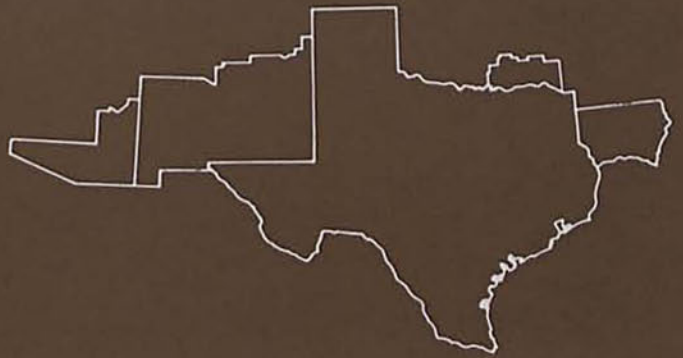


business review



november 1967

**FEDERAL RESERVE
BANK OF DALLAS**

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the employment situation in 1967

The slowdown in the national economy in the first half of 1967 was reflected in employment, especially by the second quarter of the year. At about midyear, however, labor markets began strengthening. Employment data for the third quarter show, in general, an improvement over the preceding 6 months and are among the indicators cited by some analysts as evidence that the economy has begun to move upward with renewed vigor. This improvement occurred despite disruptions due to strikes, particularly in September, in several major sectors. The purpose of this article is to examine what has happened to employment thus far in 1967 and see what light, if any, the available information casts upon the probable job situation for the next few months.

Each month, the U.S. Department of Labor publishes two chief series on employment: the labor force estimates and the establishment estimates. The labor force estimates provide a broad measure of the total labor force — both persons who are employed and those who are unemployed and looking for work. Labor force estimates are based on a household survey conducted monthly by interviewers for the Bureau of the Census. The establishment estimates, obtained by the Department of Labor from a sample of business establishments, only account for people who are actually employed and on business payrolls.

There are various other differences between the two series, so that they may not be compared directly with one another. The labor force estimates count self-employed persons, domestic servants, and unpaid family workers; the establishment estimates do not. The labor force estimates include farm workers; the estab-

lishment estimates deal only with nonfarm employment. The establishment estimates give detailed data on employment, hours, and earnings in nonfarm industries; the labor force estimates do not. The movements of both statistical series for the first 9 months of 1967 will be analyzed here.

dip and recovery

Total employment, on a seasonally adjusted basis, fell 264,000 in the Nation in the second quarter of 1967. As the accompanying chart shows, total employment had expanded in every quarter from the third quarter of 1961 through the first quarter of 1967. (The latest business expansion began in February 1961.) The trend in the civilian labor force paralleled closely that of total employment. The civilian labor force declined in the second quarter of 1967, after rising in every quarter but one beginning in the first quarter of 1962. The total labor force, which includes the Armed Forces, did not decrease as much as the civilian labor force because of the buildup in the Armed Forces. This buildup has continued thus far in 1967, although the pace has been slower during each successive quarter.

In the past 3 years of the expansion which began in early 1961, employment generally rose at a somewhat faster pace than did the labor force, and unemployment as a proportion of the labor force drifted downward from 5.4 percent in the first quarter of 1964 to 3.7 percent in the first quarter of 1967. In the second quarter of this year, the unemployment rate edged upward to 3.8 percent.

Thus, the leveling off in general economic activity, as measured by real GNP, and the

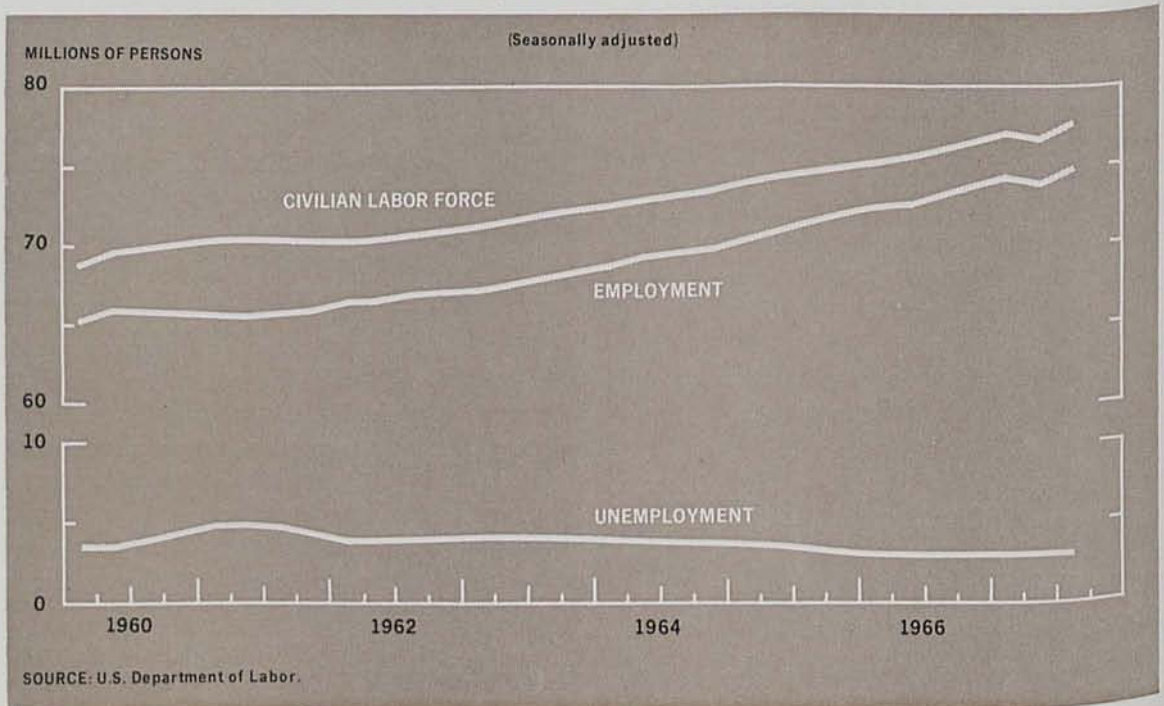
downturn in industrial output, as measured by the industrial production index, in the first quarter of 1967 were very obviously reflected in the job situation by the second quarter. (In fact, the declines in the civilian labor force and employment began in the first quarter of 1967 but were not large enough to affect the quarterly averages until the second quarter.) It should be emphasized, however, that, while the labor force and employment were lower in the second quarter of the year, they still remained at very high levels — higher than in any previous quarter except the first quarter of 1967. Also, while total unemployment rose to 2.9 million in the second quarter of 1967 and was slightly higher than in any quarter of 1966, it was still lower than in any previous quarter back to the third quarter of 1957.

What groups in the population were most affected by the drop in total employment by the second quarter? Among the age groups, the

largest absolute decrease in employment was experienced by teen-agers (16 to 19 years old); the next largest decrease, by adult men (20 years of age and older); and the smallest decrease, by adult women (20 years of age and older). Moreover, there had been a deterioration in the women's employment situation before the second quarter of 1967. Unemployment among adult women began increasing in the second quarter of 1966, and the female labor force began declining in the first quarter of 1967. The female labor force, seasonally adjusted, decreased 74,000 in the second quarter of this year, and the teen-age labor force declined 70,000; the male labor force declined 11,000.

A decline in the labor force has come to be viewed as a possible rise in hidden unemployment. A slowdown in business activity not only increases actual unemployment among job seekers but also discourages many people from

CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT



seeking jobs who would be in the labor market if employment opportunities were better. In a recent study, the Department of Labor found that, in September 1966, about 750,000 persons, including men and women, wanted jobs but were not looking for work (and, therefore, were not counted in the labor force) because they believed their chances of finding jobs were too poor.¹

This year's decline in the labor force has been chiefly accounted for by two groups, women and teen-agers, many of whom do not have to search for work with the same urgency as adult males. In this connection, the unemployment rate for adult men was 2.4 percent of the male labor force in the second quarter (for married men, 1.9 percent); for adult women, 4.1 percent of the female labor force; and for teen-agers, 12.4 percent of the teen-age labor force.

Around mid-June, labor market indicators began to strengthen. The labor force and employment began to rise in June, and unemployment and the unemployment rate declined in July and August. However, total employment fell in September, and unemployment and the unemployment rate rose. The Department of Labor attributed the fall in employment to a sharp drop in agricultural employment, due to weather conditions, and attributed the rise in unemployment and the unemployment rate to an unusually large increase in the number of adult women in the labor force in September.

Adult women experienced the largest gain in employment in the third quarter, but the female labor force rose even more rapidly; consequently, unemployment among women increased. Adult male employment rose and unemployment fell. A particular indication of strength in the third quarter is that the un-

employment rates for adult men and married men decreased. The teen-age labor force and employment declined further from the second quarter, and teen-age unemployment rose.

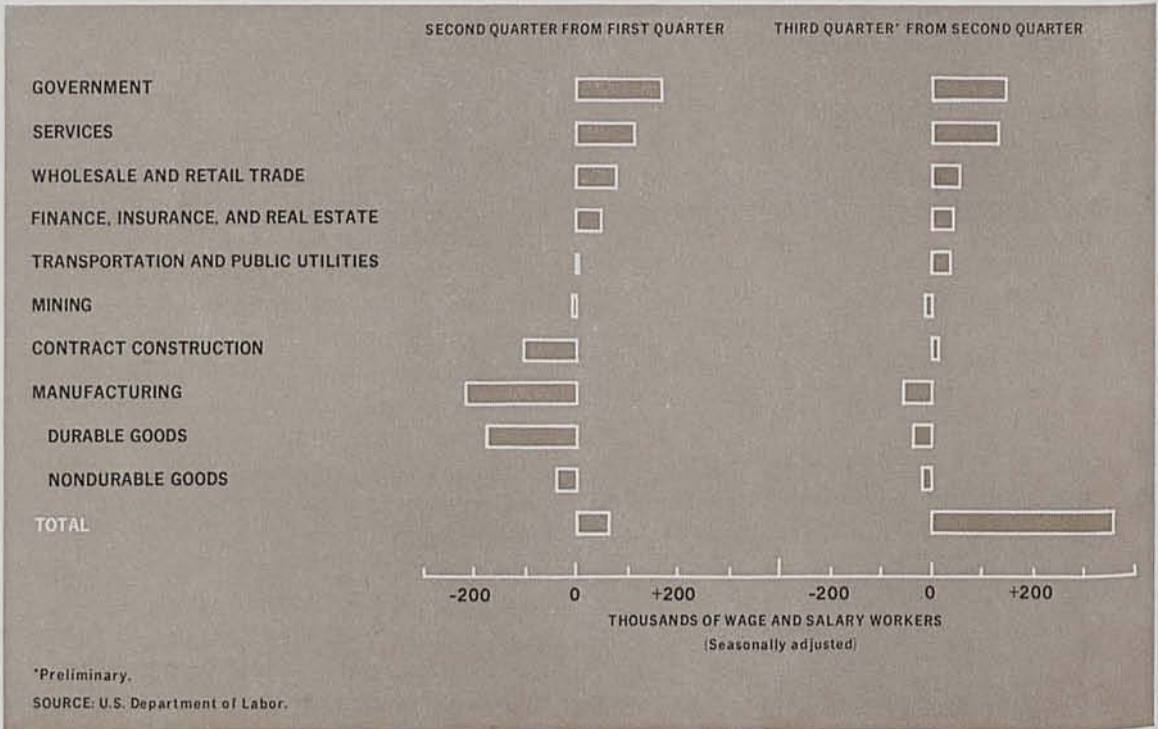
offsetting movements

The labor force data discussed in the preceding section show the broad impact of the economic slowdown in the first half of 1967. In order to pinpoint the areas of strength and weakness in the labor market this year, it is necessary to turn to the establishment data on nonfarm employment, which give much more detail on individual industries than do the labor force data. In contrast to the dip in total employment in the second quarter, there was a rise in wage and salary employment in nonfarm establishments. Such employment increased 64,000 in the second quarter of 1967, thus continuing the uptrend which began in the second quarter of 1961. However, this was the smallest quarterly increase in nonfarm employment in 6 years. Moreover, the increase in the broad nonfarm employment total covered divergent movements among individual industries, notably the declines in manufacturing (especially durables) and construction and the gains in government and services.

The left-hand panel of the accompanying bar chart shows the changes that occurred between the first and second quarters of 1967 in total nonagricultural employment and the major industries into which nonfarm employment is subdivided. (The decline in manufacturing employment began in the first quarter but was not large enough to affect the quarterly averages until the second quarter.) The decline in manufacturing jobs accompanied the reduction in industrial output as firms lowered the rate of inventory accumulation in the first half of 1967. The decline in construction jobs took place in spite of an improvement in residential construction and is perhaps attributable to the decrease in commercial and industrial construction in the second quarter.

¹ Robert L. Stein, "Reasons for Nonparticipation in the Labor Force," *Monthly Labor Review*, Vol. 90, No. 7 (July 1967), p. 27.

CHANGES IN NONAGRICULTURAL EMPLOYMENT, BY INDUSTRY DIVISIONS, 1967



But, the employment losses in manufacturing and construction were more than offset in the second quarter by the very large increases in government and services and the smaller increases in trade and finance. The gains in state and local government employment outweighed those in civilian Federal Government employment, which has, however, continued to rise throughout 1967, due mostly to defense requirements.

Thus, the inventory adjustment of the first half of 1967 and the failure of construction activity to show any particular vigor were associated with employment declines in the two industries immediately affected but did not have cumulative effects. In general, these declines did not spread to other industries; even while employment in manufacturing and construction was falling, employment in government, services, trade, and finance was rising.

Manufacturing production and employment have closely paralleled each other since the first quarter of 1964, as shown in the opposite chart. Manufacturing production exhibited a marked upturn in July and August 1967 and, then, fell back in September due to strikes. Manufacturing employment declined further in July; turned upward in August, partly because of the settlement of strikes in consumer goods industries; and then fell again in September, chiefly because of the automobile strike. These varying movements resulted in a third-quarter upturn for manufacturing production and a continued decrease in manufacturing employment.

As shown in the right-hand panel of the bar chart, the large losses in manufacturing and construction jobs in the second quarter of 1967 were converted into a small loss (for manufacturing) and a gain (for construction) in the

third quarter. Since there was a significant lessening of the downward pull from these two sectors, total nonfarm employment increased 353,000 in the third quarter, compared with only 64,000 in the second quarter.

In manufacturing, the industries which accounted for most of the drop in employment in the second quarter were electrical equipment, particularly radio and television sets and electronic components; primary metals, notably steel; fabricated metal products; rubber products; and lumber and wood products. In each of these industries, employment showed a much smaller decrease, or even an increase, in the third quarter. (The electrical equipment and rubber industries were affected by strikes in the second quarter, which had been settled by the third quarter.) In September, employment in transportation equipment declined almost 100,000 because of the automobile strike, but the industry's performance for the third quarter as a whole was not affected as heavily, due to a strong showing in August.

In summary, the decline in total employment in the second quarter was attributable chiefly

to teen-agers and adult men. Hidden unemployment among teen-agers and adult women also may have increased, since there were noticeable labor force declines for both of these groups. The industry that had the largest dip in employment was manufacturing. The electrical equipment and primary metal industries were mainly responsible for the decrease in total manufacturing employment. Developments in the third quarter largely reversed these downward movements, although total unemployment and the unemployment rate were higher in the third quarter than in the second quarter.

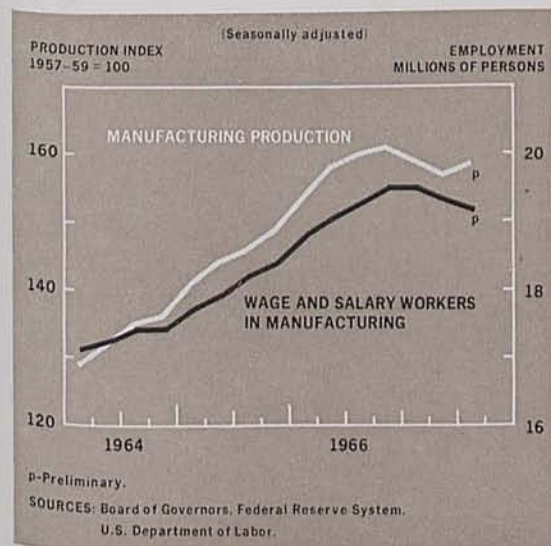
a look ahead

It is clear that the fall in employment thus far this year was heavily localized in manufacturing and construction and that much of the decline in these two industries was offset by large employment gains in government (chiefly state and local) and the service industries. Assuming that government employment and service employment will continue to increase — and this seems a fairly safe assumption in view of their continued long-term rise — the employment outlook for the next several months depends importantly upon the demand for housing construction, commercial and industrial construction, and manufactured durable goods, particularly automobiles, steel, and major household appliances.

The vigor in labor markets also will depend, of course, on whether or not the increased spending for defense purposes will be directly translated into increased production of military equipment. In this connection, the gain in employment in the aircraft industry in the first half of 1967 (up 96,400 over the first half of 1966) far more than offset the decrease in employment in the automobile industry (down 40,200 from the first half of 1966).

Three economic indicators closely related to the job market have, for most of 1967, borne

MANUFACTURING OUTPUT AND EMPLOYMENT



out the downward movement in employment and the upward movement in unemployment in the first half. These three indicators are the insured unemployment rate, the index of help-wanted advertising, and the number of unfilled nonfarm job openings. All three moved favorably in August and September — that is, the insured unemployment rate was down, and the two measures of job vacancies were up, reversing the trends that had lasted for several months.

There are numerous indicators which foreshadow future developments in the markets for housing, business construction, and manufactured durable goods. Housing starts, after their sharp decline during most of last year, have been moving upward since late 1966. Building permits for new housing have also been rising since late 1966. In the case of business construction, businessmen expected, as of August, that the increases in their spending for new plant and equipment in the fourth quarter of 1967 would be very modest. The latest estimates reflect a downward revision of the spending plans projected earlier in the spring. Manufacturers' new orders for durable goods increased throughout the second quarter but fell in July and August, and the ratio of inventories to manufacturers' sales continued much higher than it was a year ago.

The outlook for increases in production and employment also depends on the outlook for profits. After declining in the first quarter, corporate profits rose fractionally in the second quarter. Manufacturers' unit costs of production, as measured by labor cost per unit of output, have been rising steadily since the

second quarter of 1966, after being virtually stable in 1964 and then declining in 1965. A rise in unit labor costs is characteristic of the later stages of a business expansion. In September, manufacturers' unit labor costs were 5.6 percent higher than 1 year ago. The outlook for costs of production — and, therefore, for profits — depends on the race between productivity increases and wage increases in the next several months.

Finally, the outcome of labor negotiations in the automobile industry will affect the strength of employment in late 1967. Some observers point out that automobile production lost in 1967 because of work stoppages will most probably result in a shifting forward of automobile demand and production into early 1968.

The above list of some of the factors influencing the employment situation for the next several months does not, of course, lead to any firm conclusion about the outlook. The list clarifies some of the elements which should be considered. One of these is that much will depend on consumer demand for such items as housing, automobiles, appliances, and television sets. The available indicators certainly justify the view that the quickening in the pace of economic activity which began about July — or became noticeable by then — will continue. They do not give any information about the size and strength of the economic improvement. Whether or not there will be a moderate or a large increase in employment in the months ahead will depend, to a great extent, upon the unpredictable consumer.

JANE KENNEDY

eleventh district

farm borrowers—

1956 and 1966

Commercial banks are the major institutional suppliers of credit to southwestern farmers and ranchers, especially the credit used to defray expenses for current operations and family living and to make intermediate-term investments for such items as farm equipment, land and building improvements, and breeding herds. The American Bankers Association has indicated that, at the beginning of 1967, commercial banks accounted for around 71 percent of the total dollar volume of nonreal estate loans outstanding to farmers and ranchers in the southwestern states of Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

Although commercial banks provide a significant proportion of the mortgage loans for the purchase of farmland, other lenders—life insurance companies, the Federal land banks, and individuals—are more important holders of farm real estate mortgages. As a result of the legislation regulating their real estate investments and because of various liquidity considerations, commercial banks are less suited to making long-term farm mortgages than many other institutional lenders. In early 1967, loans secured by farm real estate at southwestern commercial banks comprised slightly under 9 percent of the total dollar amount of such loans held by all lenders in the region.

Since farmers and ranchers look to commercial banks for a large part of the credit needed to finance current operations and intermediate-term investments, farm lending at banks is likely to reflect some of the broad

forces at work in agriculture. Data from a survey of agricultural lending at commercial banks, conducted in each of the 12 Federal Reserve districts, in mid-1966 and information from a similar survey in mid-1956 provide some insight regarding the developments that occurred during the period. This brief summary will focus upon certain characteristics of farm borrowers and their indebtedness at banks in the Eleventh Federal Reserve District as revealed in these two surveys.

One fact is clear. Although banks have fewer farm customers, the credit needs of many of these customers have grown substantially. Between 1956 and 1966, the number of farm borrowers at District banks declined about one-fifth, but the number of farmers decreased by a larger amount. Consequently, banks apparently were serving a somewhat greater proportion of southwestern farmers last year than 10 years earlier.

The average farm borrower at District banks in mid-1966 had an outstanding indebtedness of almost \$6,700— $2\frac{3}{4}$ times higher than a decade earlier. The increase in credit requirements of farmers and ranchers accompanied the expansion in the size of their farm businesses, the greater usage of purchased inputs, and the persistent upclimb in costs of most items used in farm production and for family living. The uptrend in indebtedness per borrower is emphasized by the fact that, in 1966, nearly 18 percent of the farm borrowers had bank debts of \$10,000 or more, as compared with less than 5 percent in 1956.

Further, farmers with indebtedness of \$10,000 or more accounted for 69 percent of the total dollar amount of debt outstanding in 1966, or almost double the proportion 10 years earlier.

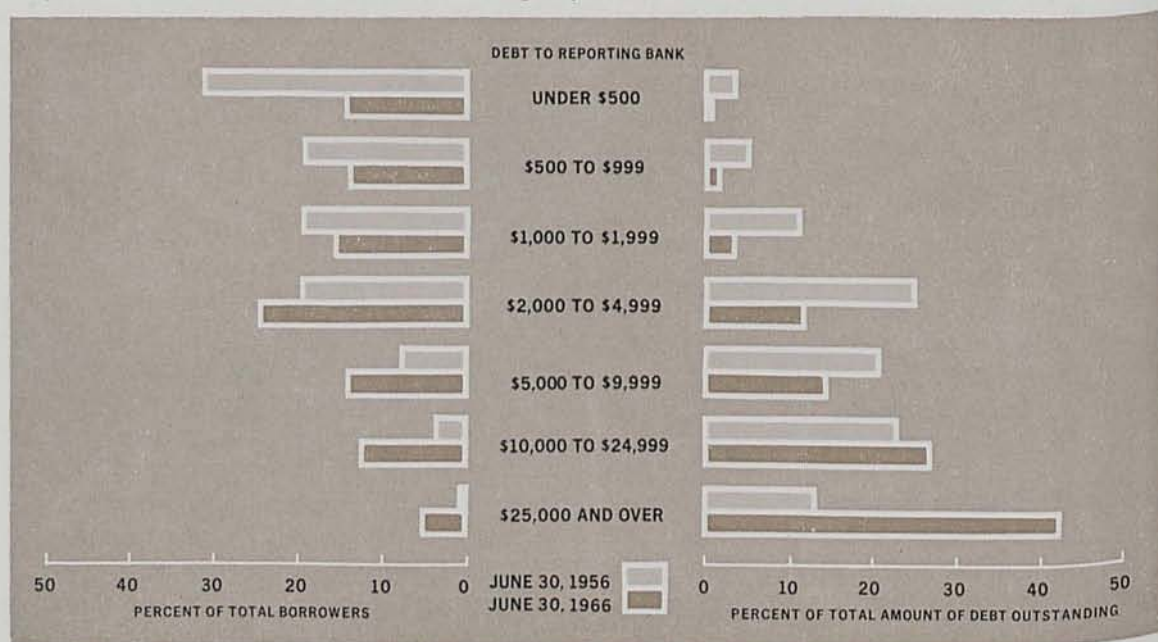
The rise in the average bank indebtedness of farm borrowers does not mean that southwestern banks serve only those individuals with relatively high debt-carrying capacities. Actually, about 38 percent of the bank loans to farmers in the 1966 survey had original amounts of less than \$1,000. The decline, both relatively and absolutely, in the number of borrowers with only fairly modest amounts of bank debt is reflective of the longtime shift toward the more capital-intensive and commercialized enterprises, which have become characteristic of agricultural production in the Southwest.

Although perhaps less precise than most of the other survey data, information on net worth

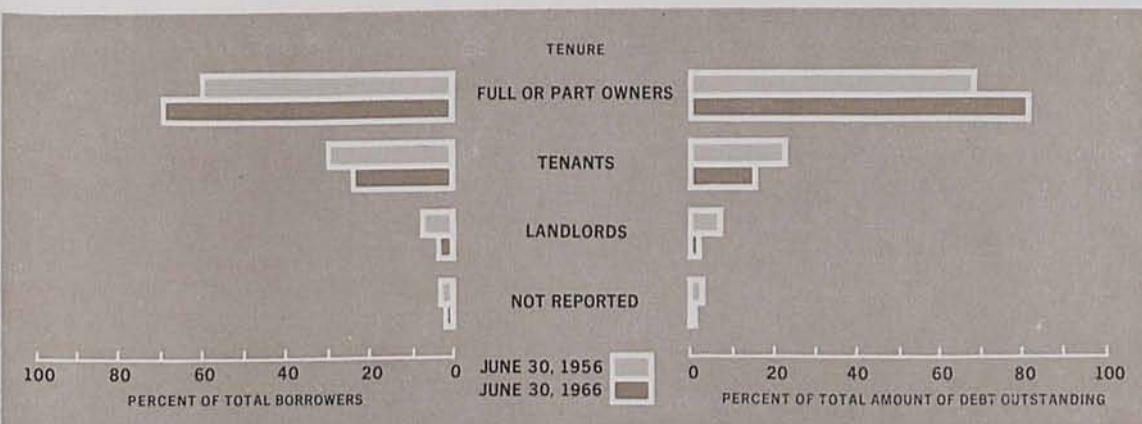
reveals a substantial improvement between 1956 and 1966 in this measure of the financial well-being of farm borrowers. To the extent that net worth is related to the ability to repay debt, the increase in the average bank indebtedness of farmers and ranchers, mentioned previously, is not surprising. Of the total farm borrowers in mid-1966, about two-thirds had a net worth estimated at \$10,000 or more, as compared with around 43 percent a decade earlier. Borrowers with relatively high net worths—\$100,000 and over—were three times more numerous last year than was the case in 1956.

Much of the rise in net worth probably stems from the uptrend in the value of land and the improvements on owner-operator farms. According to the U.S. Department of Agriculture, Texas farm real estate values increased 81 percent between 1956 and 1966; the gains in the other southwestern states ranged from 57 percent in New Mexico to 115 percent in

At mid-1966, the bulk of the farm loans outstanding at Eleventh District banks was to farmers and ranchers with borrowings of \$10,000 or more —



In the Eleventh District, owner-operators have made greater use of bank credit than the other tenure groups —



Louisiana. Similarly, the values of other fixed assets and of breeding herds were up significantly.

Borrowers who owned all of the land they worked and those who owned part of their land and rented additional land constituted a larger proportion of farm borrowers in 1966 — about 70 percent of the total — than was the case in 1956. In that year, about 60 percent of the borrowers owned at least a part of the land they farmed. With a larger proportion of bank borrowers moving into the full-owner and part-owner tenure group, outstanding bank loans to this group rose from 68 percent to 81 percent of the total dollar volume.

Part-time farmers are more important customers of banks than is perhaps often recognized. Last year, nearly 35 percent of the farmers borrowing at District banks were classified by lending officers as part-time farmers. This proportion is more than double that in 1956. Banks were asked to classify a farm borrower as a part-time farmer if one-third or more of his gross income was derived from off-farm sources. Understandably, the average size of bank debt of the part-time farmer, at \$3,900 last year, was smaller than the debt of

individuals engaged in farming on a full-time basis. The indebtedness of full-time operators averaged nearly \$7,700.

In a sense, part-time farmers can be better credit risks than some farmers or ranchers who depend entirely upon sales of agricultural products to repay debt. A supplemental off-farm source of income can be an important element in minimizing the risk of a sharp decline in total family income if adverse weather or market conditions reduce income from the farm or ranch. Moreover, a nonfarm source of income may reduce the need to borrow funds.

In view of the technology that is available to help produce food and fiber in a timely and efficient manner, a part-time operator is not necessarily an individual producing a relatively small volume of commodities for sale. Depending upon any number of factors — available family labor, the type of production, the degree of mechanization, and the organizational and managerial ability of the operator — an individual could be both a successful commercial farmer and a productive nonfarm worker. Such “moonlighting” activities are quite prevalent in agricultural areas having nonfarm employment opportunities nearby.

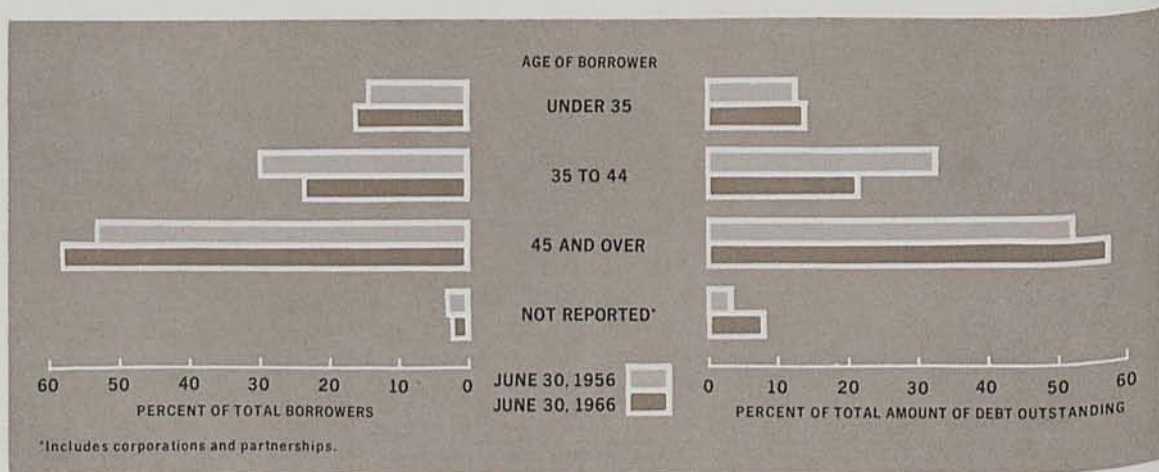
Farm borrowers who were 45 years of age and older not only comprised the majority of all farm borrowers but also accounted for the bulk of the credit outstanding at District banks in both 1956 and 1966. Further, the dominance of this age group in terms of both the total number of farm customers and the amount of total farm indebtedness increased slightly.

The distribution of farm borrowers at banks by ages is broadly consistent with the age distribution of all farmers in the Southwest, as revealed in data from the 1964 Census of Agriculture. The bulk of the farmers and ranchers in the Southwest are in the older age brackets; and if lenders are to serve farmers, most of them will be the older, more established individuals. Relative to their youthful counterparts, older farmers and ranchers are more likely to have the accumulated resources, experience, and demonstrated capacity to produce — attributes which enhance their ability to assume and repay debt. Despite the dominant role in farm lending of farmers 45 years of age and older, the proportion of farmers under 35 years of age who were receiving credit accommodation at banks was larger in 1966 than a decade earlier.

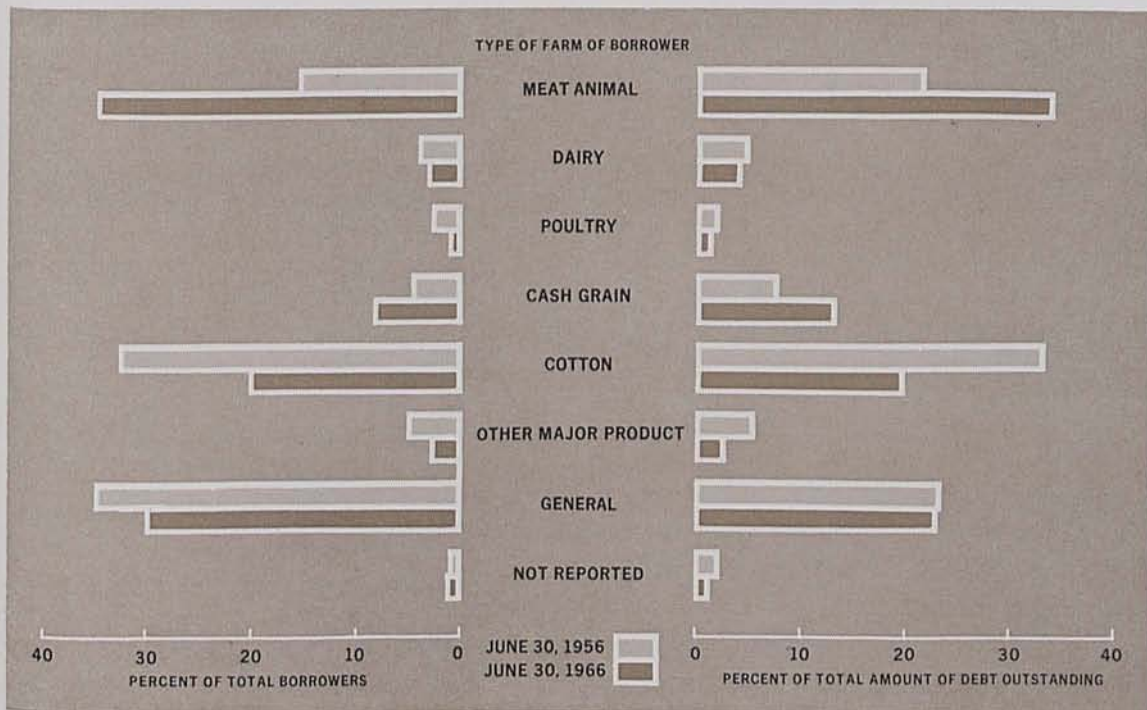
In both 1956 and 1966, operators of three major types of farms — meat animal, cotton, and general — represented over 80 percent of the total farm borrowers at District banks and accounted for about 78 percent of the dollar amount of farm loans outstanding. Although the relative importance of bank lending to operators of these three types of farms as a group was little changed between the 2 years, there were significant shifts in rankings among the three types with respect to the number of borrowers, as well as the volume of debt. The number of borrowers who were operators of meat animal farms was 80 percent larger in 1966 than a decade earlier; borrowers who were cotton growers were only half as numerous; and the number of operators of general farms was 30 percent smaller.

As a consequence of the shifts, producers of meat animals have surpassed both cotton growers and operators of general farms in relative importance as users of bank credit. Cotton farmers, who accounted for the largest share of the total bank debt outstanding to all farmers in 1956, were in third place in 1966. In the case of the operators of each of the three types of farms, however, the total outstanding debt

Farmers 45 years old and older have accounted for the largest proportion of farm credit at the District's banks —



Operators of meat animal and cash grain farms have increased their shares of farm credit at banks in the Eleventh District —



and the average indebtedness per borrower were substantially higher in 1966 than in 1956. These increases further illustrate that the upswing in the credit needed for commercial agricultural production was common to all the types of farms.

At least part of the decline in the relative importance of credit extended to cotton growers in the Southwest is due to the fact that, according to data from the Census of Agriculture, the number of cotton farms has decreased rather significantly during the past several years. It is true that many of the smaller units have been combined into larger units, but many farmers have shifted into enterprises other than cotton. In some instances, farmers have shifted a substantial amount of their resources into the production of grain sorghum. The number of meat animal farms has shown a con-

siderably smaller decline than cotton farms. In addition, meat animal growers have found somewhat stronger markets than have southwestern crop farmers. Herd numbers generally have been increasing since 1956, and there has been a rapid expansion in cattle feeding—developments which would elevate credit needs.

As the production of agricultural commodities has progressed successively from the usage of manpower to horsepower and, now, brainpower, increasing amounts of capital have been required. Current trends suggest that, a decade from now, farm borrowings will show a further rise, both the total volume and the amount per borrower. Credit institutions have a way of adapting to the changing credit requirements of a growing economy, and banks will continue to play an integral part in providing agricultural credit.

district highlights

Advancing to a level of 5,710,400 in September, total nonagricultural wage and salary employment in the five southwestern states displayed more strength than normally expected by rising 0.5 percent over August. Employment in manufacturing, which usually declines during September, increased fractionally, indicating substantial strength in this sector. Construction employment decreased less than seasonally, and service employment performed better than expected. On the other hand, the number of government workers increased somewhat less than normally. Employment changes in the remaining nonmanufacturing categories were about in line with seasonal expectations.

Nonagricultural employment in the five southwestern states this September exceeded the year-earlier level by about 4 percent. The year-to-year gain in nonmanufacturing employment was slightly larger than the rise in overall employment, but the increase in manufacturing employment was smaller. Especially strong gains in service and government employment provided the major stimulus in elevating nonmanufacturing employment. Employment in mining and construction in September remained at lower levels than in the same month in 1966. Mining activity was still depressed, due to a strike in the copper industry in Arizona and New Mexico.

The seasonally adjusted Texas industrial production index in September, at 159.3 percent of its 1957-59 base, was off fractionally from the prior month. Mining declined because of the decrease of more than 6 percent in seasonally adjusted crude petroleum output. Utilities production was almost unchanged, and the changes among the manufacturing sectors were mainly offsetting.

In manufacturing, moderate strength was evident in September in the output of lumber and wood products and stone, clay, and glass products, reflecting recent improvement in construction. Strength also appeared in paper and allied products and was pronounced in petroleum refining. There were output declines from the preceding month in diverse industries, particularly primary metal products. The production of aircraft and aircraft parts increased, but the output of automobiles was lower due to a labor-management dispute; consequently, transportation equipment output was nearly unchanged.

The industrial production index for the State in September 1967 was 7 percent over the same month in 1966. On a year-to-year basis, only four manufacturing industries recorded increases that were above the 5-percent gain shown by total manufacturing; these industries were electrical machinery, transportation equipment, textile mill products, and paper and allied products. The other increases were generally moderate. Output in the primary metal industries was down perceptibly from the comparable month in 1966. Mining registered a strong year-to-year increase in Texas as a result of substantial gains in the production of crude petroleum and natural gas liquids. A substantial advance in electricity generation lifted utilities significantly above a year ago.

Following its record-breaking level in August, daily average production of crude oil in the Eleventh District eased 5 percent in September but, still, was 8 percent higher than a year earlier. At 3.7 million barrels per day, the September output figure is one of the highest registered for the District. All major oil-producing areas in Texas showed decreases in

September, but production in southeastern New Mexico and northern Louisiana rose. The decline in District crude oil production during the month resulted from the reductions made in allowables as worldwide petroleum shipments began to return to normal following the Middle East war this summer. Production is likely to show further declines in October and November. The Texas oil allowable has been reduced from 46.7 percent of permissible production in September to 42.8 percent for October and 40.8 percent for November; similarly, the allowable for Louisiana also has been reduced.

Harvesting of crops made good progress during October, although rains in many areas of the Eleventh District temporarily halted field activities. Soil moisture conditions remain poor in some sections, notably east Texas and the Northern High Plains. On the other hand, soil preparation and planting of vegetables in many areas of the Lower Rio Grande Valley of Texas have been delayed by wet fields.

Harvesting of cotton in the five District states is approaching the halfway mark. As of October 1, cotton output in the District states is placed at 4 million bales, or 11 percent smaller than in 1966 and the lowest since 1946. Combining of sorghum grain has been completed in early producing sections of the District and is well advanced in the High Plains area; production in the District states is indicated to be 18 percent above last year's record crop. The projected increase is due to a sharp gain in acreage for harvest, since yields are slightly lower.

The U.S. Department of Agriculture has placed the 1967-68 Texas citrus crop at 2.9 million boxes, which is only 35 percent of last season's production. Output of grapefruit is expected to be only 30 percent of the 1966-67 crop, and the production of oranges is estimated to be 43 percent as large as in the pre-

ceding season. Prior to Hurricane Beulah, trade sources had indicated that total citrus production in the Lower Valley of Texas would be about the same as a year earlier.

Fall and winter grazing prospects continued on an uptrend during October as a result of additional rains over much of the District. In contrast, forage supplies remained short in eastern Texas, and dryland wheat in the northwestern areas will need precipitation in order to promote root and top growth. The number of cattle and calves on feed in the four major cattle feeding states of the District — Arizona, New Mexico, Oklahoma, and Texas — on October 1 totaled 1.2 million head, or 21 percent above a year ago. In each of these states, the number on feed was higher than at the same time last year.

September registrations of new passenger automobiles showed a marked decrease from August in each of four major market areas in Texas. Decreases for the individual markets ranged from 19 percent in Dallas to 31 percent in Houston, with combined registrations in the four markets declining 25 percent. As compared with a year ago, however, total registrations in Dallas, Fort Worth, Houston, and San Antonio were 5 percent higher. Cumulative registrations through September this year were approximately the same as those for the first three quarters of 1966.

Department store sales in the Eleventh District in the 4 weeks ended October 21 exceeded those in the corresponding period in 1966 by 9 percent. Cumulative sales this year through the same date were 5 percent greater than a year earlier.

Changes in the major balance sheet items at the Eleventh District's weekly reporting commercial banks were mixed in the 5 weeks ended October 18. Both loans adjusted and total investments rose. However, total demand de-

posits and total time and savings deposits declined. Changes in most of these major categories were strongly influenced by business loan demand over the mid-September tax and dividend period and by Treasury financing activities.

The growth of \$68 million in loans adjusted principally reflected a \$38 million rise in commercial and industrial loans and a \$28 million increase in loans to nonbank financial institutions. The expansion of \$127 million in total investments was primarily accounted for by a

sharp increase of \$107 million in holdings of Treasury bills.

On the liability side of the balance sheet, total demand deposits declined \$47 million, chiefly as a result of the fact that the decreases in interbank deposits and in demand deposits of individuals, partnerships, and corporations more than offset a rise in U.S. Government demand deposits. Similarly, time deposits fell \$6 million, reflecting a \$4 million reduction in negotiable time certificates of deposit issued in denominations of \$100,000 or more.



STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

November 1967



FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING
COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Oct. 25, 1967	Sept. 27, 1967	Oct. 26, 1966
ASSETS			
Net loans and discounts.....	5,196,283	5,195,267	5,040,566
Valuation reserves.....	93,380	93,935	91,331
Gross loans and discounts.....	5,289,663	5,289,202	5,131,897
Commercial and industrial loans.....	2,518,015	2,523,743	2,520,039r
Agricultural loans, excluding CCC certificates of interest.....	99,979	100,334	83,635
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	13,012	15,012	7
Other securities.....	58,135	59,832	40,304
Other loans for purchasing or carrying:			
U.S. Government securities.....	676	604	1,015
Other securities.....	328,471	324,555	332,906
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	226,909	188,524	154,798
Other.....	263,945	266,952	259,107
Real estate loans.....	504,397	504,505	472,019
Loans to domestic commercial banks.....	158,226	186,346	154,904
Loans to foreign banks.....	5,943	5,686	6,141
Consumer instalment loans.....	538,508	537,527	515,495r
Loans to foreign governments, official institutions, central banks, international institutions.....	0	0	0
Other loans.....	573,447	575,582	591,527r
Total investments.....	2,561,048	2,565,390	2,208,165
Total U.S. Government securities.....	1,222,695	1,249,736	1,074,870
Treasury bills.....	155,540	190,322	46,434
Treasury certificates of indebtedness.....	0	0	16,842
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	161,805	162,675	145,250
1 year to 5 years.....	690,955	658,423	569,011
After 5 years.....	214,395	238,316	297,333
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills..	35,212	35,280	14,741
All other.....	1,077,703	1,057,728	960,886
Other bonds, corporate stocks, and securities:			
Participation certificates in Federal agency loans.....	153,815	151,479	89,672
All other (including corporate stocks).....	71,623	71,167	67,996
Cash items in process of collection.....	810,866	863,915	810,271
Reserves with Federal Reserve Bank.....	723,429	723,540	598,029
Currency and coin.....	80,669	78,923	77,197
Balances with banks in the United States.....	494,470	470,887	464,622
Balances with banks in foreign countries.....	5,575	6,318	4,426
Other assets.....	337,487	337,589	320,750
TOTAL ASSETS.....	10,209,827	10,241,829	9,524,026
LIABILITIES			
Total deposits.....	8,668,385	8,732,800	8,063,182
Total demand deposits.....	5,294,300	5,317,770	4,906,839
Individuals, partnerships, and corporations....	3,681,614	3,657,638	3,456,504
States and political subdivisions.....	253,145	273,971	267,824
U.S. Government.....	152,855	173,616	83,469
Banks in the United States.....	1,125,923	1,124,938	1,020,790
Foreign:			
Governments, official institutions, central banks, international institutions.....	3,055	2,461	2,830
Commercial banks.....	19,528	22,342	18,672
Certified and officers' checks, etc.....	58,180	62,804	56,750
Total time and savings deposits.....	3,374,085	3,415,030	3,156,343
Individuals, partnerships, and corporations:			
Savings deposits.....	1,118,436	1,121,636	1,175,787
Other time deposits.....	1,697,323	1,749,345	1,384,869
States and political subdivisions.....	508,779	505,512	570,616
U.S. Government (including postal savings)....	11,833	12,340	8,849
Banks in the United States.....	34,714	24,197	13,882
Foreign:			
Governments, official institutions, central banks, international institutions.....	2,300	800	800
Commercial banks.....	700	1,200	1,540
Bills payable, rediscounts, and other liabilities for borrowed money.....	473,192	424,917	426,316
Other liabilities.....	172,515	195,050	184,466
CAPITAL ACCOUNTS.....	895,735	889,062	850,062
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	10,209,827	10,241,829	9,524,026

r — Revised.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Oct. 4, 1967	5 weeks ended Sept. 6, 1967	4 weeks ended Oct. 5, 1966
RESERVE CITY BANKS			
Total reserves held.....	674,736	661,632	629,344
With Federal Reserve Bank.....	627,125	616,140	583,151
Currency and coin.....	47,611	45,492	46,193
Required reserves.....	671,285	658,437	623,112
Excess reserves.....	3,451	3,195	6,232
Borrowings.....	214	0	68,587
Free reserves.....	3,237	3,195	—62,355
COUNTRY BANKS			
Total reserves held.....	656,517	646,906	631,402
With Federal Reserve Bank.....	492,725	488,321	477,642
Currency and coin.....	163,792	158,585	153,760
Required reserves.....	619,519	608,925	596,330
Excess reserves.....	36,998	37,981	35,072
Borrowings.....	3,174	2,785	15,896
Free reserves.....	33,824	35,196	19,176
ALL MEMBER BANKS			
Total reserves held.....	1,331,253	1,308,538	1,260,746
With Federal Reserve Bank.....	1,119,850	1,104,461	1,060,793
Currency and coin.....	211,403	204,077	199,953
Required reserves.....	1,290,804	1,267,362	1,219,442
Excess reserves.....	40,449	41,176	41,304
Borrowings.....	3,388	2,785	84,483
Free reserves.....	37,061	38,391	—43,179

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Oct. 25, 1967	Sept. 27, 1967	Oct. 26, 1966
Total gold certificate reserves.....	532,392	432,771	381,754
Discounts for member banks.....	963	1,362	106,800
Other discounts and advances.....	0	0	870
U.S. Government securities.....	1,915,408	1,967,033	1,663,514
Total earning assets.....	1,916,371	1,968,395	1,771,184
Member bank reserve deposits.....	1,126,677	1,118,210	1,001,447
Federal Reserve notes in actual circulation....	1,353,603	1,343,631	1,239,004

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Sept. 27, 1967	Aug. 30, 1967	Sept. 28, 1966
ASSETS			
Loans and discounts.....	9,086	8,991	8,647
U.S. Government obligations.....	2,521	2,439	2,233
Other securities.....	2,562	2,551	2,201
Reserves with Federal Reserve Bank.....	1,118	1,049	937
Cash in vault.....	236	234	227
Balances with banks in the United States.....	1,148	1,100	1,028
Balances with banks in foreign countries.....	9	7	6
Cash items in process of collection.....	972	861	867
Other assets.....	430	383	483
TOTAL ASSETS^a.....	18,082	17,615	16,629
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,399	1,366	1,223
Other demand deposits.....	8,024	7,730	7,492
Time deposits.....	6,436	6,391	5,792
Total deposits.....	15,859	15,487	14,507
Borrowings.....	434	359	412
Other liabilities ^a	266	248	257
Total capital accounts ^a	1,523	1,521	1,453
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^a.....	18,082	17,615	16,629

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			
	September 1967 (Annual-rate basis)	Percent change			September 30, 1967	September 1967	Annual rate of turnover	
		August 1967	September 1966	9 months, 1967 from 1966			August 1967	September 1966
ARIZONA: Tucson.....	\$ 4,512,888	6	3	10	\$ 162,455	27.7	25.8	26.6
LOUISIANA: Monroe.....	2,040,228	-6	11	8	76,693	26.6	27.9	24.6
Shreveport.....	5,680,248	-2	4	10	224,313	25.4	26.2	25.7
NEW MEXICO: Roswell ²	643,008	5	5	0	34,303	18.9	18.1	18.4
TEXAS: Abilene.....	1,740,924	2	-9	-2	93,202	18.9	18.6	21.3
Amarillo.....	4,134,600	-7	-5	0	135,570	30.1	32.1	32.2
Austin.....	4,901,004	4	15	12	210,902	23.6	22.8	23.1
Beaumont-Port Arthur-Orange.....	5,604,864	-1	4	5	223,477	25.2	25.1	25.3
Brownsville-Harlingen-San Benito.....	1,038,300	-12	-26	2	65,203	16.4	18.6	25.1
Brownsville.....	3,489,180	-10	-9	4	191,204	18.5	20.6	21.4
Corpus Christi.....	329,604	-13	17	9	29,063	11.2	12.9	10.1
Corsicana ²	75,224,856	-2	16	13	1,783,033	42.4	43.2	39.6
Dallas.....	5,182,320	-7	4	8	199,972	26.0	27.9	25.1
El Paso.....	16,205,880	-1	9	8	531,534	30.8	31.2	30.3
Fort Worth.....	2,293,668	7	11	9	98,117	23.7	22.1	23.5
Galveston-Texas City.....	70,127,136	1	13	11	2,169,446	32.6	32.8	32.7
Houston.....	70,127,136	-9	2	14	31,328	19.1	20.0	19.8
Laredo.....	613,632	-15	0	0	157,846	24.7	30.5	24.4
Lubbock.....	3,777,876	-17	-11	12	88,707	13.2	16.8	18.2
McAllen-Pharr-Edinburg.....	1,132,320	0	3	1	123,857	13.4	13.3	13.9
Midland.....	1,642,332	-4	4	-3	63,125	20.4	20.7	19.3
Odessa.....	1,290,168	-2	2	3	58,191	15.6	16.4	16.0
San Angelo.....	900,396	-3	6	4	531,074	23.2	23.2	23.7
San Antonio.....	12,355,572	-2	16	20	58,281	21.6	21.6	20.1
Texarkana (Texas-Arkansas).....	1,280,568	2	11	4	84,625	20.2	19.6	18.8
Tyler.....	1,700,856	-7	10	8	113,070	19.5	21.1	19.1
Waco.....	2,184,648	-7	-1	-5	110,296	18.3	20.0	18.7
Wichita Falls.....	2,042,472	-1	10	10	\$7,648,887	30.5	31.1	30.0
TOTAL—27 centers.....	\$232,069,548	-1	10	10				

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)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1965: September.....	8,705	4,119	4,586	5,347	2,616	2,731
1966: September.....	8,797	4,080	4,717	5,736	2,634	3,102
1967: 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
July.....	9,195	4,302	4,893	6,285	2,670	3,615
August.....	9,178	4,268	4,910	6,394	2,742	3,652
September.....	9,426	4,408	5,018	6,398	2,743	3,655

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		VALUATION		Percent change		
	Sept. 1967	9 mos. 1967	Sept. 1967	9 mos. 1967	Aug. 1967	Sept. 1966	9 months, 1967 from 1966
ARIZONA: Tucson.....	482	4,902	\$ 2,082	\$ 19,072	-15	55	-5
LOUISIANA: Monroe-West.....	78	695	457	14,898	-64	-33	5
Shreveport.....	298	3,168	2,302	24,403	-17	146	10
TEXAS: Abilene.....	56	458	607	8,491	105	-75	-30
Amarillo.....	98	1,235	565	16,590	-81	-84	-46
Austin.....	373	3,421	5,922	90,022	-10	122	44
Beaumont.....	115	1,307	1,030	13,869	-54	99	10
Brownsville.....	50	555	127	2,763	-87	-52	-12
Corpus Christi.....	344	3,421	6,043	27,126	204	124	2
Dallas.....	1,470	16,706	61,391	219,376	50	289	47
El Paso.....	364	4,117	4,080	43,306	-10	13	-3
Fort Worth.....	714	5,641	6,018	71,147	-48	-65	11
Galveston.....	71	862	332	9,577	-92	-59	-10
Houston.....	1,921	18,568	25,609	326,118	-62	51	31
Laredo.....	26	269	339	3,631	-65	32	55
Lubbock.....	115	1,223	1,127	23,885	-78	-75	-50
Midland.....	71	736	715	11,254	-10	81	-11
Odessa.....	56	836	501	5,031	23	-16	-52
Port Arthur.....	70	708	210	2,784	-24	-18	-29
San Angelo.....	62	636	344	8,486	-46	51	40
San Antonio.....	953	10,820	6,991	82,801	-50	15	16
Texarkana.....	38	376	236	3,083	-17	125	-41
Waco.....	304	2,750	3,955	14,531	52	81	46
Wichita Falls.....	53	623	1,793	17,953	-45	-12	59
TOTAL—24 cities.....	8,182	84,033	\$132,776	\$1,060,197	-25	54	17

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	September 1967	August 1967	July 1967	January—September	
				1967	1966
FIVE SOUTHWESTERN STATES ¹					
Residential building.....	445	506	441	4,208	3,996r
Nonresidential building.....	163	195	172	1,520	1,500r
Nonbuilding construction.....	133	197	144	1,521	1,261
Nonbuilding construction.....	150	114	124	1,167	1,235
UNITED STATES.....					
Residential building.....	4,695	5,104	4,879	39,822	39,685r
Nonresidential building.....	1,741	1,912	1,829	14,596	14,723r
Nonbuilding construction.....	1,786	1,847	1,749	15,235	14,975
Nonbuilding construction.....	1,169	1,345	1,302	9,991	9,987

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.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	September 1967p	August 1967p	September 1966	Percent change from	
				August 1967	September 1966
ELEVENTH DISTRICT.....	3,694.4	3,893.3	3,413.2	-5.1	8.2
Texas.....	3,189.4	3,397.4	2,940.6	-6.1	8.5
Gulf Coast.....	605.1	629.0	539.0	-3.8	12.3
West Texas.....	1,491.8	1,610.6	1,335.8	-7.4	11.7
East Texas (proper).....	146.3	157.3	123.1	-7.0	18.8
Panhandle.....	94.7	99.7	99.6	-5.0	-4.9
Rest of State.....	851.5	900.8	843.1	-5.5	1.0
Southeastern New Mexico..	321.8	315.2	300.5	2.1	7.1
Northern Louisiana.....	183.2	180.7	172.1	1.4	6.4
OUTSIDE ELEVENTH DISTRICT	5,535.4	5,514.7	4,886.5	.4	13.3
UNITED STATES.....	9,229.8	9,408.0	8,299.7	-1.9	11.2

p — Preliminary.

SOURCES: American Petroleum Institute,
U.S. Bureau of Mines,
Federal Reserve Bank of Dallas.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	September 1967p	August 1967	July 1967	September 1966
TEXAS				
Total industrial production.....	159.3	160.7	158.5r	149.0r
Manufacturing.....	176.5	175.0	173.8	168.1r
Durable.....	197.3	197.6	194.7	182.5r
Non-durable.....	162.6	159.9	159.8	158.5r
Mining.....	126.6	133.1	129.2r	114.6
Utilities.....	199.8	197.1	195.7	183.6
UNITED STATES				
Total industrial production.....	156.0	158.0	157.0r	158.0r
Manufacturing.....	158.0	159.0	158.0r	160.0r
Durable.....	161.0	164.0	162.0r	167.0r
Non-durable.....	154.0	154.0	152.0r	151.0r
Mining.....	125.0	128.0	128.0r	121.0
Utilities.....	183.0	182.0	182.0r	177.0r

p — Preliminary.

r — Revised.

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

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS		FIVE SOUTHWESTERN STATES ¹			
	1967, estimated Oct. 1	1966	Average 1961-65	1967, estimated Oct. 1	1966	Average 1961-65
Cotton ²	2,800	3,182	4,544	4,040	4,541	6,555
Corn.....	18,122	19,008	26,305	26,751	26,593	37,720
Winter wheat....	53,216	72,652	63,065	153,812	178,516	167,575
Oats.....	6,644	17,640	19,488	11,461	24,368	28,523
Barley.....	1,178	2,750	4,968	17,722	20,984	26,390
Rye.....	350	544	386	909	1,342	1,234
Rice ³	25,400	21,210	17,524	47,435	42,398	33,722
Sorghum grain... ⁴	359,923	311,696	236,601	427,738	362,428	274,468
Flaxseed.....	150	712	921	150	712	921
Hay ⁵	3,498	3,585	2,878	9,249	8,844	7,808
Peanuts ⁶	370,500	403,200	221,994	592,400	624,606	400,034
Irish potatoes ⁶ ..	4,329	4,451	2,755	7,779	7,977	5,704
Sweet potatoes ⁶ ..	756	780	840	5,110	4,871	4,760
Pecans ⁶	35,000	26,000	38,200	109,000	71,300	94,190

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

² In thousands of bales.

³ In thousands of bags containing 100 pounds each.

⁴ In thousands of tons.

⁵ In thousands of pounds.

⁶ In thousands of hundredweight.

SOURCE: U.S. Department of Agriculture.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Sept. 1967 from	
	September 1967p	August 1967	September 1966r	Aug. 1967	Sept. 1966
Total nonagricultural					
wage and salary workers..	5,710,400	5,683,700	5,511,700	0.5	3.6
Manufacturing.....	1,041,700	1,040,400	1,016,000	.1	2.5
Nonmanufacturing.....	4,668,700	4,643,300	4,495,700	.5	3.8
Mining.....	223,100	226,300	236,300	-1.4	-5.6
Construction.....	376,700	378,000	386,700	-4	-2.6
Transportation and public utilities.....	439,800	440,600	423,200	-2	3.9
Trade.....	1,328,000	1,325,900	1,286,200	.2	3.2
Finance.....	281,800	283,400	271,400	-6	3.8
Service.....	853,300	859,500	805,800	-7	5.9
Government.....	1,166,000	1,129,600	1,086,100	3.2	7.4

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

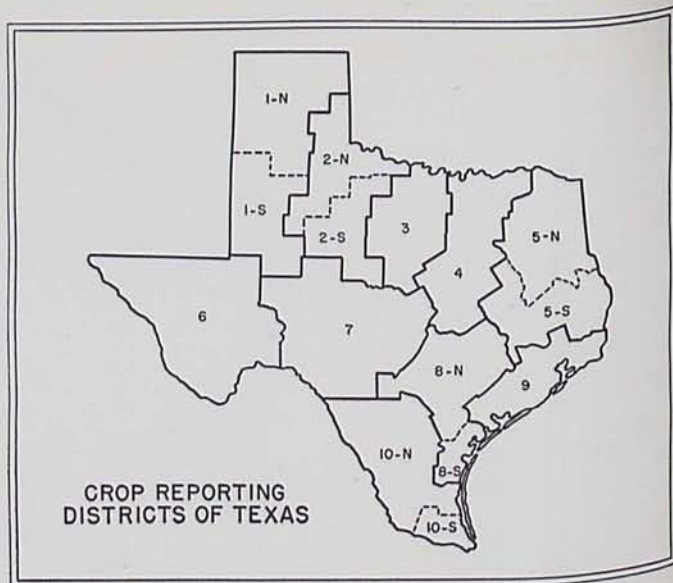
COTTON PRODUCTION

Texas Crop Reporting Districts

(In thousands of bales — 500 pounds gross weight)

Area	1967, indicated Oct. 1	1966	1965	1967 as percent of 1966
1-N — Northern High Plains.....	245	260	558	94
1-S — Southern High Plains.....	1,000	1,085	1,693	92
2-N — Red Bed Plains.....	180	177	281	102
2-S — Red Bed Plains.....	250	338	402	74
3 — Western Cross Timbers.....	15	18	21	83
4 — Black and Grand Prairies.....	290	484	469	60
5-N — East Texas Timbered Plains...	25	29	34	86
5-S — East Texas Timbered Plains...	40	42	58	95
6 — Trans-Pecos.....	125	127	194	98
7 — Edwards Plateau.....	25	27	57	93
8-N — Southern Texas Prairies.....	60	95	108	63
8-S — Southern Texas Prairies.....	95	134	168	71
9 — Coastal Prairies.....	115	82	201	140
10-N — South Texas Plains.....	20	33	35	61
10-S — Lower Rio Grande Valley.....	315	251	389	125
State.....	2,800	3,182	4,668	88

SOURCE: U.S. Department of Agriculture.



CROP REPORTING DISTRICTS OF TEXAS