,072	5	—7	—5	63,093	19.8	18.6	21.1
San Angelo.....	907,920	5	2	1	56,163	16.2	15.7	16.2
San Antonio.....	11,737,308	—2	4	2	526,718	22.5	23.2	22.2
Texarkana (Texas-Arkansas).....	1,297,320	1	25	21	56,958	22.2	22.3	19.6
Tyler.....	1,597,944	2	1	1	83,425	19.2	19.3	19.0
Waco.....	2,321,832	13	15	5	109,209	21.0	18.8	19.1
Wichita Falls.....	1,845,732	—5	—6	—8	104,776	17.2	17.8	18.1
Total—27 centers.....	\$225,341,662	4	10	9	\$7,428,616	30.5	29.8	29.1

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.² County basis.

NOTE.—Figures for 1966 have been revised due to the use of new seasonal adjustment factors.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Percent change

NUMBER

Area	June 1967		June 1967		June 1967 from		6 months, 1967 from 1966
	June 1967	6 mos. 1967	June 1967	6 mos. 1967	May 1967	June 1966	
ARIZONA							
Tucson.....	642	3,352	\$ 2,709	\$ 12,571	35	-52	-8
LOUISIANA							
Monroe-West	84	451	2,526	12,817	107	284	54
Shreveport.....	440	2,105	4,843	14,252	127	34	0
TEXAS							
Abilene.....	52	320	267	7,299	-85	-68	-14
Amarillo.....	148	872	1,658	12,012	28	-70	-38
Austin.....	372	2,281	7,488	68,755	-44	3	60
Beaumont.....	153	873	1,338	7,617	20	-14	-13
Brownsville.....	68	377	167	1,111	8	-69	-50
Corpus Christi.....	446	2,269	5,334	17,212	164	99	-7
Dallas.....	1,986	11,612	25,134	101,433	66	42	-5
El Paso.....	480	2,865	5,732	31,332	12	68	7
Fort Worth.....	713	3,815	4,062	34,291	-12	-30	22
Galveston.....	115	611	656	4,674	-69	-33	11
Houston.....	2,229	12,528	38,780	180,492	39	64	2
Laredo.....	27	195	315	2,099	3	2	61
Lubbock.....	152	821	2,031	16,308	-13	16	-45
Midland.....	83	503	1,059	6,060	-40	46	-43
Odessa.....	87	597	558	3,375	-17	-72	-59
Port Arthur.....	83	482	1,194	2,181	-39	-45	-30
San Angelo.....	62	427	3,560	6,223	425	648	39
San Antonio.....	1,363	7,316	9,448	55,698	-2	23	5
Texarkana.....	48	254	447	2,166	55	-21	-57
Waco.....	490	1,745	946	6,834	-66	-21	6
Wichita Falls.....	91	447	2,810	9,356	-7	444	25
Total—24 cities.....	10,414	57,118	\$122,062	\$616,168	20	28	1

GROSS DEMAND DEPOSITS

TIME DEPOSITS

Date	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1965: June.....	8,596	4,163	4,433	5,104	2,455	2,649
1966: June.....	8,742	4,080	4,662	5,704	2,667	3,037
1967: January.....	9,352	4,226	5,126	5,934	2,645	3,289
February.....	8,902	4,020	4,882	6,091	2,721	3,370
March.....	8,951	4,106	4,845	6,183	2,738	3,445
April.....	9,140	4,245	4,895	6,231	2,723	3,508
May.....	8,833	4,089	4,744	6,261	2,716	3,545
June.....	8,968	4,197	4,771	6,282	2,707	3,575

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	June 1967	May 1967	April 1967	January—June	
				1967	1966
FIVE SOUTHWESTERN STATES ¹	583	519	522	2,822	2,638
Residential building.....	198	208	171	991	1,089
Nonresidential building.....	219	138	248	1,050	835
Nonbuilding construction... ..	166	171	103	782	714
UNITED STATES.....	5,414	5,095	4,389	25,301	26,674r
Residential building.....	2,000	2,002	1,627	9,160	10,547r
Nonresidential building.....	2,070	1,808	1,830	9,936	9,827
Nonbuilding construction... ..	1,344	1,285	931	6,205	6,299

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

r—Revised.

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

SOURCE: F. W. Dodge Company.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	1967, estimated July 1	1966	Average 1961-65	1967, estimated July 1	1966	Average 1961-65
Winter wheat....	54,879	72,652	63,065	155,475	178,516	167,575
Corn.....	17,056	19,008	26,305	24,802	26,593	37,720
Oats.....	6,644	17,640	19,488	11,461	24,368	28,523
Barley.....	1,178	2,750	4,968	17,066	20,984	26,390
Rice ²	23,876	21,210	17,524	45,346	42,398	33,722
Hay ³	2,912	3,585	2,878	7,999	8,844	7,808
Flaxseed.....	150	712	921	150	712	921
Irish potatoes ⁴ ...	4,329	4,451	2,952	7,714	7,977	5,841
Sweet potatoes ⁴ ..	702	780	1,012	4,798	4,871	5,732

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.⁵ Data for 1965 are provided instead of the 5-year (1961-65) average.

SOURCE: U.S. Department of Agriculture.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Percent change from				
	June 1967p	May 1967p	June 1966	May 1967	June 1966
ELEVENTH DISTRICT.....	3,500.6	3,460.0	3,431.5	1.2	2.0
Texas.....	3,022.0	2,982.4	2,978.7	1.3	1.5
Gulf Coast.....	566.8	561.6	553.5	.9	2.4
West Texas.....	1,391.9	1,354.3	1,397.3	2.8	—
East Texas (proper)....	129.9	125.4	127.2	3.6	2.1
Panhandle.....	96.7	95.4	95.5	1.4	1.3
Rest of State.....	836.7	845.8	805.2	—1.1	3.9
Southeastern New Mexico..	309.9	308.9	306.6	.3	1.1
Northern Louisiana.....	168.7	168.7	146.2	.0	15.4
OUTSIDE ELEVENTH DISTRICT	5,032.0	4,996.0	4,951.9	.7	1.6
UNITED STATES.....	8,532.6	8,456.0	8,383.4	.9	1.8

p — Preliminary.

SOURCES: American Petroleum Institute.

U.S. Bureau of Mines.

Federal Reserve Bank of Dallas.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change June 1967 from	
	June 1967p	May 1967	June 1966r	May 1967	June 1966
Total nonagricultural					
wage and salary workers..	5,697,500	5,649,900	5,452,000	0.8	4.5
Manufacturing.....	1,039,300	1,023,400	1,004,200	1.6	3.5
Nonmanufacturing.....	4,658,200	4,626,600	4,447,800	.7	4.7
Mining.....	235,100	231,400	239,100	1.6	—1.7
Construction.....	382,600	375,600	387,500	1.9	—1.3
Transportation and public utilities.....	440,300	432,300	419,300	1.9	5.0
Trade.....	1,325,100	1,313,200	1,265,200	.9	4.7
Finance.....	281,600	277,800	268,400	1.4	4.9
Service.....	852,900	842,000	803,600	1.3	6.1
Government.....	1,140,600	1,154,200	1,064,700	—1.2	7.1

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

CROP ACREAGE

(In thousands of acres)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	For harvest 1967	Harvested 1966	Average 1961-65	For harvest 1967	Harvested 1966	Average 1961-65
Cotton.....	4,050	4,265	6,460	5,228	5,476	8,239
Winter wheat.....	3,326	3,229	3,119	8,877	8,154	7,583
Corn.....	533	528	860	754	752	1,216
Oats.....	302	630	779	455	831	1,099
Barley.....	62	125	234	430	611	868
Rye.....	25	32	27	68	87	93
Rice.....	508	505	451	1,073	1,070	951
Sorghums.....	7,527	6,221	5,993	9,254	7,672	7,433
Hay.....	2,416	2,221	2,127	4,928	4,747	4,562
Peanuts.....	292	295	287	424	427	414
Flaxseed.....	25	89	99	25	89	99
Irish potatoes.....	30	29	21	46	47	39
Sweet potatoes.....	11	12	14	62	64	69

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.² Data for 1965 are provided instead of the 5-year (1961-65) average.

SOURCE: U.S. Department of Agriculture.

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	January—May		Percent change
	1967	1966	
Arizona.....	\$ 186,978	\$ 215,493	—13
Louisiana.....	142,994	136,586	5
New Mexico.....	70,933	76,024	—7
Oklahoma.....	275,624	304,537	—10
Texas.....	817,317	997,977	—18
Total.....	\$ 1,493,846	\$ 1,730,617	—14
United States.....	\$14,836,313	\$15,270,398	—3

SOURCE: U.S. Department of Agriculture.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	June 1967p	May 1967	April 1967	June 1966
TEXAS				
Total industrial production.....	154.3	153.5	151.3	147.7r
Manufacturing.....	171.7	171.2	170.4	164.7r
Durable.....	190.8	189.2	188.4	180.7r
Non-durable.....	159.0	159.2	158.4	153.9r
Mining.....	119.6	118.2	112.6	116.0
Utilities.....	205.5	205.3	209.9	184.1
UNITED STATES				
Total industrial production.....	155.2	155.5	156.2r	156.5
Manufacturing.....	156.7	157.2	158.0r	158.9
Durable.....	161.6	162.3	162.6r	165.4r
Non-durable.....	150.5	150.8	152.3r	150.7
Mining.....	123.1	120.7	122.8r	122.0
Utilities.....	181.5	181.0	179.5	171.7r

p — Preliminary.

r — Revised.

SOURCES: Board of Governors of the Federal Reserve System.

Federal Reserve Bank of Dallas.