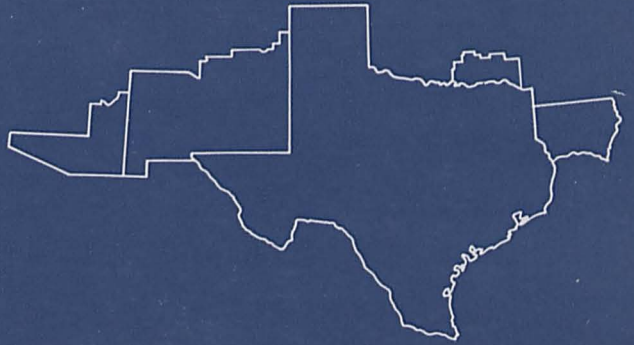


business review



february 1968

**FEDERAL RESERVE
BANK OF DALLAS**

contents

the cautious consumer 3

*industrial production
in texas continues strong* 9

district highlights 14

the cautious consumer

The consumer's role in 1968 is generally expected to take on greater importance than it has had in the very recent past. From 1963 through 1967, the share of gross national product accounted for by personal consumption spending dropped slightly each year, moving from 63.5 percent in 1963 to 62.6 percent in 1967. (The consumption share of GNP fluctuated irregularly from 1956 through 1962, averaging about 64 percent.) If the consumption percentage had remained at the 1963 level of 63.5 percent (of the 1967 GNP of \$785.1 billion), consumer spending would have been \$7 billion larger in 1967. As the consumption share of GNP dropped slightly, a larger share of GNP was accounted for by investment spending from 1964 through 1966 and by government spending in 1966 and 1967.

The boom in business investment spending which marked the years 1964-66 (with the increases in business fixed investment ranging from 12.5 percent to 16.4 percent) subsided materially in 1967, when business fixed investment rose only 2.9 percent. Projections of business capital spending plans for 1968, partly based on a survey by the U.S. Department of Commerce and the Securities and Exchange Commission,¹ foresee a 5- to 7-percent increase for the year, a much smaller rate of gain than in 1964-66. Moreover, although state and local government spending will undoubtedly continue upward, national defense spending is not expected to add as much in 1968 as in 1966 and 1967. Hence, the consumer emerges as an even more important factor in the economy in 1968.

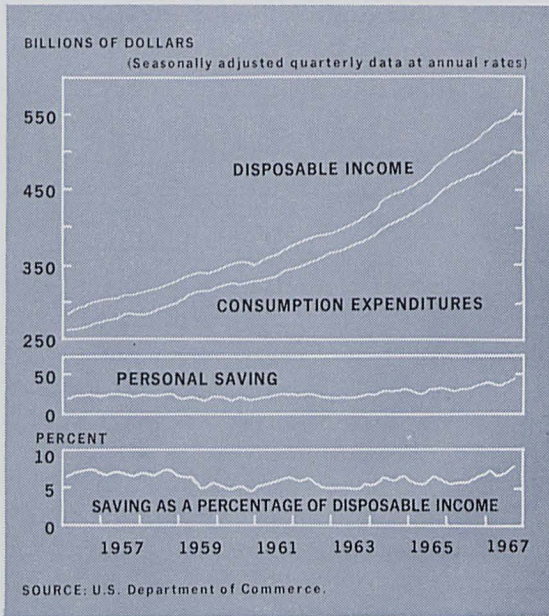
The conjectures about what consumers may do in 1968 take on added interest in view of

¹ The investment figures in the Commerce-SEC survey are not exactly comparable with the investment totals included in the GNP.

their unusual behavior in 1967. The saving ratio (personal saving as a percentage of disposable income) was at 7.1 percent in 1967, the highest level since 1953. The reasons for consumers' greatly increased thriftiness in 1967 are not clear. A survey of consumer sentiment in November 1967 by the University of Michigan Survey Research Center discloses that consumers are in a mood of uncertainty, although they are not pessimistic. The survey points out that two factors contributing to this mood are the fear of further inflationary price increases and uncertainty about the war in Viet-Nam. Other commentators have mentioned as unsettling influences the prospect of higher taxes and the recent prominence of the U.S. balance-of-payments problem. There is also a possibility that the lack of any exciting new goods in the consumer market has contributed to the high saving rate.

In the span of years shown in the accompanying chart (bottom panel), 1956, 1957, and 1958 appear as years of relatively high saving percentages. These figures, ranging from 6.5 percent to 7.5 percent, were not approached again until the fourth quarter of 1966. From 1959 through 1966, saving moved pretty much within the range of 5 to 6 percent of disposable income but dropped to as low as 4.5 percent in the fourth quarter of 1960 — the lowest figure reached in the 12 years reviewed. In 1966, consumers saved 5.9 percent of their disposable income; in 1967, 7.1 percent. If the consumers had been no thrifter than in the previous year, they would have spent \$6.6 billion more on consumption goods and services in 1967 than they did. Thus, it is clear that the proportion of their incomes which has been saved by consumers has affected the course of total spending in the past and can have a substantial effect in the future.

PERSONAL DISPOSABLE INCOME, CONSUMPTION, AND SAVING



Some observers feel that the higher percentages of income saved toward the end of 1967 were connected with the automobile strike and the resulting smaller supply of 1968 models. (However, the saving rate in the fourth quarter of 1966 was already high and rose even higher in the first quarter of 1967, when there was no automobile strike.) During the last major automobile strike in 1964, when automobile purchases fell sharply in the fourth quarter of the year, there was an accompanying sharp rise in the saving rate for that one quarter. Nevertheless, a test of the hypothesis that the percentage of disposable income spent on automobiles varies inversely with the saving rate — or vice versa — yields the result that variations in one measure account for less than 10 percent of the variations in the other.

consumer spending and income

One of the most important variables in explaining changes in consumption spending is, of course, income. A marked characteristic of

disposable income in the past 12 years has been its relative imperviousness to downturns or periods of sluggishness in the general economy. During this period, as shown in the first chart, there was a leveling off in disposable income in the fourth quarter of 1957, during an economic downturn, and in the third quarter of 1959, when there was a major strike; but there was only one decline in disposable income which occurred in the fourth quarter of 1960, during another economic downturn. In the first half of 1967, the rate of increase of disposable income slowed.

Similarly, total consumption expenditures declined only in the first quarter of 1958 and the third quarter of 1960 and continued rising during the economic slowdown in the first half of 1967. However, the rates of increase of both disposable income and total consumption expenditures in 1967 were lower than in the previous 3 years.

While there appears to be a high degree of correspondence between movements of disposable income and of total consumption expenditures, some of this agreement disappears when movements of the three chief categories of consumption expenditures are examined separately. Spending for durable goods is much more variable than disposable income or spending for nondurable goods and services.

There was an acceleration in the increase in disposable income and in consumer spending for nondurables after 1963. The yearly rates of increase in disposable income for 1964, 1965 and 1966 were noticeably above the rates of increase from 1957 through 1963. The same is true for spending for nondurables and also, although less markedly, for services. (Services include an estimate of the rental value of owner-occupied houses.) From 1964 through 1966 the economy approached full employment, as measured by the percentage of the labor force which is unemployed. Thus, the years 1964-66 not only were characterized by a boom in busi-

ness spending for fixed investment but also were characterized by stepped-up rates of increase in disposable income and in consumer spending for nondurables.

Consumer spending for durables, on the other hand, displayed large percentage increases from 1962 through 1965 and, then, showed a much smaller percentage increase in 1966. In 1967, there was a definite slowing down in the rate of increase in spending for both durables and nondurables.

While consumers' disposable income has continued to make impressive regular gains in the past 12 years, it is also necessary to consider the related topic of the price level of consumer goods since, without relative price stability, gains in income are partially or wholly nullified. The past 2 years of this longest business expansion in the history of the U.S. economy — this month marks its seventh year — have been accompanied by price increases noticeably higher than the yearly increases from 1960 through 1965. In those years, the price deflator (a measure of changes in the price level) for total consumption expenditures rose an average of 1.2 percent per year. In 1966, the consumption deflator increased 2.6 percent over 1965 and increased 2.6 percent again in 1967.

Price increases were particularly marked for nondurables and services in 1966. The nondurables deflator, pushed by a large increase in food prices, rose 3.5 percent in that year, and the services deflator rose 3.0 percent. The food price increase greatly moderated in 1967, and the gain in the nondurables deflator for the year was 2.0 percent. But, the services deflator for 1967 rose 3.5 percent. The durable goods deflator, after actually declining slightly in 1965 and 1966, began rising in the third quarter of 1967 and was up 1.4 percent for the year.

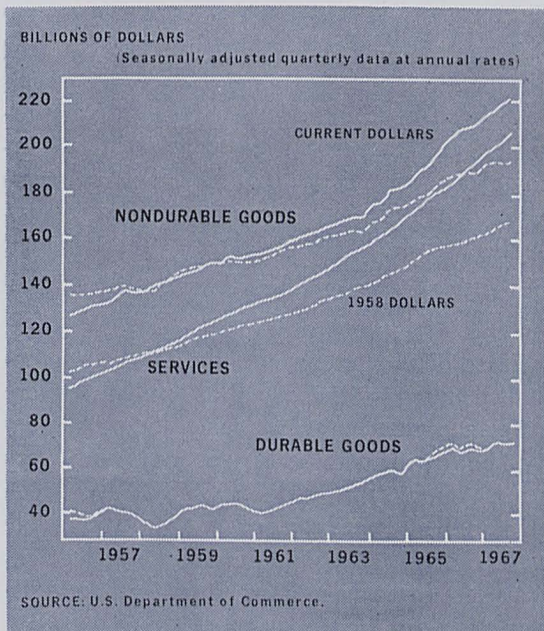
The accompanying chart shows consumer spending for durables, nondurables, and services in both current and 1958 dollars (current-

dollar totals are divided by the relevant deflator, with 1958 taken as the base year). The deflated, or constant-dollar, totals represent "real" purchases of the three categories of consumer goods and indicate variations, after the effects of price changes are removed, in the physical volume of goods bought.

An outstanding feature of the chart is the wide, and widening, divergence since 1958 between current dollars and 1958 dollars in the case of consumer expenditures for services, showing that prices of services have been the most rapidly rising of all three categories of consumer goods in this period. The divergence widened further in 1966 and 1967 as the increase in service prices accelerated.

The stability of durable goods prices from 1958 until very recently is shown by the fact that the current-dollar and constant-dollar totals have scarcely differed. The sluggishness in durable goods purchases in late 1966 and in 1967, after the long rise beginning in 1961, is quite

PERSONAL CONSUMPTION EXPENDITURES IN CURRENT AND 1958 DOLLARS



evident. For nondurable goods, there is the very noticeable acceleration in increased spending after 1963, in both current-dollar and constant-dollar totals. The two curves diverged sharply in 1966 as nondurables prices rose at a much faster rate than in the previous 7 years. In the third quarter of 1967, current-dollar expenditures on both durable and nondurable goods increased slightly, but the physical volume of purchases actually declined somewhat.

The significance of these varying price movements among the three principal categories of consumer expenditures may be seen in the changing consumption patterns in the past 12 years. In current dollars, consumers spent about the same percentage of disposable income on durable goods in 1967 as in 1956 but, in constant dollars, were spending a larger percentage of income on durables in 1967 than 12 years ago. Nondurables spending as a share of disposable income has declined in both current and constant dollars since 1956. Service expenditures noticeably increased their share of income in current dollars from 1956 through 1967 but, in constant dollars, increased their share much less.

Thus, consumers have had relative bargains in durable goods, price increases for which have been negligible from 1960 until very recently, and they spent a greater share of income on such goods. In the case of services, for which there have been relatively high annual increases in prices, consumers allotted approximately the same share of income in 1967 as in 1956.

Since disposable income and total consumption spending have declined or leveled out very infrequently during recent years, the probability that both will increase further in 1968 is very great. Among some of the special factors which help to make an advance in total disposable income this year a virtual certainty are the recent pattern of negotiated wage increases, the pay raises for Federal workers voted by Con-

gress in 1967, the additional social security benefits also voted by Congress, and the rise in the legal minimum wage this month to \$1.60 per hour.

consumer spending and borrowing

While disposable income may be the chief determinant of how much is spent by consumers, there is another factor which, for the approximately 15 percent of consumer spending allotted to durables, is also very important — changes in consumer borrowing. In a recent study for the National Bureau of Economic Research, F. Thomas Juster found that the very marked cyclical fluctuations in consumer spending on durables, especially automobiles, “have not been closely associated with either income level or income change during the last few decades.” He subsequently states that “most of the cyclical behavior of consumer outlays for equipment and structures can be attributed to the fact that these outlays are not closely tied to income but are ordinarily financed by means of credit.”²

As shown in the accompanying chart, the movements of consumer spending on automobiles and parts and of automobile instalment credit extended have paralleled each other quite closely over the past 12 years. (The two series are not exactly comparable because the credit series includes credit extended for both new and used cars and the automobile expenditures series covers new cars only.) Expenditures on new automobiles and parts have accounted for about 45 percent of total consumer durable purchases in recent years, and automobile credit accounts for about 36 percent of total instalment credit extensions. Therefore, fluctuations in automobile purchases and credit heavily influence total durables expenditures and total instalment credit extensions.

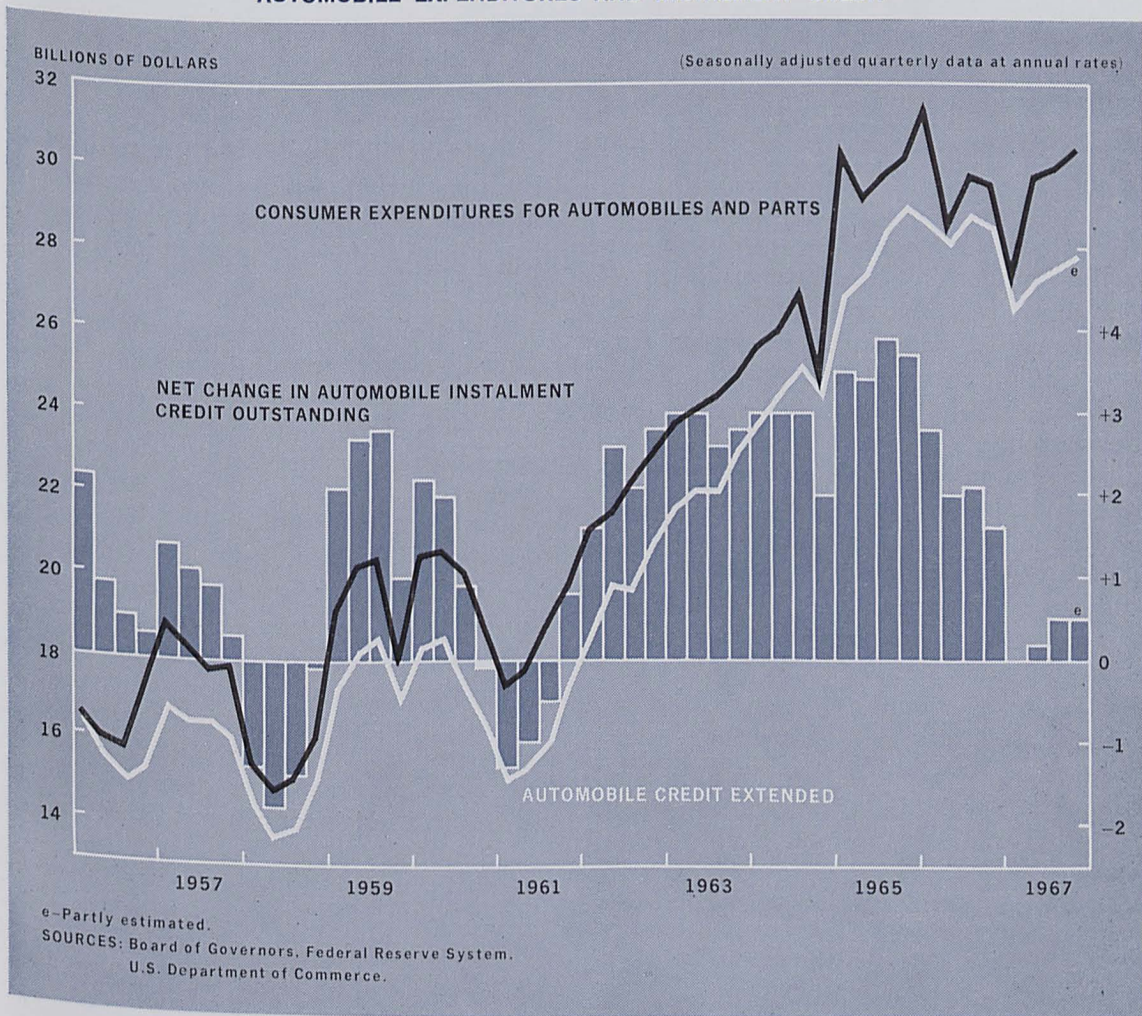
² *Household Capital Formation and Financing 1897-1962* (New York: Columbia University Press for National Bureau of Economic Research, 1966) p. 92.

The cyclical variability of automobile purchases and credit extended is evidenced by the declines in the recessions of both 1957-58 and 1960-61 and by the decreases in automobile spending and credit extended in the last quarter of 1966 and the first quarter of 1967. The bars in the chart, giving the net change in automobile credit outstanding (extensions minus repayments), show the declines in automobile debt outstanding during the two recessions and the very small increases in automobile instalment debt in 1967 — the smallest quarterly increases since 1961. The net increase in total

consumer instalment debt in 1967 was also the smallest in 6 years, and the ratio of total instalment debt to disposable income declined in 1967 — the first yearly decline since 1961.

The fact that the increase in consumer instalment debt in 1967 was the smallest in 6 years may be viewed as another positive factor in the outlook for consumer spending in 1968. Not only will disposable income very probably be increasing in 1968, but consumers will also be in a more favorable position to incur debt because of the light increase in their debt last year.

AUTOMOBILE EXPENDITURES AND INSTALMENT CREDIT



In addition, and partly because of the reduced rate of new borrowing last year, consumers are in a highly liquid financial position. They added more to their liquid assets (demand deposits and currency, savings accounts, and U.S. Government securities) in the first three quarters of 1967 than in the full year 1966.

new consumer survey

Since consumer spending has such an important impact upon economic activity, surveys of consumer intentions to buy have been widely used in attempts to predict consumer demand for durable goods. The first systematic consumer survey was sponsored by the Federal Reserve Board of Governors in 1945; and from 1946 through 1959, the study was conducted by the Survey Research Center of the University of Michigan. The Center has continued its survey, focusing on consumer attitudes.

In January 1959, the U.S. Bureau of the Census began a quarterly survey of consumer buying intentions for the Board of Governors. This survey, now reported on independently by the Bureau of the Census, has recently been renamed the "Survey of Consumer Buying Expectations." Major changes have been made in the methods used in the survey, and the first results were published in September 1967. The new methods were developed jointly by the National Bureau of Economic Research and the Bureau of the Census. They are designed to improve the predictive ability of the Census Bureau survey by measuring the *probability* of consumer purchases of durable goods, rather than by simply recording such consumer responses as "definitely," "probably," "don't know," and "no."³ The new survey obtains probability judgments from consumers on future purchases of houses, automobiles, appli-

ances, and furniture. Respondents are asked to indicate the chances of their buying houses, automobiles, and other durables by selecting from a continuous scale of probabilities ranging from 100 ("absolutely certain") through zero ("absolutely no chance"). The data come from a sample of about 11,500 households.⁴

The most recent survey results, published in December 1967, show that consumers expect to buy new automobiles at an annual rate of 7.4 million units in the first half of 1968, compared with the same number bought in the first half of 1967. (This figure does *not* represent total sales of new passenger cars, because it excludes sales to business firms.) Consumers expect to spend at an annual rate of \$14.2 billion on furniture, television sets, and major appliances in the first half of 1968, compared with \$14.0 billion spent in the first half of 1967. These results indicate very moderate increases in consumer spending for automobiles and major household durables in the first half of the current year.

Since the new consumer survey of the Census Bureau is of very recent origin, further experience will be necessary in order to determine its value in predicting actual consumer expenditures. It has been seen that disposable income is very likely to increase in 1968 and that consumers are highly liquid and in a favorable position to incur more debt. All of these factors indicate further increases in consumer expenditures for the year. However, much will depend on what proportion of their income consumers decide to save; the fact that a reduction of even 1 percentage point in the recent high saving ratio would mean several additional billions spent on consumer goods is indicative of the key role which consumers are expected to play in 1968.

JANE KENNEDY

³ F. Thomas Juster, "Consumer Buying Intentions and Purchase Probability: An Experiment in Survey Design," *Journal of the American Statistical Association*, Vol. 61, No. 315 (September 1966), pp. 659-660, 662.

⁴ U.S. Bureau of the Census, *Current Population Reports, Consumer Buying Indicators*, Series P-65, No. 19, September 29, 1967, pp. 7, 12-14.

industrial production

in texas

continues strong

Continuing the cyclical upswing which began in 1961, industrial output in Texas rose nearly 7 percent in the past year, following the 9-percent increase in 1966. The rise of 9 percent in U.S. industrial production in 1966 equaled the increase for Texas; but in 1967, with U.S. output growing only fractionally from the previous year's level, the State's industrial production index in the third quarter of the year exceeded the national index for the first time since 1961.

Although total industrial output in Texas in 1967 rose at a slightly slower rate than in the previous year, the production increases for the major categories — manufacturing, mining, and utilities — exceeded the gains for these categories in the Nation last year. An especially expansionary stimulus was imparted to industrial production gains in Texas by defense-oriented industries. In the United States, total manufacturing last year dipped fractionally from 1966, due to a decline of 0.7 percent in the output of durable manufactures. In contrast, durable manufacturing in Texas was the impelling force behind the year-to-year rise of 6.5 percent in the production of manufactured goods in the State.

The major thrust to the expansion of durable manufacturing in Texas in 1967 came from substantial increases in the output of electrical machinery, transportation equipment, and "other durable goods." These three industrial sectors are predominantly defense-oriented, and their vigorous growth reflects, in large part, the increase in the State's value and share of prime

defense contract awards, which has enabled Texas to expand production of military aircraft and parts and of electrical instruments and components at a more rapid rate than the Nation.

The expansion of the electrical machinery category mirrors the continued rapid growth of the electronics industry, with much of the electronic equipment and components from the industry going for military needs. An important development in the State's electronic industry has been the increased capability and capacity in the manufacture of integrated circuits, which are used in both civilian and military electrical equipment. The reduced pace of consumer buying of television sets, radios, and similar electrical goods probably dampened the output of the electrical equipment industry, requiring some adjustments in production schedules and inventories from the levels anticipated early in the year.

The surge in the output of transportation equipment represents the marked increase in activity at Texas firms engaged in the construction of military aircraft, such as the Corsair II light attack aircraft, the F-8H Crusader, the F-111, and various types of helicopters. Also, alteration of old aircraft has become important in recent months. By the end of 1967, the transportation equipment industry had become the largest source of employment in the State by surpassing the food products industry, which previously was the foremost source of employment. The output from automobile assembly plants in the State was retarded by the slack-

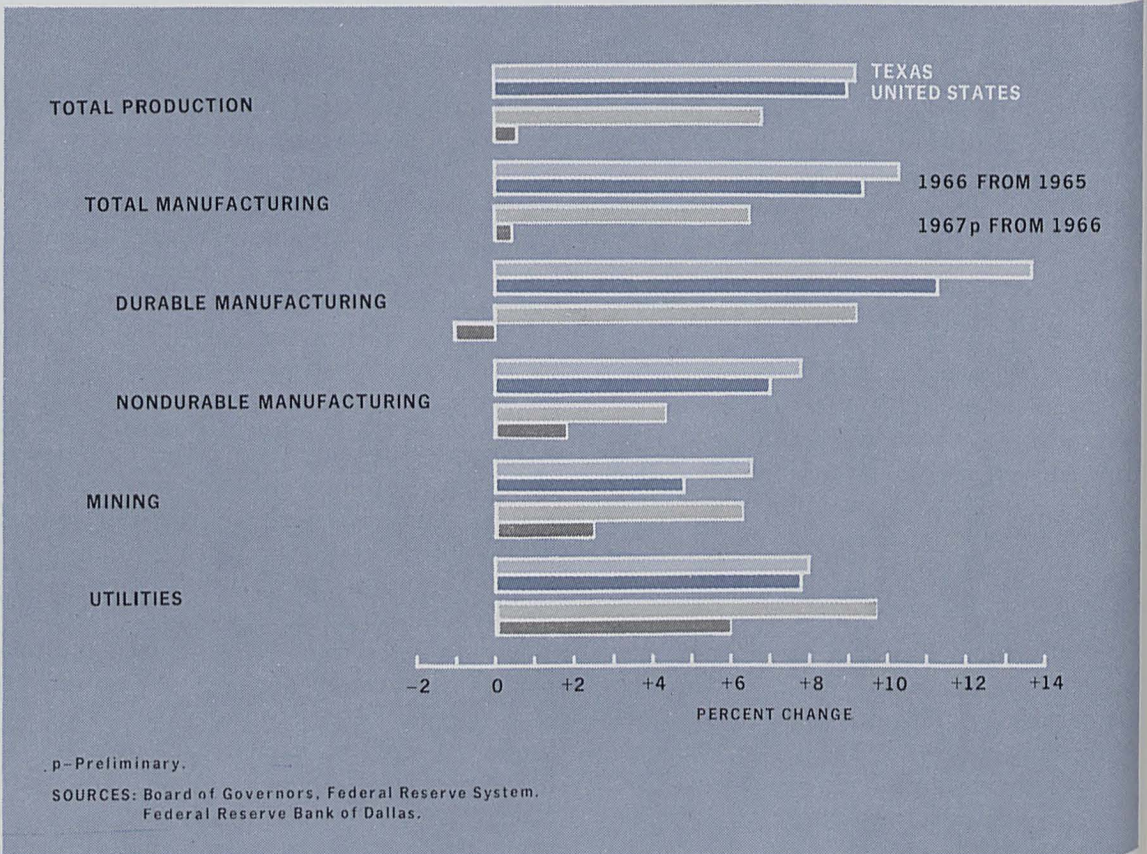
ened sales of new cars last year and was depressed by a strike during the fall. The marked expansion in the output of "other" durables — particularly ammunition, bomb casings, and missiles—also contributed to the strength in durable manufactures.

With the exception of stone, clay, and glass products, the remaining durable goods sectors had modest output gains in 1967; the gains, however, were somewhat more buoyant than those for the comparable sectors in the United States. The output of nonelectrical machinery showed only a modest gain, reflecting the slackening rate in the highly significant business investment area of the economy. Despite a further decline in drilling activity, the important

oil machinery industry benefited from higher overseas shipments, as well as the utilization of sophisticated and costly equipment in secondary recovery operations and offshore drilling. Primary metals output showed little growth last year, as final markets were not particularly vigorous.

The increase in 1967 in the output of non-durable goods in the State, although more temperate than was the case for durable goods, was moderately ahead of the expansion in the production of nondurable goods in the United States. Output of the three dominant nondurable manufactures in Texas — food products, chemicals, and petroleum — all rose moderately. Responding to the demand arising from an in-

CHANGES IN INDUSTRIAL PRODUCTION IN TEXAS AND UNITED STATES



creased population and a higher level of income in the State, the output of processed food expanded. The production of red meat and poultry grew sharply, and the output of fluid milk advanced modestly. Convenience foods also shared in the general gain.

The production of chemicals — particularly industrial chemicals, which are used throughout the entire complex of industry — displayed strength that was somewhat better than the increase for total nondurable manufacturing. Although advancing, production of chemicals (many of which are utilized outside the State) was affected by the slowdown in the Nation's industrial activity last year. Petroleum refining showed little strength during the early part of 1967, as refiners attempted to bring their inventories into better balance; but by summer, especially under the impetus of the Middle East crisis, refining output strengthened. Even after the end of the crisis, petroleum refining remained strong for the rest of the year because of the general improvement in oil demand.

The mining industry in Texas, dominated by the production of crude petroleum, expanded at a pace about equal to that in 1966 but turned in a much more vigorous performance than did the Nation's mining industry in 1967. The force of the advance came from sharp gains in the State's output of crude oil and of natural gas liquids. The increased production of natural gas liquids reflects a sustained strong growth pattern in this particular industry.

Because the inventories of crude oil and crude oil products were generally higher than the industry desired, the output of crude oil in Texas was rather stable during the early part of 1967, averaging only a little more than 2 percent over the comparable period in 1966. With the advent of the Middle East conflict in the past year, Texas, along with other domestic oil-producing states, was called upon to help meet the exigencies arising from the disruption of the normal flow of crude petroleum to world mar-

kets. The oil industry in Texas responded with a sharp step-up in the output of petroleum between June and July; however, by fall, a more normal pattern of oil flow emerged, with a resulting curtailment of Texas oil output. Nevertheless, oil production in the State at the end of 1967 was running substantially ahead of 1966, due to the stronger demand for refined products.

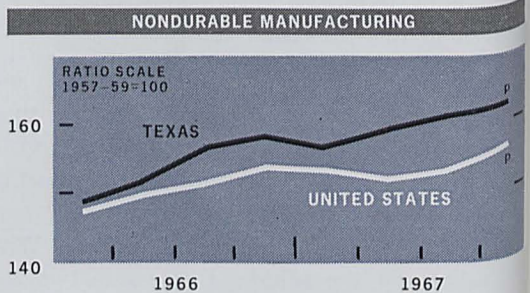
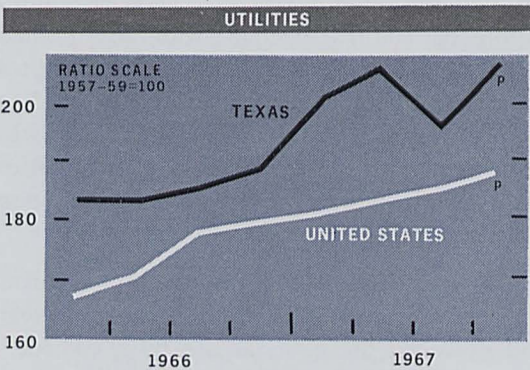
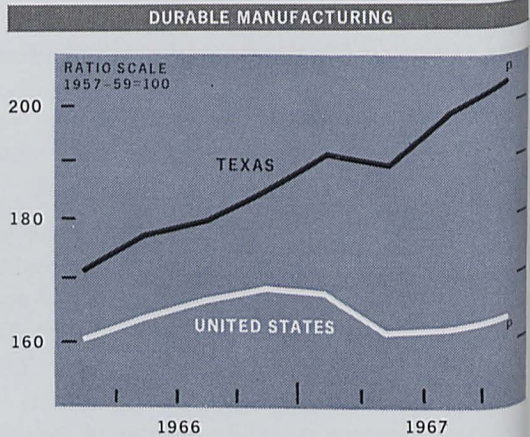
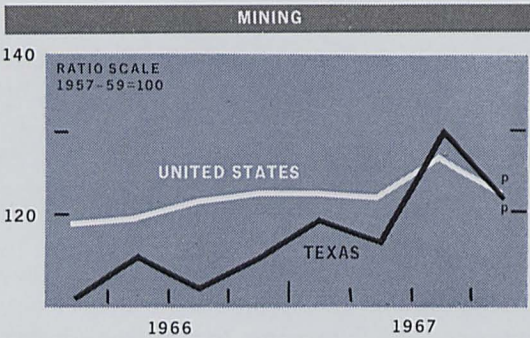
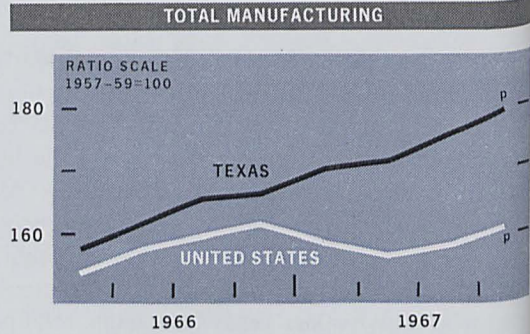
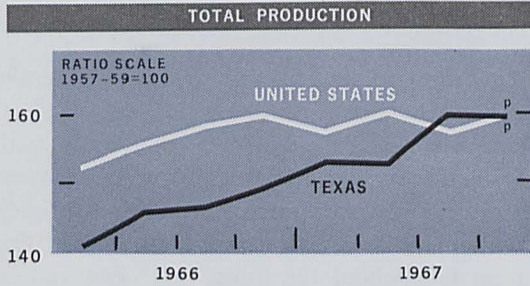
The physical output of the earth minerals (sulfur, salt, stone, and gravel), which is of minor importance in the State when compared to oil and natural gas production, posted a very moderate gain last year; in contrast, the level of output for the earth mineral industry in the Nation fell behind the prior year. The State's output of sand and gravel was retarded by the reduced demand for clay, glass, and stone products in Texas, as well as the Nation, in 1967. The consumption of concrete—the major product of the clay, glass, and stone products industry in Texas—was adversely affected by the reduced level of construction, both of housing and of streets and highways, during 1967.

On the other hand, the increased production of sulfur, which rose a little more than 4 percent over 1966 in response to a further advance in demand, helped to sustain total activity in the State's mineral industries. The greater utilization of sulfur, together with the limited sources of supply, has resulted in a critical shortage of this mineral. Demand, exceeding supply even at a sharply higher price level, has been met partly by a reduction of inventories and partly by a system of quotas imposed upon sulfur users by the producers.

The gain in total utilities output in Texas accelerated in 1967 from the preceding year and exceeded the national rise by a considerable amount. The pace of activity in this sector was spearheaded by an extremely strong increase in electricity generation. Electricity generated by utility companies in Texas during

COMPARISON OF INDUSTRIAL PRODUCTION IN TEXAS AND UNITED STATES

(Seasonally adjusted quarterly averages)



p — Preliminary.

NOTE. — Ratio charts focus upon relative changes, rather than absolute changes in magnitude. Equal distances on vertical scale of any individual chart represent the same percentage change.

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

1967 rose about 12 percent over 1966, and more of the electricity was sold to consumers in the State and fractionally less was exported to neighboring areas. The consumption of natural gas by electric utility companies expanded proportionally with the generation of electricity. The rapid pace of electric power consumption mirrored the increased industrial and residential use in the State in 1967.

New and expanded plants constructed during 1967 provide the capacity to enable Texas industry to enlarge production during 1968. The impetus of increased requirements for military hardware has fostered both new and expanded facilities for the production of aircraft and parts (a new facility to cost \$4 million and an expansion of capacity valued at \$19 million were announced in the latter part of 1967). Capacity expansion for the output of electrical components and accessories was undertaken in 1967.

The food products industry — traditionally the single largest source of manufacturing employment in the State, at least until 1967 — has increased its potential for processing meat products and for canning, curing, and freezing other foods. The important apparel industry has recently acquired both new and expanded capacity, particularly for the manufacture of women's and misses' outerwear. In the latter half of 1967, additional capacity valued at more than \$14 million was announced for industrial chemicals. Moreover, new investments amounting to over \$65 million have recently been announced in the historically significant petroleum refining industry.

Texas, however, is not developing only in the direction of the industries that are predominantly defense-oriented (aircraft, ordnance) or resource-oriented (petrochemicals). The industry of the State also is branching out into other directions, as evidenced by the new and expanded capacity in industries involving a wide variety of products, including drugs; soaps and toiletries; metal; farm machinery, motor vehicles, and equipment; ships and boats; medical instruments; photographic equipment and supplies; and paper and paperboard containers.

The growth of the labor force also reflects the vigor in the State's economy. For the Nation, the work force engaged in manufacturing grew slightly less than 1 percent between 1966 and 1967, while, in Texas, the growth in manufacturing employment was nearly 4 percent. Perhaps equally as important as the development of the manufacturing sector in the State is the expansion of the labor force in non-manufacturing activities, which comprises nearly 82 percent of total employment.

To a substantial extent, the growth and prosperity of the nonmanufacturing part of the economy in a region the size of Texas are predicated upon the strength and development of the manufacturing sector. Paralleling the buoyancy displayed by the manufacturing sector in the State, the number of manufacturing workers — spearheaded by substantial increases in service and government employment — rose a little more than 5 percent during 1967, which is slightly greater than the growth of nonmanufacturing employment in the Nation.

C. HOWARD DAVIS

district highlights

Nonagricultural wage and salary employment in the five southwestern states increased slightly over 1 percent in December to total 5,821,300. This gain is better than expected for this time of year. Employment in both manufacturing and nonmanufacturing industries showed gains on a seasonally adjusted basis. The gain in the number of construction workers was considerably better than would be expected according to the normal pattern. The increases in service and government employment were slightly below seasonal expectations.

Total nonagricultural employment in the five states in December was 3 percent more than in the same month in the preceding year. The increases in both total manufacturing and total nonmanufacturing employment were close to the overall gain. Mining employment remained substantially below the year-earlier level as a result of the continuation of the strike in the copper industries in Arizona and New Mexico. The number of construction workers was off slightly from December 1966, but employment in the finance, service, and government categories (especially the last two) was significantly higher.

In December the seasonally adjusted Texas industrial production index, at 160.1 percent of its 1957-59 base, barely edged ahead of the preceding month. The advance in total manufacturing, slightly in excess of 1 percent, was offset by a reduction in mining production. The month-to-month drop in mining activity was due to a decrease in the adjusted output of crude petroleum, which more than neutralized a substantial rise in the production of metal, stone, and earth minerals.

The production of durable goods in the State in December moved modestly ahead of the prior

month, and moderate gains were shown in most categories. The greatest strength was displayed by stone, clay, and glass products and by transportation equipment, with the output strength for the latter reflecting a resumption of production in the automobile industry following the settlement of a labor dispute. Output of lumber and wood products was off appreciably from the previous month. In the nondurable goods sector, a moderately strong gain in the output of leather and leather products helped to compensate for the modest drop in the output of textile mill products and the reduced activity in the printing and publishing industries. The remaining nondurable goods categories evinced only small changes in activity.

The Texas industrial production index in December was nearly 6 percent greater than in the same month in 1966. Most of the manufacturing categories experienced year-to-year changes ranging from an increase of about 5 percent to a decrease of about 4 percent. There was substantial strength, however, in the electrical machinery and transportation equipment sectors, while the output of apparel and allied products posted a pronounced decline. Mining output was moderately over the year-earlier level; and utility production, led by electricity generation, showed a significant gain.

Daily average production of crude oil in the Eleventh District showed virtually no month-to-month change in either November or December; however, output in November was almost 5 percent higher than a year earlier, and output in December was about 3 percent ahead of the same month in 1966. Strong demand for heating oils, because of the unusually cold winter, has been met by a high rate of crude oil output and the use of inventories. In January the Texas

allowable was raised to 45.7 percent of the Maximum Efficient Rate of production, as compared with a rate of 40.8 percent in both November and December; for February, the allowable has been increased to 47.0 percent. The allowable for Louisiana, as well, has been raised for February. The decreasing crude oil inventories and reduced oil imports have prompted the advances in allowables.

In the 3-month period between mid-October and mid-January, each of the major balance sheet items except total investments rose at the weekly reporting banks in the Eleventh District. The increase in loans adjusted was particularly noticeable, principally because of the strong performance of commercial and industrial loans. The rise in business loans was, in turn, primarily the result of a more than seasonal increase in December.

Between October 18, 1967, and January 17, 1968, loans adjusted expanded \$175 million at the weekly reporting commercial banks in the District; commercial and industrial loans rose \$160 million. In the comparable period a year ago, loans adjusted declined \$20 million, while business loans rose \$40 million. Total investments, however, decreased \$73 million between mid-October 1967 and mid-January 1968, primarily as a result of the \$70 million reduction in bank holdings of Treasury bills.

On the liability side of the balance sheet, total demand deposits rose \$119 million, and total time and savings deposits expanded \$83 million. Negotiable time certificates of deposit issued in denominations of \$100,000 or more advanced \$94 million. At the same time a year earlier, total demand deposits also rose \$119 million, and total time and savings deposits increased \$103 million.

December registrations of new passenger automobiles in the major metropolitan areas of

Dallas, Fort Worth, Houston, and San Antonio decreased 2 percent from November. The figures for Fort Worth and Houston reflected increases of 13 percent and 2 percent, respectively, but those for Dallas and San Antonio were each down about 10 percent. A comparison with December 1966 shows that combined registrations in the four areas fell 6 percent; a 21-percent gain in Fort Worth was the only positive figure. For all of 1967, registrations in Dallas and Houston were slightly behind their respective 1966 totals, but those in Fort Worth and San Antonio moved ahead somewhat.

Department store sales in the Eleventh District during 1967 were about 7 percent above 1966. Each of the major metropolitan areas for which separate data are available posted a gain for the past year. Sales during the 4 weeks ended January 20, 1968, which include the last week in December, were 6 percent ahead of the corresponding period a year earlier.

As usual at this time of year, agricultural activity has been at a low ebb due to recurring periods of cold, damp weather. The precipitation has been widespread and has generally been welcome, particularly in northeastern and northwestern sections of the Eleventh District, where surface and subsoil moisture has been quite short. Only a relatively small acreage of crops planted in 1967 remains unharvested; and most activities have been concerned with preparing fields for this year's spring plantings, harvesting winter vegetables, and caring for livestock.

Oats are making good growth, but wet fields have limited grazing. Wheat in northwestern sections is dormant. Livestock generally are in good condition, and supplemental feeding has risen seasonally. Prices received by Texas farmers and ranchers for all farm products during 1967 averaged 8 percent below a year earlier. Prices for crops were 10 percent lower, and those for livestock were down 4 percent.

***new
par
bank***

The Planters Bank and Trust Company, Haynesville, Louisiana, a non-member bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on January 1, 1968. The officers are: J. G. Rankin, President; J. D. Acklin, Jr., Executive Vice President and Trust Officer; T. K. Talley, Cashier; T. F. Callender, Assistant Vice President; T. W. Waller, Assistant Vice President; and D. H. Callender, Jr., Assistant Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

February 1968



FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Jan. 31, 1968	Dec. 27, 1967	Feb. 1, 1967
ASSETS			
Net loans and discounts.....	5,370,301	5,449,427	5,039,976
Valuation reserves.....	107,562	92,452	98,770
Gross loans and discounts.....	5,477,863	5,541,879	5,138,746
Commercial and industrial loans.....	2,667,946	2,662,987	2,482,042
Agricultural loans, excluding CCC certificates of interest.....	96,907	97,172	87,853
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	8,034	502	16,002
Other securities.....	47,169	70,421	67,480
Other loans for purchasing or carrying:			
U.S. Government securities.....	949	1,252	1,280
Other securities.....	327,275	327,310	314,867
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	177,226	180,405	168,101
Other.....	275,466	287,674	242,425
Real estate loans.....	509,319	512,011	464,789
Loans to domestic commercial banks.....	190,692	232,308	214,200
Loans to foreign banks.....	4,631	5,151	4,172
Consumer instalment loans.....	547,436	544,325	511,924
Loans to foreign governments, official institutions, central banks, international institutions.....	0	0	0
Other loans.....	624,813	620,361	563,611
Total investments.....	2,513,779	2,510,572	2,227,116
Total U.S. Government securities.....	1,194,436	1,183,165	1,095,909
Treasury bills.....	114,645	93,077	54,816
Treasury certificates of indebtedness.....	0	0	15,209
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	194,367	193,861	165,519
1 year to 5 years.....	673,201	677,828	600,880
After 5 years.....	212,223	218,399	259,485
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills.....	4,468	19,278	7,358
All other.....	1,098,083	1,098,444	948,424
Other bonds, corporate stocks, and securities:			
Participation certificates in Federal agency loans.....	140,509	135,595	104,727
All other (including corporate stocks).....	76,283	74,090	70,698
Cash items in process of collection.....	881,698	1,072,303	854,748
Reserves with Federal Reserve Bank.....	687,097	717,905	691,318
Currency and coin.....	77,193	90,256	70,204
Balances with banks in the United States.....	461,673	484,761	484,547
Balances with banks in foreign countries.....	4,368	4,014	4,417
Other assets.....	368,541	359,169	338,846
TOTAL ASSETS.....	10,364,650	10,688,407	9,711,172
LIABILITIES			
Total deposits.....	8,871,283	9,177,101	8,359,402
Total demand deposits.....	5,392,374	5,763,935	5,042,675
Individuals, partnerships, and corporations.....	3,615,349	3,960,295	3,324,866
States and political subdivisions.....	350,475	268,752	335,186
U.S. Government.....	216,562	163,855	108,345
Banks in the United States.....	1,103,961	1,249,887	1,168,342
Foreign:			
Governments, official institutions, central banks, international institutions.....	3,501	3,795	3,741
Commercial banks.....	20,938	26,993	22,493
Certified and officers' checks, etc.....	81,588	90,358	79,702
Total time and savings deposits.....	3,478,909	3,413,166	3,316,727
Individuals, partnerships, and corporations:			
Savings deposits.....	1,085,503	1,132,448	1,107,835
Other time deposits.....	1,769,550	1,686,401	1,542,440
States and political subdivisions.....	592,775	558,733	640,960
U.S. Government (including postal savings).....	10,407	11,698	8,789
Banks in the United States.....	17,174	20,246	15,173
Foreign:			
Governments, official institutions, central banks, international institutions.....	2,800	2,800	800
Commercial banks.....	700	840	730
Bills payable, rediscounts, and other liabilities for borrowed money.....	397,516	364,884	320,217
Other liabilities.....	202,998	246,145	180,736
CAPITAL ACCOUNTS.....	892,853	900,277	850,817
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	10,364,650	10,688,407	9,711,172

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Jan. 3, 1968	5 weeks ended Dec. 6, 1967	4 weeks ended Jan. 4, 1967
RESERVE CITY BANKS			
Total reserves held.....	700,387	679,846	653,539
With Federal Reserve Bank.....	648,625	631,339	602,150
Currency and coin.....	51,762	48,507	51,389
Required reserves.....	693,379	675,100	646,966
Excess reserves.....	7,008	4,746	6,573
Borrowings.....	3,678	331	53,744
Free reserves.....	3,330	4,415	—47,171
COUNTRY BANKS			
Total reserves held.....	683,094	666,219	654,241
With Federal Reserve Bank.....	518,925	506,758	497,400
Currency and coin.....	164,169	159,461	156,841
Required reserves.....	650,078	636,449	620,790
Excess reserves.....	33,016	29,770	33,451
Borrowings.....	1,308	998	2,161
Free reserves.....	31,708	28,772	31,290
ALL MEMBER BANKS			
Total reserves held.....	1,383,481	1,346,065	1,307,780
With Federal Reserve Bank.....	1,167,550	1,138,097	1,099,550
Currency and coin.....	215,931	207,968	208,230
Required reserves.....	1,343,457	1,311,549	1,267,756
Excess reserves.....	40,024	34,516	40,024
Borrowings.....	4,986	1,329	55,905
Free reserves.....	35,038	33,187	—15,881

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Jan. 31, 1968	Dec. 27, 1967	Feb. 1, 1967
Total gold certificate reserves.....	380,978	431,151	515,023
Discounts for member banks.....	41,036	7,300	453
Other discounts and advances.....	0	0	0
U.S. Government securities.....	2,009,600	2,001,288	1,750,738
Total earning assets.....	2,050,636	2,008,588	1,751,191
Member bank reserve deposits.....	1,148,634	1,158,512	1,107,230
Federal Reserve notes in actual circulation.....	1,389,203	1,434,193	1,242,365

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Dec. 27, 1967	Nov. 29, 1967	Dec. 28, 1966
ASSETS			
Loans and discounts.....	9,518	9,188	8,932
U.S. Government obligations.....	2,549	2,578	2,299
Other securities.....	2,662	2,666	2,244
Reserves with Federal Reserve Bank.....	1,159	1,129	966
Cash in vault.....	243	244	241
Balances with banks in the United States.....	1,255	1,120	1,111
Balances with banks in foreign countries.....	6	11	7
Cash items in process of collection.....	1,208	925	884
Other assets.....	475	380	485
TOTAL ASSETS^a.....	19,075	18,241	17,169
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,560	1,379	1,410
Other demand deposits.....	6,666	8,084	7,835
Time deposits.....	6,583	6,548	5,889
Total deposits.....	16,809	16,011	15,134
Borrowings.....	386	429	285
Other liabilities.....	336	261	281
Total capital accounts.....	1,544	1,540	1,469
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^a.....	19,075	18,241	17,169

e — Estimated.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	December 1967p	November 1967	October 1967	December 1966
TEXAS				
Total industrial production.....	160.8	159.7	158.9r	151.1r
Manufacturing.....	181.3	179.2	177.5	169.9r
Durable.....	208.1	203.8	200.1	190.3r
Non-durable.....	163.4	162.8	162.4	156.3r
Mining.....	120.3	122.4	122.7r	116.7
Utilities.....	207.3	207.3	208.0r	188.3
UNITED STATES				
Total industrial production.....	162.0	159.0	157.0r	160.0r
Manufacturing.....	164.0	161.0	158.0	162.0r
Durable.....	168.0	164.0	161.0r	168.0r
Non-durable.....	158.0	157.0	155.0	154.0r
Mining.....	124.0	124.0	121.0	124.0r
Utilities.....	188.0	188.0	188.0r	179.0r

p — Preliminary.
r — Revised.

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Dec. 1967 from	
	December 1967p	November 1967	December 1966r	Nov. 1967	Dec. 1966
	Total nonagricultural wage and salary workers..	5,821,300	5,760,800	5,649,400	1.1
Manufacturing.....	1,052,700	1,053,500	1,023,700	-.1	2.8
Nonmanufacturing.....	4,768,600	4,707,300	4,625,700	1.3	3.1
Mining.....	221,300	220,200	233,500	.5	-5.2
Construction.....	373,400	376,200	379,200	-.8	-1.5
Transportation and public utilities.....	438,000	436,900	427,400	.3	2.5
Trade.....	1,400,000	1,341,000	1,360,400	4.4	2.9
Finance.....	281,500	281,000	272,200	.2	3.4
Service.....	860,400	859,600	818,900	.1	5.1
Government.....	1,194,000	1,192,400	1,134,100	.1	5.3

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

p — Preliminary.
r — Revised.

SOURCE: State employment agencies.

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	December 1967	November 1967	October 1967	January—December	
				1967	1966
FIVE SOUTHWESTERN STATES¹					
Residential building.....	398	411	486	5,494	5,270
Nonresidential building....	154	170	195	2,038	1,817
Nonbuilding construction...	156	150	173	1,998	1,709
Total.....	88	91	118	1,458	1,744
UNITED STATES					
Residential building.....	3,996	4,258	5,053	52,895	50,150
Nonresidential building....	1,404	1,717	1,887	19,536	17,827
Nonbuilding construction...	1,550	1,586	1,874	20,139	19,393
Total.....	1,042	956	1,292	13,220	12,930

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

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

SOURCE: F. W. Dodge, McGraw-Hill, Inc.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		Percent change				
	Dec. 1967	12 mos. 1967	Dec. 1967	12 mos. 1967	Dec. 1967 from		12 months 1967 from 1966
					Nov. 1967	Dec. 1966	
ARIZONA							
Tucson.....	281	6,126	\$ 1,286	\$ 27,598	-74	95	10
LOUISIANA							
Monroe-West							
Monroe.....	35	871	2,038	19,019	308	73	-4
Shreveport....	195	3,983	4,011	33,384	36	375	19
TEXAS							
Abilene.....	34	587	1,134	10,154	387	16	-27
Amarillo.....	51	1,508	1,395	20,536	31	-53	-41
Austin.....	281	4,455	8,824	131,640	-68	99	67
Beaumont.....	77	1,655	990	17,326	12	214	17
Brownsville....	98	886	149	3,195	5	-29	-14
Corpus Christi..	372	4,800	1,479	33,238	-37	-46	-5
Dallas.....	1,221	21,131	22,265	286,105	58	64	52
El Paso.....	329	5,341	4,513	58,827	-19	-9	-2
Fort Worth....	458	7,301	5,795	92,058	-35	63	24
Galveston.....	68	1,110	611	11,001	23	174	-5
Houston.....	1,336	24,219	23,291	411,978	-32	40	24
Laredo.....	41	383	303	4,223	155	216	58
Lubbock.....	55	1,489	1,423	30,468	4	-75	-51
Midland.....	53	927	649	13,368	119	30	-3
Odessa.....	32	997	262	6,161	46	8	-45
Port Arthur....	30	858	242	5,820	-90	404	21
San Angelo....	61	818	483	9,942	17	102	6
San Antonio....	955	14,063	7,163	115,359	-52	7	33
Texarkana....	24	497	140	4,123	-74	-80	-36
Waco.....	196	3,470	465	16,449	-33	-15	14
Wichita Falls..	57	805	753	19,497	86	148	35
Total—24 cities..	6,340	108,280	\$89,664	\$1,381,469	-28	31	20