

business review



march 1968

**FEDERAL RESERVE
BANK OF DALLAS**

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petroleum drilling in perspective

With an expanding worldwide demand for petroleum products, the search for new sources of oil and natural gas is an important activity of the oil industry. Petroleum drilling in the United States was on an uptrend for many years, reflecting not only the discovery and development of large reserves but also the rapidly growing domestic and export markets. Since the late 1950's, however, drilling activity has been declining, as measured by the number of active drilling rigs, well completions, or total footage drilled. This downtrend is causing increasing concern regarding the future of the domestic oil industry, particularly in a world beset by recurring conflicts.

Although petroleum geologists determine the location of new reserves quite accurately, much drilling consists of exploratory wells to find the exact location of oil deposits. This aspect of drilling is known as wildcatting, and wildcat wells currently constitute more than one-fourth of all oil and gas wells drilled. Developmental wells, on the other hand, are drilled to obtain crude oil or gas from fields where deposits have already been discovered.

Oil and gas well drilling is termed "making hole," and the process involves rotating a drilling bit, which is frequently made with diamonds for cutting through rock efficiently. The cable tool method, an older way to drill wells, is still utilized for shallow depths. Oil well drilling techniques early in the industry's history were adaptations of methods for drilling brine wells.

Drilling conditions vary considerably among regions; this fact has tended to localize the structure of the industry around many independent contractors. Another factor tending to

regionalize the drilling industry is the high transportation cost involved in moving drilling equipment, which tends to be large and cumbersome. As a consequence, major petroleum companies, although they sometimes drill their own wells, usually make arrangements for drilling services from a local contractor.

For a decade and a half after World War II, one of the salient features in the demand for fuel for the generation of energy in the United States was the transition from coal to oil and natural gas. In 1945, liquid petroleum supplied 32 percent of all the energy produced in the country; by 1959, the year in which liquid petroleum realized its largest share of the total energy market, this figure had risen to 45 percent. For total petroleum (liquid petroleum and natural gas), the figure rose from 45 percent immediately after the war to 74 percent in 1962, the year in which total petroleum attained its highest percentage. Since the percentage of energy supplied by hydroelectric power remained virtually constant during the 1945-62 period, coal was the source of energy that yielded market after market to oil and gas.

The rapid growth in the demand for petroleum from traditional markets, such as automobiles, reflected rising personal incomes and the increasing population. Total demand for all petroleum products rose 80 percent between 1945 and 1959. This rate of growth has slipped, however, since 1959. Against this background of soaring demand, the contract drilling industry enjoyed more favorable prospects.

In the late 1950's and early 1960's, a fundamental change occurred. Although the total demand for petroleum products continued to

rise each year, mainly because of a growing economy, the share of the total energy market captured by petroleum and natural gas leveled off. As a result, percentage gains in the demand for petroleum products failed to match the large annual increases that had characterized the decade succeeding World War II. Against this new background, the contract drilling industry found itself faced with a weakened demand for new reserves on the part of the petroleum industry. Increasing costs domestically and rising overseas supplies also contributed to the decline in drilling.

drilling trends

During the period of rapid advance in petroleum demand following World War II, the search for reserves intensified. There is a direct correlation between increased supplies of domestic petroleum and the number of wells drilled. Drilling activity was at a relatively low ebb during the war, but total oil and gas well completions — the largest percentage of which are oil wells — averaged about 37,000 per year in the 1946-50 period. From 1951 to 1955, the average number of wells completed increased 35 percent and rose to around 50,000. During the next 4 years, the average number advanced to 52,870, or almost 6 percent over the 1951-55 period.

Almost coincident with the year in which liquid petroleum achieved its maximum penetration of the domestic energy markets, a reversal occurred in the number of total wells completed. For instance, in 1960 the number of new wells decreased by 3,348 from 50,179 a year earlier, and continuous declines occurred in the ensuing years. In 1967, there were 33,558 total well completions, or 34 percent fewer than the average number in the previous decade; and exploratory wells showed the same percentage decline. From 1964 through 1967, the downtrend continued; and in 1967, well completions decreased 11 percent from the year before, with exploratory wells easing 14

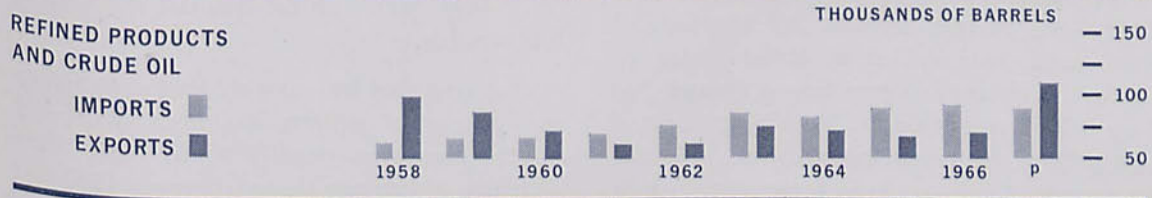
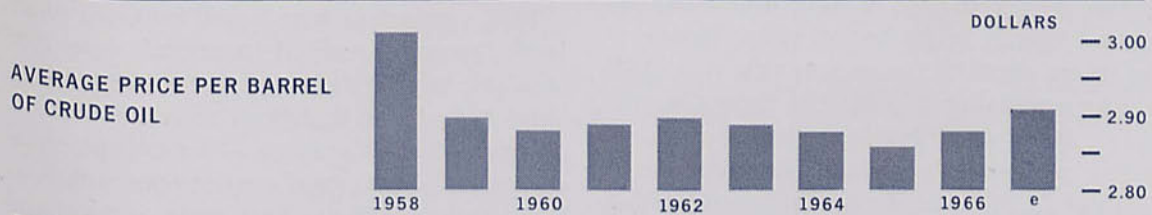
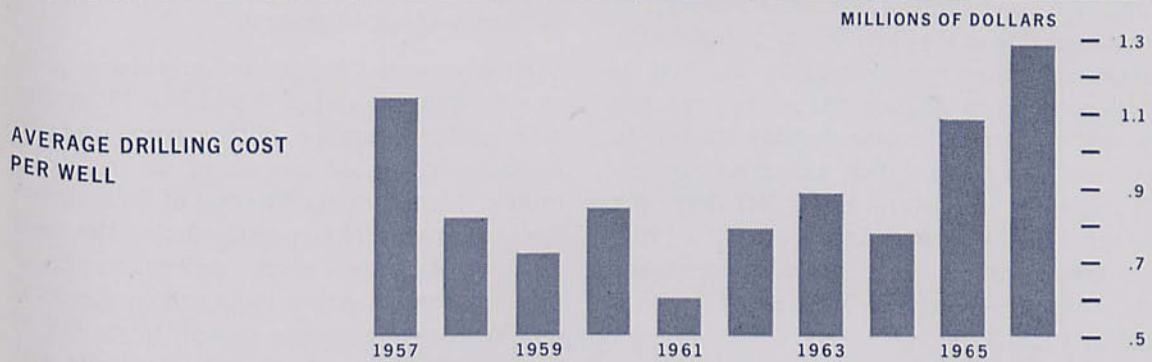
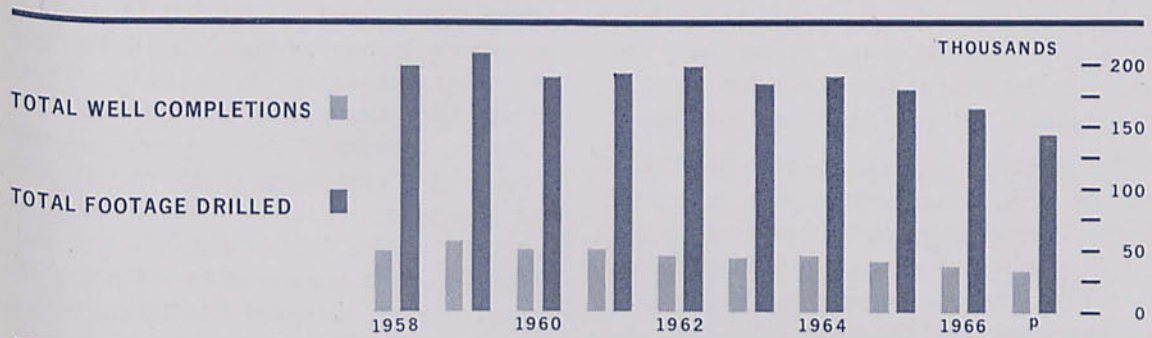
percent. Moreover, total footage drilled has declined.

The trend in the number of gas wells drilled followed a pattern similar to that for the number of total wells drilled, although the number of new gas wells continued to move upward until a plateau was reached in 1961 and 1962 and, thereafter, declined substantially. The downtrend coincides with the fact that total petroleum achieved its greatest penetration of the energy market in 1962. Natural gas increased its share of the market after liquid petroleum ceased making inroads.

There has been a direct correlation between the number of oil wells drilled and the price per barrel of crude oil. Since 1918, except for periods of war, drilling activity and prices of crude oil have shown roughly parallel movements. However, since 1960, the price of crude oil has varied little from an average of \$2.88 per barrel, although a slight rise occurred in 1967 because of the Middle East war. Despite the past close relationship between drilling and the price of crude oil, the number of wells drilled eased considerably in 1960 and also decreased subsequently. Beginning in 1962, there has been a substantial divergence between the two, which suggests that other factors may be influencing the decline in drilling.

The steadily increasing costs of drilling, along with stable domestic crude oil prices, are the principal causes for the steadily declining number of new wells; and with the increasing costs, there has been pressure on profits. Exploration for oil during recent years in the continental United States has emphasized deeper drilling to tap new reserves. There is a scarcity of new shallow oil deposits, the type that was relatively easy to drill in past decades. Improved secondary recovery techniques are being used in older fields to increase crude oil supplies; in addition, the wider spacing of wells has meant that fewer wells are needed. Since 1960, when total oil well completions began to decline, machinery

SELECTED NATIONAL PETROLEUM TRENDS



p-Preliminary.

e-Estimated.

SOURCES: *The Oil and Gas Journal*.

U.S. Bureau of Mines.

World Oil.

Federal Reserve Bank of Dallas.

and casing prices have increased, and hourly wages paid to labor have risen substantially. At the same time, there have been improvements in known drilling techniques but no major breakthroughs in technology; in fact, the drilling industry has not shared in the rapid increases in productivity that have taken place in many other segments of American industry.

The increasing costs of new wells are linked with the trend toward drilling wells to greater depths. Deep drilling can be thought of as the sinking of a well to such a depth that the economic return may be marginal in relation to the cost expended; also, the depth often is at the limits of the capability of the best drilling equipment available at the time. Every period in the history of the petroleum industry has had its frontier of deep drilling. As equipment improved, the depths became steadily greater. In the latter part of the sixties, a deep well is considered to be one over 15,000 feet deep, but the number of such wells is still small. In 1966, 1.1 percent of all wells drilled were below 15,000 feet, as compared with about 0.2 percent in 1956.

The average footage of wells drilled has increased steadily in the last 10 years. However, the record depth at the present time is 25,340 feet for a well drilled in 1958 in Pecos County, Texas. Two years before, a well had been drilled in Plaquemines Parish, Louisiana, to a depth of 22,570 feet. From 1927 — when the record depth was 8,046 feet — through 1958, there were 20 new records. All but four of these wells were drilled in either Texas or California. Industry sources have estimated that deep drilling accounted for 20 to 23 percent of total drilling and equipping costs in 1966. The percentage of deep wells is forecast to rise in the future, meaning that an ever-larger percentage of development costs will be allocated to deeper wells.

The steadily increasing cost of drilling a deep well has been a major reason why the oil in-

dustry has been faced with rising costs of development. According to *The Oil and Gas Journal*, the average depth of a deep well from 1958 through 1960 was 16,072 feet, with an average cost per well of \$798,000. In 1965-66 the average footage advanced to 18,146, and the average cost per well, to \$1,184,000. Thus, between the latter part of the fifties and the midsixties, the cost of obtaining new supplies of crude oil at ever-greater depths rose 48 percent. The incremental costs of drilling increase at greater depths. Between 5,000 feet and 10,000 feet, there is a rise of approximately 32 percent for each additional foot drilled; but at depths over 10,000 feet, the increase in cost per foot is about 48 percent.

Hourly wages in the industry have risen steadily since the end of World War II, putting additional pressure on drilling costs, and the trend has continued in spite of the decline in drilling. Moreover, the shortage of skilled labor has become critical (especially during 1966 and 1967), and the days when a drilling crew could be hastily put together by a call to the local pool hall have long since passed. In the fall of last year, the labor shortage was so acute that drilling contractors were forced to curtail some work because qualified personnel were not available in several areas to man the rigs. Many firms have found it difficult to retain workers because other occupations — for example, factory work — offer good remuneration with better working conditions, in contrast to the rigors of oil field work with the frequent exposure to bad weather.

One cost that has roughly tended to follow the pattern of drilling has been machinery prices. They rose steadily up to 1958, when their rate of increase slowed; between 1962 and 1965, these prices were stable. Casing prices also have tended to follow drilling trends, although they have moved upward since 1962.

Rising competition from foreign oil supplies has affected the pace of American drilling. At

one time, the United States was a net exporter of crude oil. In 1948, however, the Nation began to import rapidly increasing quantities of crude oil; and exports began a secular decline, to be interrupted only by periods of oil crises, such as occurred in 1967. Imports of refined products also have gained in importance. Each year since the late 1940's, net imports of refined products and crude oil have advanced; such imports have risen sixteenfold since 1948 and increased 50 percent during the last 7 years. Rising imports and falling exports have meant that a greater proportion of the demand for oil supplies has been met by reliance on overseas sources. Thus, increased competition from foreign oils has come at a time of advancing costs in domestic drilling.

As a result of the decline in drilling activity, a number of drilling contractors have left the industry. The small, undercapitalized firms felt the cost-profit squeeze first and sold their drilling rigs; consequently, the large contractors and large oil companies took a greater percentage of the work. However, even some of these have felt the rising cost pressures, and one major domestic company has announced plans to sell its land rigs this year. In 1960, five drilling companies sold 13 rigs, followed by increasing sales by more contractors in each subsequent year. In 1966, 59 companies disposed of 290 rigs.

As drilling eased, new reserves of oil in relation to demand have declined in the United States. For several decades, the number of years' supply of all oils (crude petroleum and natural gas liquids) was fairly stable; but in 1962 there was a decrease of 0.5 of a year, and the ratio of reserves to supply became 10.4 years, the lowest ratio since 1926. The number of years' supply is calculated by relating total stocks and reserves for all oils to total demand. By 1966, the number of years' supply for all oils had fallen to 9.2 and was less than in any other year in the current series, which dates from 1919. Total stocks and reserves have

shown increases in recent years, but demand has increased more rapidly. Not only is the expansion in population generating the demand for petroleum, but per capita consumption in the United States has risen substantially. During the midsixties, the per capita consumption of all oils was 21.4 barrels annually, or 16 percent over the previous decade.

southwestern drilling

The petroleum drilling industry has been an important contributor to the economy of the Southwest. Some of the richest fields in the world are located in the area; and since Spindletop — the first major oil well in Texas — was drilled in 1901, innumerable fields have been developed. During 1967, 37 percent of the total footage drilled and 34 percent of the total well completions in the United States were in the Eleventh Federal Reserve District, although the number of well completions and the total footage drilled have declined in both the Southwest and other areas of the Nation. Texas showed a somewhat smaller percentage decrease than did the District or the Nation, a fact which is attributable to the significant rise in drilling in the Delaware-Val Verde basin of west Texas and in offshore areas.

In 1963, Texas, Louisiana, California, Oklahoma, and New Mexico ranked highest among all the states in the value added by mining. In mining employment, the southwestern states ranked among the highest, and Texas led the Nation. In capital expenditures for mining, Texas and Louisiana led the Nation.

Also in the same year, 20 percent of all employment and 27 percent of all man-hours in the oil and gas extraction industries were accounted for by oil and gas well drilling, with drilling contributing 60 percent of the value added to mining by oil and gas extraction. Since the decline in drilling began, the number of workers in petroleum drilling in the Southwest has shown steady decreases. Consequently, this

activity has become both absolutely and relatively less important.

conclusion

The immediate prospects for a significant resurgence in drilling are not very promising unless the price of crude oil rises, imports of oil products begin to slow, or aid is advanced to contract drillers. In 1967 the slight increase in crude oil prices resulted primarily from dislocations in the supply of oil during the Middle East war; however, whether or not this increase will be permanent enough or sufficient to help the drilling industry remains to be seen. Currently, one industry source predicts that the rate

of decline in drilling will slow considerably in the year ahead.

Another hopeful sign has been the emergence of offshore drilling, which has attracted widespread interest and, in itself, is a topic worthy of a separate discussion. Nevertheless, onshore drilling is also needed. A national defense argument can be advanced for the maintenance of a high rate of drilling, in that only by continuous drilling can the amount of proved reserves keep pace with the increasing needs of the Nation and the additional needs which arise during periods of crisis.

RAYNAL HAMMELTON

new par bank

The Lorenzo State Bank at Lorenzo, Lorenzo, Texas, a par, insured non-member bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business February 13, 1968. The officers are: J. W. Langston, President; James O'Rear, Vice President (Inactive); and Haney Bruce, Cashier.

credit card and check credit programs at district banks

After a halting and, for the most part, unsuccessful effort to enter the credit card field in the 1950's, commercial banks in the United States have invaded this area with numerous types of credit card and check credit programs in the last 2 years. The rate of entry of commercial banks into this field in the past year or two has been extremely rapid. Although only a relatively small number of banks were offering these types of services as recently as 1965, by the fall of 1967 over 800 insured commercial banks in the Nation reported that they offered credit cards and/or check credit plans and indicated outstanding credit under the programs of over \$1 billion.

The explosive growth of credit card and related programs and, also, some of the problems involved in this growth have created a keen interest on the part of the public, the Congress, and the bank regulatory authorities. This interest has manifested itself in a number of articles devoted to the facts and implications of the growth of bank credit cards, in hearings held by Congress, and in data gathering and studies by the regulatory authorities. The interest of the three Federal bank regulatory agencies in gathering data on bank credit cards has resulted in the addition of an item to the periodic call report of condition for insured commercial banks. Moreover, in March 1967, the Federal Reserve System organized a research group to gather data on the importance of these programs and to analyze the implication of the growth of bank credit card and check credit programs for bank supervision and monetary policy.

The questions raised by the rapid growth of bank credit card and related programs and by their future, both for bank supervision and monetary policy, are of substantial importance. To mention just a few of these vital questions, it would be necessary to include the following. What are the implications of the growth of bank credit card and check credit programs for the payments mechanism and the possible movement toward a checkless society? Will the increasing importance of bank credit cards result in a more concentrated banking structure and, thus, reduce the amount of competition among commercial banks? Will the growth of bank credit card and related programs hamper the effectiveness of monetary policy? What effect will the growth of these programs have on bank operations? While these are some of the more significant questions, they represent only a few of those which could be raised. To date, many questions have been brought up, but, as yet, there are few definitive answers.

The purpose of this brief article is to report on the growth and importance of bank credit card and related programs in the Eleventh Federal Reserve District. The basic data were obtained from the April 1967 and October 1967 call reports of the bank regulatory authorities. A review of the data shows that, although demonstrating substantial growth, bank credit card and check credit programs are still of relatively minor importance at banks in the Eleventh District. Before discussing the importance of credit card and check credit programs among banks in the District, however, it is first necessary to describe briefly the major types of plans offered.

**COMMERCIAL BANK CREDIT CARDS
AND CHECK CREDIT PLANS, BY TYPE
OF PLAN, OCTOBER 4, 1967**

Eleventh Federal Reserve District

(Dollar amounts in millions)

Type of plan	Number of banks ¹	Total credit outstanding
Credit cards	9	\$ 8.1
Executive credit and related plans	3	.5
Check credit	28	4.7
All plans	37	\$13.3

¹ Will not add down because some banks offer more than one type of plan.

**COMMERCIAL BANK CREDIT CARDS
AND CHECK CREDIT PLANS, BY TYPE
OF BANK, OCTOBER 4, 1967**

Eleventh Federal Reserve District

(Dollar amounts in millions)

Type of bank	Number of banks	Total credit outstanding
National banks	25	\$ 4.1
State member banks	4	2.6
Insured state nonmember banks	8	6.6
All banks	37	\$13.3

The types of credit plans offered by commercial banks can be divided into two broad groups — credit cards and check credit services. The first group may, in turn, be subdivided into credit cards issued by banks and credit cards issued by other firms. The travel and entertainment cards issued by other firms are typically referred to as an executive credit plan when they are tied into a commercial bank.

In the case of the bank credit card, an individual may charge purchases up to a designated amount at any firm which accepts the bank's card. It is, therefore, a convenience item to the customer. He is usually billed once a month and may pay the month's charges with no interest or elect to let the amount become a loan to be paid in a specified period with interest. In addition, a bank credit card typically gives the holder the privilege of drawing a specified amount at the issuing bank automatically.

To the bank, the credit card is a source of income, both from the discounts usually charged the merchant (based upon the dollar value of the sales) and from the interest payments when

the cardholder elects to pay the charge over a period of time longer than a month. Equally important to the bank is the ability to make loans to individuals who are not depositors of the bank and perhaps attract their deposits.

A second type of credit card is the so-called travel and entertainment card, a card issued by another firm but with a tie-in arrangement with a commercial bank. In contrast to bank-issued credit cards, which are designed for the average-income person, the travel and entertainment card is created for the upper-income groups. In addition, in the case of the latter type of card, the commercial bank enters the picture only if the individual cardholder uses the card to obtain a loan from the bank or to extend the payment period on a particular purchase.

The second major credit plan is referred to as check credit. Under this program, an individual applies to a commercial bank for a line of credit. If it is granted, the customer may overdraw his account up to a certain amount, and the overdrafts automatically become a loan. The plan may involve separate checks to acti-

COMMERCIAL BANKS REPORTING CREDIT CARD AND CHECK CREDIT PLANS, BY SIZE OF BANK, OCTOBER 4, 1967

Eleventh Federal Reserve District

(Dollar amounts in millions)

Amount of deposits	Number of banks offering:			Total ¹
	Credit cards	Executive credit	Check credit	
Under \$5	0	0	0	0
\$5 to \$10	2	0	1	2
\$10 to \$25	2	1	4	7
\$25 to \$50	2	0	7	8
\$50 to \$100	2	0	7	9
\$100 to \$500	1	0	8	9
Over \$500	0	2	1	2

¹ May not add across because some banks offer more than one type of plan.

LOCATION OF COMMERCIAL BANK CREDIT CARD AND CHECK CREDIT PLANS, OCTOBER 4, 1967

Eleventh Federal Reserve District

(Dollar amounts in millions)

Area	Number of banks	Total credit outstanding
Dallas	5	\$ 9.5
Fort Worth	2	.6
Houston	2	.2
San Antonio	2	.3
All others	26	2.7
Eleventh District	37	\$13.3

vate the loan or may automatically go into effect when the customer's payments exceed the balance in his account.

As of the October 4, 1967, call report, 37 insured commercial banks in the Eleventh District offered credit cards and/or check credit. As previously mentioned, over 800 insured commercial banks in the Nation offered these plans, so that banks in the District made up only a small fraction of such banks in the Nation. The lesser importance of these programs at Eleventh District banks may result from the fact that most banks in the District operate under the unit banking system and, therefore, are relatively small.

The 37 Eleventh District commercial banks reported \$13.3 million outstanding under credit card or check credit programs as of the October call, as compared with over \$1 billion at all insured commercial banks in the United States having the programs. If the 12 Federal Reserve districts are ranked by the amount of credit outstanding under these programs last fall, the Dallas District would rank 11th. In contrast,

the Eleventh District ranked sixth as of June 30, 1967, in terms of total assets of all member banks.

As of October 4, 1967, the most popular plan was check credit, with 28 banks reporting this type of program. In contrast, only nine banks indicated that they had bank credit card plans, and only three reported executive credit and related plans. Based on the amount of credit outstanding, however, the picture is somewhat different. Of the \$13.3 million outstanding under all the programs, \$8.1 million was reported as outstanding under credit cards, while \$4.7 million and \$0.5 million were reported outstanding under check credit and executive credit and related plans, respectively. The relatively greater importance of credit cards in terms of the total amount of credit outstanding is not surprising since credit card programs would seem to generate a larger volume than check credit plans.

In terms of the type of banks reporting the programs, it is clear that national banks predominate in the number of banks with credit

card or check credit programs but insured state nonmember banks have more credit outstanding under these programs. Thus, 25 national banks reported credit card or check credit plans, while eight insured state nonmember banks and four state member banks reported such plans.

Although credit card and check credit programs are still of relatively small importance in the Eleventh District, their growth has been impressive. Between the April 1967 and October 1967 call reports, the number of banks offering such plans rose almost 40 percent, increasing from 27 to 37, and the amount of credit outstanding rose about the same percentage. If this rate of expansion continues for these types of programs, there is no doubt that credit card and check credit programs will soon be an important part of the banking scene in the Southwest.

If the data on credit card and related programs are classified by size of bank, it is clear that the offering of credit cards or related plans is confined to the medium- and large-size banks in the District. All of the insured commercial banks in the District which reported credit card or related programs on the October call report had deposits of \$5 million or more. By comparison with other banks in the District, banks with \$5 million or more in deposits may be considered medium- to large-size banks. For example, almost one-half of all member banks in the District have deposits of less than \$5 million. It is interesting to note, however, that the largest banks in the District (that is, the banks with over \$500 million in deposits) have not been particularly active in this field. As of the October call report, only two banks with deposits of \$500 million or over reported executive credit programs, one reported a check credit plan, and none reported offering bank credit cards.

In terms of geographical location, while the four major metropolitan areas in the District

do not dominate the District in terms of the numbers of banks with these plans, they are by far the most important areas in terms of the amount of credit outstanding under the programs. Of the 37 banks which reported credit card or check credit programs on the October call report, only 11 were located in Dallas, Fort Worth, Houston, and San Antonio. Of the \$13.3 million outstanding under these programs, however, almost \$11.0 million was accounted for by banks in the four areas.

Among the four large metropolitan areas, the position of Dallas is particularly important. Thus, of the 11 banks which reported credit card or related programs in the four largest metropolitan areas in the District, 5 were located in Dallas. Even more significant is the fact that, of the almost \$11 million of credit outstanding under these programs in the four areas, over \$9 million was accounted for by banks in Dallas.

In summary, the growth of credit card and check credit programs at commercial banks in the Nation has been quite rapid during the last 2 years. The basic types of plans include the bank credit card, the travel and entertainment card (executive credit), and check credit. This growth has created a number of problems and questions for the three bank regulatory agencies.

In the Eleventh District, credit card and check credit programs at commercial banks have grown at a more moderate pace than in the Nation as a whole. Yet, their growth in the past year was quite rapid. The check credit plans are the most popular in terms of the number of participating banks, but the credit card plans account for a larger amount of credit. The plans are usually offered by the medium- and large-size banks. Most of the credit outstanding under these programs is centered in the four largest metropolitan areas in the District, particularly in Dallas.

DONALD R. FRASER

district highlights

Nonagricultural wage and salary employment in the five southwestern states declined 1.7 percent in January to a level of 5,767,400. Employment usually dips between December and January, but the decrease this year was smaller than would be expected normally. Both manufacturing and total nonmanufacturing employment in January declined less than seasonally. Four out of the seven nonmanufacturing employment sectors showed notably smaller reductions than usual.

Total nonagricultural employment in the five states in January ran 4 percent above the same month in the prior year. The gain in the number of manufacturing workers significantly exceeded the overall rise. Mining employment continued under the year-earlier level, but the increases in the number of service and government employees were substantially ahead of the increase of about 4 percent for total nonmanufacturing employment.

The seasonally adjusted Texas industrial production index in January, at 163.7 percent of its 1957-59 base, was nearly unchanged from the prior month. A slight rise in mining, brought about by an increase in the adjusted output of crude petroleum, compensated for a decrease of about 1 percent in total manufacturing. The production of durable goods in January eased slightly from the preceding month, with six of the nine durable goods sectors showing decreases. Among these six sectors, two (lumber and wood products and stone, clay, and glass products) posted appreciable declines. Electrical machinery was the only durables industry displaying more than a fractional month-to-month advance. Only three nondurable goods sectors had output increases over December. Changes in the nondurable goods sectors varied

widely, ranging from a gain of nearly 4 percent for leather and leather products to a fall of almost 18 percent for apparel and allied products.

The State's industrial production index in January was slightly more than 7 percent over January 1967. Advances occurred in more than one-half of the manufacturing industries, with the strongest gains taking place in the output of leather and leather products, transportation equipment, and "other" durables (primarily ordnance). The two sectors turning in the poorest year-to-year performances were textile mill products — down slightly more than 5 percent — and apparel and allied products — off nearly 13 percent. Mining activity rose substantially over a year ago, lifted particularly by gains of slightly better than 9 percent in the output of not only crude petroleum but also metal, stone, and earth minerals. With the strength shared between electricity generation and gas transmission, utilities moved strongly ahead of the same month last year.

Daily average production of crude oil rose 4.6 percent in the Eleventh District during January and was 7.6 percent ahead of a year earlier. The monthly rate of increase was double that recorded for the United States as a whole. Texas showed a strong advance; however, output in southeastern New Mexico was little changed, while a slight easing occurred in northern Louisiana.

A substantial increase in the Texas allowable for January, which had been changed to 45.7 percent of the Maximum Efficient Rate of production from 40.8 percent in the previous month, was primarily responsible for the rise over December. In mid-February the Texas Railroad Commission revised the allowable up-

ward to 49.6 percent of permissible production, and this rate is scheduled to be maintained in March. Allowables have also been raised in southeastern New Mexico and Louisiana. These increases in the allowables have been in response to the higher demand for domestic crude oil as a result of the reduction in imports. A shortage of available oil tankers because of the closure of the Suez Canal and a strong demand for oil in Europe because of below-normal temperatures have been responsible for the reduced imports.

Registrations of new passenger automobiles in the major metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio in January were 9 percent above those for December. Significant month-to-month gains occurred in Dallas, Houston, and San Antonio, but registrations in Fort Worth declined sharply. As compared with January last year, registrations in January 1968 for the four markets combined were 19 percent higher.

Department store sales in the Eleventh District continued strong during the 4 weeks ended February 24, as compared with the corresponding period a year ago. Thus far in 1968, sales have exceeded those during the comparable period in 1967 by 10 percent.

Reflecting both normal seasonal factors and the lesser availability of reserves, each of the major balance sheet items except total time and savings deposits declined at the weekly reporting commercial banks in the Eleventh District in the 4 weeks ended February 14. In the comparable 1967 period, loans adjusted and total demand deposits fell, while total investments and total time and savings deposits expanded.

The reduction of \$73 million in loans adjusted principally reflected a \$71 million fall in loans to nonbank financial institutions. Commercial and industrial loans declined only \$4

million, which is considerably below the \$32 million reduction in the comparable 1967 period. The decline of \$23 million in total investments was more than accounted for by a \$37 million decrease in U.S. Government security holdings, a decrease that, in turn, was entirely concentrated in Treasury bills. Holdings of non-Government issues, chiefly municipals, rose \$14 million.

On the liability side of the balance sheet, the \$102 million fall in total demand deposits was primarily brought about by a \$99 million decline in the demand deposits of individuals, partnerships, and corporations. The rise of \$91 million in total time and savings deposits was centered in an \$82 million advance in the time deposits of states and political subdivisions. Time and savings deposits of individuals, partnerships, and corporations showed little change.

Preparation of land for spring crops continued to progress slowly throughout most sections of the Eleventh District due to wet fields, although warm, sunny weather permitted some field work during mid-February. Winter grains have made relatively good growth; and in areas where fields have dried, grains are furnishing excellent grazing. Citrus fruits continue to move in moderate volume in the Lower Valley of Texas, and early varieties of peaches are beginning to bloom in south Texas.

Range and livestock conditions have been boosted by warmer temperatures and improved grazing. Sheep and goat shearing and lambing continue in the Edwards Plateau, and spring calving is well advanced.

A recent report indicates that the number of all cattle and calves on farms and ranches in the five southwestern states as of January 1, 1968, rose about 1 percent from a year earlier. Milk cattle numbers continued their long downward trend, but beef cattle inventories increased 2 percent. Numbers of cattle and calves also rose

in the Nation. In the District states, sheep numbers showed a further decline and, at the beginning of this year, were 11 percent below those on January 1, 1967.

Cash receipts from farm marketings in the five southwestern states in 1967 totaled \$4.7

billion, or 3 percent below the 1966 amount. Lower crop receipts were principally responsible for the overall decline. Decreases in cash receipts occurred in New Mexico, Oklahoma, and Texas, but increases were shown in Arizona and Louisiana. In the Nation as a whole, cash receipts decreased 2 percent during 1967.

ELEVENTH FEDERAL RESERVE DISTRICT





STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

March 1968



FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 28, 1968	Jan. 31, 1968	Mar. 1, 1967
ASSETS			
Net loans and discounts.....	5,443,674	5,370,301	5,025,554
Valuation reserves.....	1,077,730	1,075,562	98,696
Gross loans and discounts.....	5,551,404	5,477,863	5,124,250
Commercial and industrial loans.....	2,652,228	2,667,946	2,479,023
Agricultural loans, excluding CCC certificates of interest.....	98,422	96,907	89,930
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	8,406	8,034	29,002
Other securities.....	27,086	47,169	30,869
Other loans for purchasing or carrying:			
U.S. Government securities.....	454	949	1,293
Other securities.....	337,350	327,275	310,641
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	162,304	177,226	150,567
Other.....	265,073	275,466	252,873
Real estate loans.....	512,036	509,319	460,966
Loans to domestic commercial banks.....	302,978	190,692	257,671
Loans to foreign banks.....	5,702	4,631	3,458
Consumer instalment loans.....	551,099	547,436	514,682
Loans to foreign governments, official institutions, central banks, international institutions.....	0	0	0
Other loans.....	628,266	624,813	543,275
Total investments.....	2,515,883	2,513,779	2,264,247
Total U.S. Government securities.....	1,232,540	1,194,436	1,096,863
Treasury bills.....	123,256	114,645	39,470
Treasury certificates of indebtedness.....	0	0	15,179
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	223,879	194,367	155,916
1 year to 5 years.....	635,283	673,201	630,990
After 5 years.....	250,122	212,223	255,308
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills.....	3,544	4,468	6,917
All other.....	1,072,725	1,098,083	962,058
Other bonds, corporate stocks, and securities:			
Participation certificates in Federal agency loans.....	126,028	140,509	123,520
All other (including corporate stocks).....	81,046	76,283	74,889
Cash items in process of collection.....	897,159	881,698	895,728
Reserves with Federal Reserve Bank.....	696,234	687,097	631,272
Currency and coin.....	78,566	77,193	68,189
Balances with banks in the United States.....	420,260	461,673	496,686
Balances with banks in foreign countries.....	3,746	4,368	4,418
Other assets.....	364,480	368,541	332,398
TOTAL ASSETS.....	10,420,002	10,364,650	9,718,492
LIABILITIES			
Total deposits.....	8,897,852	8,871,283	8,372,031
Total demand deposits.....	5,334,325	5,392,374	5,008,001
Individuals, partnerships, and corporations.....	3,622,357	3,615,349	3,385,688
States and political subdivisions.....	306,133	350,475	346,994
U.S. Government.....	210,131	216,562	88,532
Banks in the United States.....	1,089,613	1,103,961	1,093,858
Foreign:			
Governments, official institutions, central banks, international institutions.....	3,564	3,501	3,153
Commercial banks.....	22,221	20,938	20,428
Certified and officers' checks, etc.....	80,306	81,588	69,348
Total time and savings deposits.....	3,563,527	3,478,909	3,364,030
Individuals, partnerships, and corporations:			
Savings deposits.....	1,086,010	1,085,503	1,107,857
Other time deposits.....	1,785,674	1,769,550	1,563,843
States and political subdivisions.....	658,417	592,775	662,357
U.S. Government (including postal savings).....	11,701	10,407	8,789
Banks in the United States.....	18,725	17,174	19,654
Foreign:			
Governments, official institutions, central banks, international institutions.....	2,800	2,800	800
Commercial banks.....	200	700	730
Bills payable, rediscounts, and other liabilities for borrowed money.....	397,317	397,516	310,977
Other liabilities.....	225,898	202,998	183,153
CAPITAL ACCOUNTS.....	898,935	892,853	852,331
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	10,420,002	10,364,650	9,718,492

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			
	January 1968 (Annual-rate basis)	Percent change from		Jan. 31, 1968	Annual rate of turnover		
		Dec. 1967	Jan. 1967		Jan. 1968	Dec. 1967	Jan. 1967
ARIZONA							
Tucson.....	\$ 4,376,196	4	6	\$ 167,218	26.0	25.0	26.1
LOUISIANA							
Monroe.....	2,129,016	1	15	84,332	26.2	27.2	24.6
Shreveport.....	6,270,288	14	12	226,364	26.6	23.6	25.3
NEW MEXICO							
Roswell ²	712,104	8	7	33,762	20.2	18.6	19.7
TEXAS							
Abilene.....	1,694,004	1	-10	96,347	17.4	17.6	20.3
Amarillo.....	4,773,168	5	14	138,567	34.4	32.9	30.6
Austin.....	5,711,388	2	25	230,139	25.9	26.4	24.6
Beaumont-Port Arthur-Orange.....	5,482,476	-1	2	225,261	24.4	25.3	24.7
Brownsville-Harlingen-San Benito.....	1,551,672	-3	12	75,151	20.7	21.4	23.8
Corpus Christi.....	4,405,200	4	9	191,814	22.5	21.4	22.4
Corsicana ²	433,032	30	24	27,921	15.3	11.7	12.7
Dallas.....	80,664,384	4	18	1,806,759	43.3	42.2	40.6
El Paso.....	5,689,500	18	11	195,838	27.6	23.5	25.0
Fort Worth.....	16,222,668	-5	11	548,244	29.0	31.3	28.6
Galveston-Texas City.....	2,407,428	8	17	100,548	23.4	22.2	21.3
Houston.....	71,946,000	-3	10	2,113,997	33.7	34.6	34.4
Laredo.....	678,756	13	12	32,310	20.5	17.7	18.6
Lubbock.....	3,236,412	0	2	136,700	22.9	21.4	23.1
McAllen-Pharr-Edinburg.....	1,375,416	0	6	83,599	15.2	14.8	17.4
Midland.....	1,685,268	-4	2	122,837	13.5	14.2	14.3
Odessa.....	1,237,704	0	1	63,963	19.7	20.1	19.6
San Angelo.....	989,196	1	9	60,395	16.0	15.8	15.5
San Antonio.....	13,498,092	3	10	539,466	24.8	24.3	25.0
Sherman-Denison.....	908,724	10	14	54,780	17.0	15.7	15.8
Texarkana (Texas-Arkansas).....	1,358,244	2	11	60,247	22.0	21.3	21.1
Tyler.....	1,730,076	2	4	83,760	19.9	19.4	20.0
Waco.....	2,284,908	-2	4	116,613	19.9	20.8	20.6
Wichita Falls.....	2,085,096	-2	-1	109,755	18.7	19.0	19.3
Total—28 centers.....	\$245,536,416	1	12	\$7,726,687	31.2	31.1	30.6

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

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 31, 1968	Dec. 27, 1967	Jan. 25, 1967
ASSETS			
Loans and discounts.....	9,428	9,518	8,669
U.S. Government obligations.....	2,552	2,549	2,298
Other securities.....	2,698	2,662	2,271
Reserves with Federal Reserve Bank.....	1,149	1,159	1,108
Cash in vault.....	238	243	230
Balances with banks in the United States.....	1,148	1,255	1,084
Balances with banks in foreign countries.....	7	6	7
Cash items in process of collection.....	997	1,208	910
Other assets.....	460	475	485
TOTAL ASSETS.....	18,677	19,075	17,062
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,389	1,560	1,330
Other demand deposits.....	8,312	8,666	7,674
Time deposits.....	6,742	6,583	6,040
Total deposits.....	16,443	16,809	15,044
Borrowings.....	422	386	322
Other liabilities.....	280	336	229
Total capital accounts.....	1,532	1,544	1,467
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	18,677	19,075	17,062

e — Estimated.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 28, 1968	Jan. 31, 1968	Mar. 1, 1967
Total gold certificate reserves.....	381,505	380,978	364,849
Discounts for member banks.....	7,316	41,036	8,128
Other discounts and advances.....	0	0	0
U.S. Government securities.....	2,021,417	2,009,600	1,839,665
Total earning assets.....	2,028,733	2,050,636	1,847,793
Member bank reserve deposits.....	1,132,565	1,148,634	1,055,090
Federal Reserve notes in actual circulation.....	1,380,260	1,389,203	1,236,397

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	January 1968p	December 1967	November 1967	January 1967r
TEXAS				
Total industrial production.....	163.7	163.1	158.8r	152.9
Manufacturing.....	183.1	185.4	177.0r	172.5
Durable.....	209.4	212.0	201.5r	195.5
Nondurable.....	165.6	167.7	160.6r	157.1
Mining.....	126.4	121.4	123.0r	117.0
Utilities.....	211.9	211.9	209.3r	190.5
UNITED STATES				
Total industrial production.....	161.0	162.0	160.0r	158.0
Manufacturing.....	163.0	164.0	161.0r	160.0
Durable.....	168.0	168.0	164.0r	166.0
Nondurable.....	157.0	158.0	157.0r	153.0
Mining.....	122.0	123.0	124.0r	123.0
Utilities.....	192.0	192.0	190.0r	181.0

p — Preliminary.
r — Revised.

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

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		Percent change January 1968 from	
	January 1968	January 1968	December 1967	January 1967
ARIZONA				
Tucson.....	494	\$ 1,694	32	8
LOUISIANA				
Monroe-West Monroe.....	53	1,803	-12	13
Shreveport.....	260	1,700	-58	75
TEXAS				
Abilene.....	24	480	-58	-68
Amarillo.....	106	1,899	36	33
Austin.....	324	7,462	-15	45
Beaumont.....	111	1,383	40	134
Brownsville.....	136	265	78	4
Corpus Christi.....	356	7,065	378	195
Dallas.....	1,220	15,745	-29	9
El Paso.....	425	9,884	119	48
Fort Worth.....	361	3,554	-39	-32
Galveston.....	57	442	-28	-26
Houston.....	1,736	36,507	57	114
Laredo.....	33	103	-66	-83
Lubbock.....	116	2,449	72	103
Midland.....	48	683	5	12
Odessa.....	52	551	110	11
Port Arthur.....	47	206	-15	-67
San Angelo.....	59	452	-6	-15
San Antonio.....	903	17,531	145	186
Texarkana.....	31	355	154	114
Waco.....	185	2,134	359	301
Wichita Falls.....	60	548	-27	34
Total—24 cities.....	7,197	\$114,895	28	62

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
1966: January... 9,147	4,235	4,912	5,577	2,700	2,877	
1967: January... 9,352	4,226	5,126	5,934	2,645	3,289	
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	
October... 9,511	4,448	5,063	6,457	2,753	3,704	
November... 9,582	4,417	5,165	6,509	2,744	3,765	
December... 9,841	4,589	5,252	6,571	2,762	3,809	
1968: January... 9,923	4,560	5,363	6,698	2,815	3,883	

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Feb. 7, 1968	4 weeks ended Jan. 3, 1968	4 weeks ended Feb. 1, 1967
RESERVE CITY BANKS			
Total reserves held.....	704,367	700,387	644,965
With Federal Reserve Bank....	653,520	648,625	595,975
Currency and coin.....	50,847	51,762	48,990
Required reserves.....	700,998	693,379	638,960
Excess reserves.....	3,369	7,008	6,005
Borrowings.....	3,138	3,678	343
Free reserves.....	231	3,330	5,662
COUNTRY BANKS			
Total reserves held.....	706,351	683,094	673,042
With Federal Reserve Bank....	536,640	518,925	510,800
Currency and coin.....	169,711	164,169	162,242
Required reserves.....	666,676	650,078	631,019
Excess reserves.....	39,675	33,016	42,023
Borrowings.....	4,165	1,308	1,955
Free reserves.....	35,510	31,708	40,068
ALL MEMBER BANKS			
Total reserves held.....	1,410,718	1,383,481	1,318,007
With Federal Reserve Bank....	1,190,160	1,167,550	1,106,775
Currency and coin.....	220,558	215,931	211,232
Required reserves.....	1,367,674	1,343,457	1,269,979
Excess reserves.....	43,044	40,024	48,028
Borrowings.....	7,303	4,986	2,298
Free reserves.....	35,741	35,038	45,730

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Jan. 1968 from	
	January 1968p	December 1967	January 1967r	Dec. 1967	Jan. 1967
Total nonagricultural					
wage and salary workers..	5,767,400	5,868,000	5,545,800	-1.7	4.0
Manufacturing.....	1,066,000	1,072,200	1,015,900	-6	4.9
Nonmanufacturing.....	4,701,400	4,795,800	4,529,900	-2.0	3.8
Mining.....	220,100	220,800	230,200	-3	-4.4
Construction.....	364,000	377,200	351,000	-3.5	3.7
Transportation and public utilities.....	429,900	434,100	425,200	-1.0	1.1
Trade.....	1,313,700	1,389,000	1,274,900	-5.4	3.0
Finance.....	280,000	279,800	269,700	.1	3.8
Service.....	878,200	878,500	823,700	.0	6.6
Government.....	1,215,500	1,216,400	1,155,200	-1	5.2

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	January 1968	December 1967	November 1967	January 1967
FIVE SOUTHWESTERN STATES¹.....	453	398	411	344r
Residential building.....	199	154	170	130r
Nonresidential building.....	177	156	150	96
Nonbuilding construction.....	77	88	91	118
UNITED STATES.....	3,714	3,996	4,258	2,912r
Residential building.....	1,462	1,404	1,717	1,011r
Nonresidential building.....	1,347	1,550	1,586	1,175
Nonbuilding construction.....	905	1,042	956	726

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

r — Revised.

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

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

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	1967	1966	Percent change
Arizona.....	\$ 506,702	\$ 500,104	1
Louisiana.....	602,182	549,948	9
New Mexico.....	286,969	289,562	-1
Oklahoma.....	825,011	852,627	-3
Texas.....	2 521,774	2,698,583	-7
Total.....	\$ 4,742,638	\$ 4,890,824	-3
United States.....	\$42,471,196	\$43,218,835	-2

SOURCE: U.S. Department of Agriculture.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

Species	Texas		Five southwestern states ¹		United States	
	1968	1967	1968	1967	1968	1967
Cattle.....	10,972	10,757	19,568	19,328	108,813	108,645
Milk cattle..	589	611	1,316	1,348	22,231	22,923
Beef cattle..	10,383	10,146	18,252	17,980	86,582	85,722
Sheep.....	4,206	4,802	5,735	6,471	22,122	23,898
Stock sheep.	3,986	4,582	5,360	6,048	19,184	20,661
Feeders....	220	220	375	423	2,938	3,237
Hogs.....	926	785	1,628	1,410	54,263	53,249
Chickens ²	18,582	20,415	29,193	31,391	424,550	428,746
Turkeys.....	785	734	856	839	7,289	7,817

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

² Does not include commercial broilers.

³ Excludes New Mexico, which was combined with Idaho, Montana, and Wyoming to avoid disclosure of individual state operations.

SOURCE: U.S. Department of Agriculture.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	January 1968p	December 1967p	January 1967	Percent change from	
				December 1967	January 1967
ELEVENTH DISTRICT.....	3,743.3	3,579.6	3,478.4	4.6	7.6
Texas.....	3,252.2	3,087.7	3,002.6	5.3	8.3
Gulf Coast.....	648.9	613.3	561.1	5.8	15.6
West Texas.....	1,528.3	1,438.6	1,397.8	6.2	9.3
East Texas (proper)....	150.2	139.7	142.0	7.5	-7
Panhandle.....	95.8	94.5	96.5	1.4	-3.0
Rest of State.....	829.0	801.6	805.2	3.4	1.1
Southeastern New Mexico..	321.7	320.4	318.1	.4	7.5
Northern Louisiana.....	169.5	171.5	157.7	-1.2	7.9
OUTSIDE ELEVENTH DISTRICT	5,488.1	5,440.5	5,088.6	.9	7.8
UNITED STATES.....	9,236.3	9,020.1	8,567.0	2.4	7.8

p — Preliminary.

SOURCES: American Petroleum Institute.

U.S. Bureau of Mines.

Federal Reserve Bank of Dallas.

