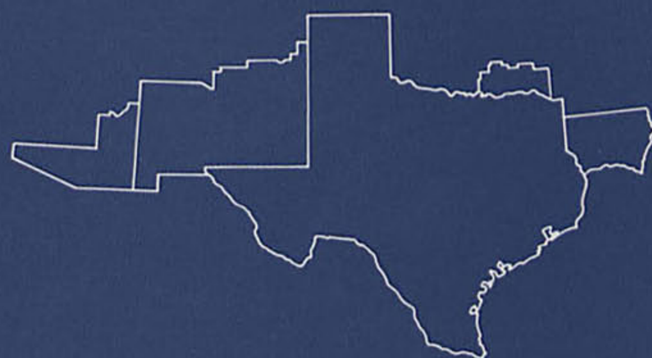
business review



march 1969

FEDERAL RESERVE
BANK OF DALLAS

contents

u.s. government and municipal securities at member banks

Significant changes in the structure of commercial bank assets and liabilities have occurred in the post-World War II period, particularly in the past decade. These developments include the phenomenal growth of time deposits, emergence of time certificates of deposit as a major source of bank funds, persistent increases in loan-deposit ratios, and associated reductions in other overall bank liquidity measures. These changes have been so marked and pervasive as to make for a virtual revolution in banking operations.

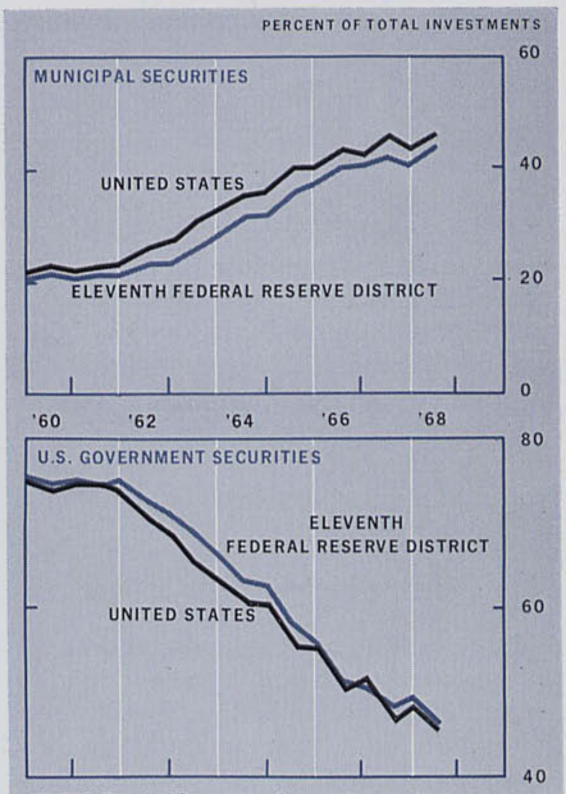
One of the most important changes which has taken place in recent years is the marked shift in the composition of investment portfolios at the Nation's member banks. As the credit demands of consumers, businesses, and state and local governments advanced sharply over the past few years, member bank holdings of U.S. Government securities steadily declined, both in dollar terms and as a percentage of total bank-held investments.

Member banks trimmed their Government security holdings an estimated $3.4 billion in the 1960-68 period. Although Government obligations represented nearly 75 percent of member bank security holdings in 1960, this figure had fallen to less than 46 percent by June 1968. Moreover, the average maturity of Government securities held by member banks has been shortened noticeably during the 1960's in response to rising capital market rates, the existence of the 4¼-percent legal ceiling on Government coupon issues, Treasury debt management practices, and the impact of the passage of time.

On the other hand, bank investment in securities issued by state and local governments has soared since 1960. Member bank holdings of tax-exempt municipal issues increased almost $30 billion, or more than twofold, in the 1960-68 period, and the average maturity of these investments lengthened substantially. By mid-

MEMBER BANK HOLDINGS OF MUNICIPAL AND U.S. GOVERNMENT SECURITIES

(As of June and December call dates)



SOURCE: Board of Governors, Federal Reserve System.

1968, state and local government obligations and Treasury securities divided member bank portfolios almost evenly, with holdings of each totaling more than $43 billion.

What were the major factors leading to this important change in member bank investments? What have been some of the effects of this shift from U.S. Governments to municipals at member banks? The purpose of this article is to focus briefly upon these questions.

governments versus municipals

Except for brief interludes, holdings of U.S. Government securities have declined relative to other bank assets over the entire post-World War II period. Following an unusually heavy buildup of these issues during the war years, the importance of Government obligations was reduced by the rapid expansion of bank credit to meet the borrowing requirements of businesses and other non-Government sectors of the economy.

The notable exceptions to this long-term downward trend in Government security holdings occurred during the recessions of 1953-54, 1957-58, and 1960-61, when loan demand sagged and banks increased their Government security holdings to bolster earnings. Bank holdings of Government obligations were also given a powerful boost during the postwar recessions by expanded Treasury offerings of long-term Government bonds. The combination of a stimulative monetary policy and relatively low long-term yields afforded the Treasury a number of opportunities to extend the average maturity of the public debt.

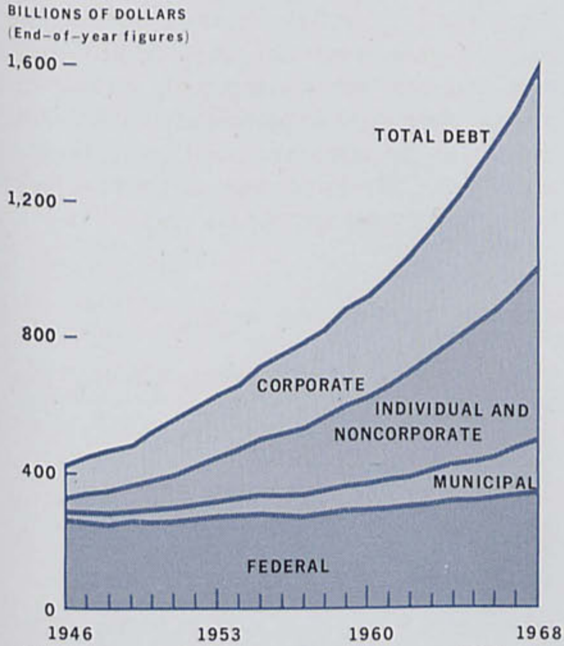
During the sustained period of economic expansion since the 1960-61 downturn, however, credit demands from businesses, households, and municipal governments have been unusually strong. Within this climate (which has included sharp advances in both money market rates and capital market rates), banks have endeavored to maximize earnings by shifting from relatively low-yielding Government securities to higher-yielding loans and tax-exempt municipal obligations.

While rising interest rates have substantially increased the cost of holding large stocks of relatively liquid Government securities, banks have also become more sophisticated concerning their actual liquidity needs. Traditionally, the banking community has relied heavily on trading in short- and intermediate-term Government obligations to offset short-run fluctuations in reserves. During the decade of the 1960's, however, the Federal funds and Euro-dollar markets have provided important alternative sources of readily available funds to adjust bank reserve positions. At the same time, the marked improvement in the secondary market for municipal obligations in recent years has increased the liquidity of bank holdings of tax-exempt issues. Thus, the importance of Government securities in providing a margin of liquidity in bank portfolios has been significantly reduced.

In a broader context, the decline in bank holdings of Government securities reflects the fact that the Federal debt has grown much more slowly in recent years than has the total debt of businesses, households, and state and local governments. During 1960-68, the total Federal debt increased an estimated $68 billion, or about 23 percent. Less than $19 billion of this total increase in public debt, however, represented a gain in private sector holdings. Federal agencies and trust funds and the Federal Reserve banks absorbed more than 70 percent of the total increase during the period. Moreover, in relation to gross national product, Federal indebtedness decreased, falling from 58 percent of GNP in 1960 to less than 42 percent in 1968.

In contrast to these developments, the total debt of states and their political subdivisions has advanced sharply and persistently over the entire postwar period. Population and income growth has spurred states, cities, and other units of local government to expand highway and street systems, school facilities, hospitals, and other public improvement programs. The total financing requirements associated with these outlays and with other non-capital spending far exceeded revenues from taxes and other current sources. As a result, the total debt of states and political subdivisions has increased more than eightfold in the postwar years to an estimated $129.5 billion in 1968. During the 1960's alone, the debt of these governmental units has risen more than $71 billion.

PUBLIC AND PRIVATE DEBT IN THE UNITED STATES



SOURCE: Economic Report of the President, January 1969.

The rapid expansion of state and local debt has, of course, greatly increased the total supply of municipal issues available to commercial banks as earning assets and represents a major factor in the sharp rise in bank holdings of such obligations. Each year thus far in the 1960's has produced a record volume of municipal bond offerings, with commercial banks providing the major market for these new issues. In 1968, despite the sharp advance in market yields, an estimated $16.2 billion of tax-exempt bonds was marketed, and banks purchased nearly 80 percent of the total. Reflecting the importance of bank activity in the municipal market, bank holdings of municipals rose from about 25 percent of total state and local securities outstanding in 1960 to an estimated 41 percent in 1968.

The close identification of most commercial banks with the communities which they directly serve is also an important factor in the growth of bank-held municipals. In many geographical areas, banks have felt a public responsibility to serve as major underwriters for issues originating in their localities. In particular, banks have participated in recent economic development efforts of local communities by purchasing substantial amounts of industrial revenue bonds, in addition to increasing their holdings of general obligation issues.

The increased supply of municipal debt, however, is only part of the explanation for banking's shift from Government securities to municipals in recent years. Another essential ingredient is the rapid growth in bank costs since 1960, triggered primarily by the sharp expansion in time deposits.

During the 1950's, interest rates offered by commercial banks were generally less attractive than those paid by other financial institutions. As a result, while the proportion of total savings dollars held by commercial banks remained relatively constant over the decade, other financial institutions — notably savings and loan associations and credit unions — absorbed increasing shares of savings flows. By the early 1960's, however, the need for additional loanable funds prompted the banking system to compete more aggressively for savings dollars. The larger commercial banks began to rely heavily upon the negotiable CD (certificate of deposit) in an effort to attract or to compete more effectively for large corporate balances.

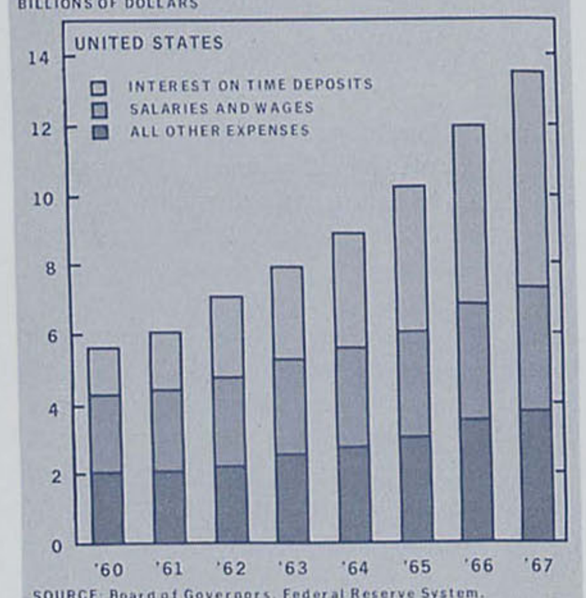
Regulation Q ceilings were raised in every year from 1962 through 1965, permitting banks to increase the rates offered on time deposits.

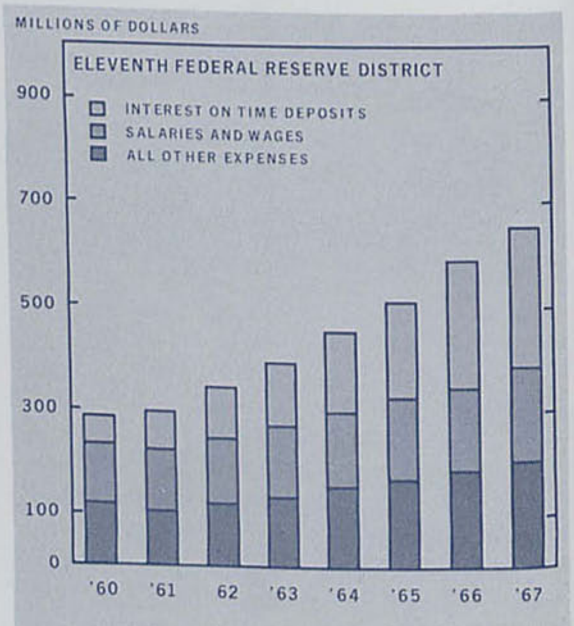
These private and public policy decisions significantly improved the competitive position of commercial banks in a market for savings composed of individuals, corporations, and others who had become increasingly sensitive to interest rate differentials. Time and savings deposits at member banks advanced $94.8 billion from December 1960 through June 1968. Negotiable CD's increased from $800 million at the end of 1960 to $21.5 billion at mid-1968, spurred by the development of an active secondary market. In the Eleventh Federal Reserve District, time and savings deposits at member banks rose $4.7 billion over the same period, or from about 22 percent of total deposits in December 1960 to over 42 percent in June 1968.

Although the massive time deposit inflows have substantially increased the importance of the banking system as a supplier of loanable funds, they have also sharply increased bank costs. Interest paid on time deposits at the Nation's member banks rose almost $5 billion from 1960 to 1967, accounting for nearly 60 percent of the total advance in bank costs over the same period. As a result, interest paid on time deposits supplanted salaries and wages as the largest single item of current expense. In adjusting to these increased costs, member banks have sought higher-yielding municipal bonds to sustain their net earnings position.

Municipals are well suited to bank demand for higher returns since income from these bonds is exempt from Federal income taxes. While the tax-exemption feature allows state and local government obligations to be sold at rates generally below comparable taxable securities, their yield is particularly attractive in relation to the *after-tax* return on competing issues, especially to commercial banks subject to the maximum corporate tax rate.

MEMBER BANK INTEREST ON TIME DEPOSITS, SALARIES AND WAGES, AND ALL OTHER EXPENSES





SOURCE: Board of Governors, Federal Reserve System.

eleventh district patterns

Holdings of Government securities and municipals at Eleventh District member banks also have undergone substantial changes in recent years. Member banks in the Southwest, however, have added to their municipal portfolios at a somewhat slower pace and maintained a slightly larger margin of Government securities than has been the case for member banks in the Nation as a whole. There are a number of reasons for this development, including the fact that the region is heavily populated with small unit banks. Two-thirds of the District's 671 member banks have total deposits of less than $10 million. These relatively small institutions generally have had less contact with the municipal bond market than have the larger country and reserve city banks. In addition, loan demand has been relatively strong in the Southwest since 1960, absorbing some of the funds which might have flowed into the municipal bond market.

Nevertheless, since 1960, Eleventh District member banks have expanded their holdings of state and local debt by $1.6 billion. At mid-1968, municipal holdings at member banks in the District totaled almost $2.3 billion, reflecting an increase of more than twofold from the 1960 level. While tax-exempt securities represented 21.3 percent of total member bank investments in the District in June 1960, this figure had risen to 43.6 percent by mid-1968, which is slightly less than the 45.9-percent figure for all member banks in the Nation. The gain in municipal holdings at reserve city banks in the District has been particularly striking. Tax-exempt holdings have more than tripled at these large banks since 1960, rising an estimated $750 million. Country bank holdings doubled over the comparable period to a level of $1.3 billion in June 1968.

Holdings of Government securities at Eleventh District member banks declined slightly over the 1960-68 period. In 1960, member bank holdings of these issues totaled $2.5 billion, whereas Governments amounted to slightly less than $2.4 billion in 1968. In relation to total investments, however, Government obligations at District member banks decreased from 74.5 percent in 1960 to 46.3 percent in 1968, with the latter proportion being only marginally higher than the 45.8-percent ratio for all member banks in the Nation.

liquidity and maturity effects

As Government securities have given way to municipals at member banks, the impact upon portfolio management policy and practice has become increasingly marked. Because the secondary market for municipals is less well developed than that for Government obligations, the liquidity of member bank portfolios in the Nation may have decreased somewhat in recent years. Moreover, rising market yields and the shift from bank holdings of Government securities have had important effects on traditional reserve adjustment practices.

For short-run adjustments in their reserve positions, member banks now seem to rely less heavily upon Government securities and more upon the immediately available funds secured in the Federal funds market. The volume of trading in Federal funds has grown enormously during the 1960's, as large numbers of country banks have entered the market in order to utilize their excess reserve balances more fully. In turn, as noted earlier, member banks which are active in the funds market have frequently found less need for large Government security holdings as a means of adjusting their reserve positions.[1]

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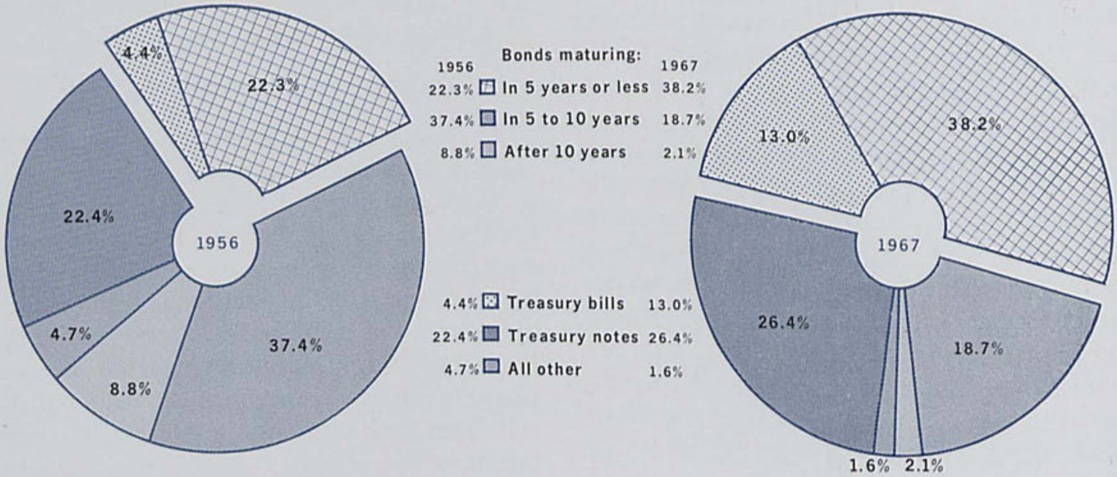
[1] For discussions of the impact of Federal funds trading on bank asset structure and reserve adjustment procedures, see "Second District 'Country' Member Banks and the Federal Funds Market," *Monthly Review*, Federal Reserve Bank of New York, May 1966, and "Federal Funds and Country Bank Reserve Management," *Business Review*, Federal Reserve Bank of Philadelphia, September 1968.

MATURITY DISTRIBUTION OF MEMBER BANK INVESTMENTS, JUNE 30

U.S. Government security holdings at the Nation's member banks have generally shortened in maturity —



SOURCE: Board of Governors, Federal Reserve System.

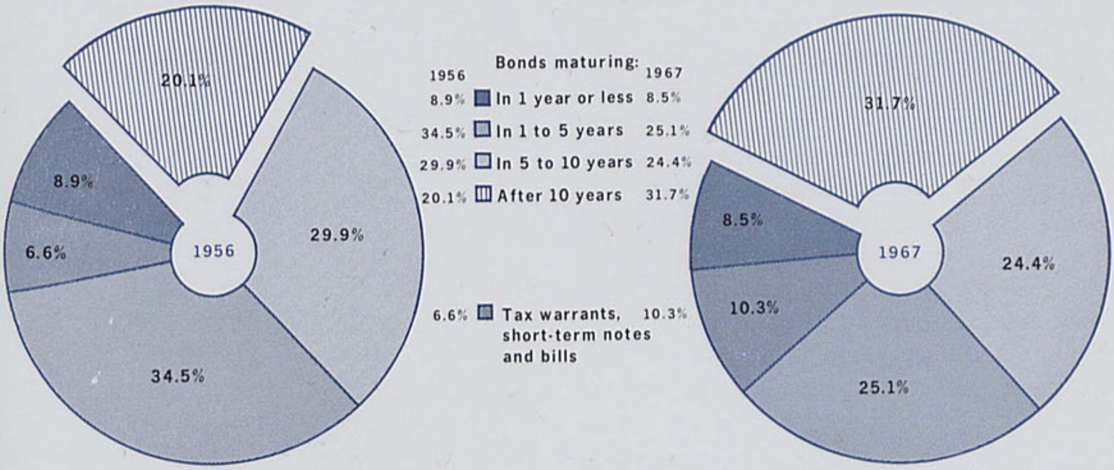
With respect to seasonal and intermediate-term adjustments in reserves, many member institutions have come to regard their municipal holdings as somewhat more temporary investments, particularly in view of the notable improvement in the secondary market for these issues. In fact, as loan demand has fluctuated in recent years, bank holdings of municipal investments have become more volatile, with trading in the secondary market increasing in periods of monetary restraint and/or strong customer borrowing demand.[2]

The shift from Government securities to municipals at member banks has been associated with mixed, but highly important, changes in portfolio maturity. While data on the maturities of Government security holdings are available on an annual basis throughout the 1960's, only two studies of the maturities of all member bank municipal holdings have been conducted in recent years — namely, for 1956 and for 1967. Comparison of the maturity distribution of Government security and municipal holdings at member banks during these 2 years reveals important changes in the maturity of member bank investments.

While the average maturity of Government security holdings has declined sharply, municipal maturities have lengthened substantially. Member bank holdings of long-term municipal bonds (those maturing after 10 years) increased almost $10 billion between 1956 and

[2] See, for example, "Commercial Banks and the Municipal Bond Market," *Business Review*, Federal Reserve Bank of Philadelphia, February 1967.

Maturities of municipal holdings at these banks have lengthened —



1967, or from one-fifth to nearly one-third of total member bank municipal investments. Most of the gain in bank-held long-term municipals was at reserve city banks, which added $6.6 billion.

While holdings of intermediate- and short-term municipal bonds also have increased in dollar amounts, these issues have generally declined as a percentage of total tax-exempt investments. In contrast, tax warrants and short-term notes and bills with original maturities of 1 year or less have risen moderately, both in dollar terms and as a percentage of total municipal holdings. These more liquid issues increased $3.2 billion over the 1956-67 period to account for slightly more than 10 percent of member bank investments in state and local obligations.

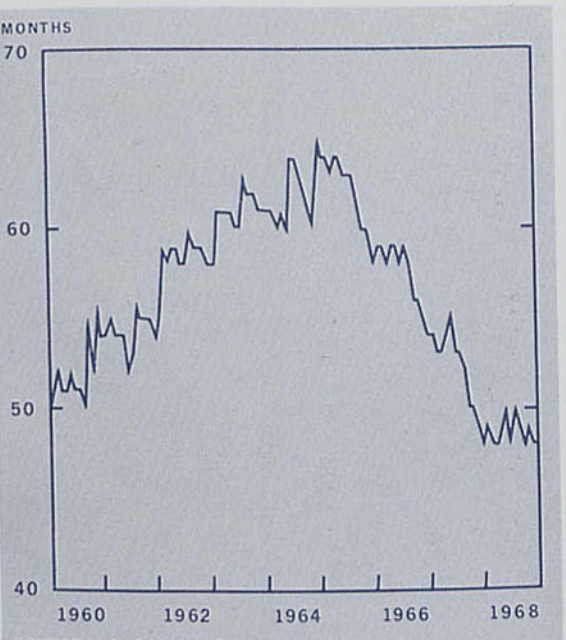
The lengthening in maturities of municipal holdings was offset, at least in part, by a substantial reduction in the maturities of bank-held Government securities. For example, member bank holdings of long-term Government bonds due after 10 years decreased almost fourfold in the 1956-67 period, dropping $3.2 billion. However, intermediate-term Government bonds (5 to 10 years to maturity) displayed the sharpest decline; bank holdings of these issues fell over $9.5 billion between 1956 and 1967.

Government security holdings with maturities under 5 years generally gained at the expense of the long-term maturity sector during the 1956-67 period. Bonds maturing in 5 years or less rose $5.6 billion to account for slightly less than two-fifths of Government security holdings at member banks in 1967. A similarly rapid increase was displayed by Treasury bills over the same period, and holdings of these highly liquid issues increased from $2.0 billion in 1956 to $5.4 billion in 1967.

The decline in the maturities of Government security holdings at member banks probably reflects factors external to the banking system, rather than an internal bank reaction to lengthened municipal maturities. Treasury debt management practices, particularly in the early 1960's, contributed to a significant reduction in long-term Government bond holdings at member banks. Through repeated use of its new advance refunding technique in the early 1960's, the Treasury substantially extended the average maturity of the marketable Federal debt. While this technique furthered debt management goals, refundings into long-term bonds placed large portions of marketable public debt beyond the normal maturities sought by commercial banks.

Since 1965, the passage of time, coupled with an upward surge in capital market rates, has contributed to the substantial shortening of both commercial bank holdings of Government securities and the average maturity of the total marketable Federal debt. In December 1968, marketable Government securities had an average maturity of exactly 4 years, the lowest average maturity figure in post-World War II history. With capital market rates in the 1966-68 period often well above the 4¼-percent coupon limitation on Government bond issues, the Treasury was unable to offset the decline in debt maturity through the sale of long-term bonds. Thus, as the average maturity of the entire marketable public debt has decreased in recent years, the maturity of commercial bank Government security holdings has been shortened as well.

AVERAGE MATURITY OF MARKETABLE INTEREST-BEARING FEDERAL DEBT



SOURCE: U.S. Treasury Department.

summary

Member bank investment portfolios have undergone marked changes during the 1960's. While Government obligations have steadily declined relative to total investments, state and local government securities have surged upward, largely in response to the increased supply of municipal debt and the sharp advance in high-cost time deposits.

The sharp increase in capital market rates in recent months has stimulated some concern that bankers are becoming increasingly "locked in" to their security portfolios, particularly in view of the rapid growth of municipal holdings and the substantial lengthening in the maturity of these investments. As noted earlier, however, the maturity of Government security holdings at member banks has significantly decreased during the 1960's. The sizable gain in bank holdings of Treasury bills and Government bonds in the under-5-year maturity sector suggests that member banks have retained a broad margin of flexibility in their security investments, despite the decline in overall bank liquidity measures.

PETER S. ROSE

district highlights

The seasonally adjusted Texas industrial production index in January, at 169.9 percent of its 1957-59 base, was nearly 1 percent below the previous month but was 5 percent above a year earlier. The decline in total manufacturing output accounted for all of the drop in the index, as mining and utilities were about unchanged from the prior month. Although the production of durable goods increased 1 percent during January, the output of nondurable goods decreased slightly more than 3 percent. Among the durable goods categories, transportation equipment and furniture and fixtures showed appreciable strength; and stone, clay, and glass products exhibited considerable weakness. Only three nondurable goods categories had output increases over December.

Nonagricultural wage and salary employment in the five southwestern states declined 2 percent in January to a level of 6,003,600 but was over 5 percent higher than a year ago. However, the dip in payroll employment between December and January was slightly less than seasonally expected. Manufacturing employment decreased more than seasonally, partially as a result of a strike in petroleum refining; but the reduction in nonmanufacturing employment was smaller than expected. Construction, trade, service, and government employment showed particular strength.

Beginning with this issue of the *Business Review,* the discussion of crude oil production in the "District Highlights" will focus on the southwestern states of Louisiana, New Mexico, Oklahoma, and Texas, rather than only Texas and the Eleventh District portions of Louisiana and New Mexico. Daily average output of crude oil rose 1.3 percent in the four producing southwestern states during January but was 1.4 percent below the same month last year. Two major factors that affected production in January were the demand for heating oils and the nationwide strike of refinery workers. Stocks of crude petroleum advanced somewhat during the last 2 weeks of the month.

The allowable in Texas in January was 43.7 percent of the Maximum Efficient Rate of production and was lowered to 42.8 percent for February, but it has been raised to 45.6 percent for March. The allowable for March also has been advanced in the southeastern part of New Mexico. In Louisiana, the allowable, which was held steady in January and February, has been raised to 42 percent for March.

Land preparation continues to make rapid progress over the Eleventh District under generally favorable weather conditions. Based on February 1 prospects, production of citrus fruit in Arizona and Texas for the 1968-69 season is indicated to be 18.7 million boxes, or 400,000 boxes more than the January 1 estimate and 7.2 million boxes above production in the preceding season.

U.S. rice growers approved marketing quotas for the 1969 crop by a favorable vote of 93.4 percent. About 90 percent of the rice growers in Texas favored the quotas. A national average support price of $4.65 per hundredweight will be available to growers who comply with acreage allotments.

The number of all cattle and calves on farms and ranches in the District states as of January 1, 1969, totaled a record 20.5 million head, or 4 percent above the year-earlier figure. Beef cattle inventories rose, while milk cattle numbers continued their downward trend. In contrast to the overall increase in cattle inventories, the number of sheep and lambs on southwestern farms and ranches at the beginning of the current year declined 5 percent to the smallest number of record. Hog inventories were down slightly from a year earlier. There were 6 percent fewer chickens but 2 percent more turkeys than on January 1, 1968.

Cash receipts from farm marketings in the five southwestern states during 1968 were about 6 percent larger than in the previous year. Crop income and receipts from livestock and livestock products contributed almost equally to the overall gain.

Principally reflecting seasonal factors, each of the major balance sheet items except total investments declined at the District's weekly reporting commercial banks in the 4 weeks ended February 12. The reduction in total time and savings deposits was contraseasonal, however, with the runoff of large certificates of deposit being the major factor in the decline.

Loans adjusted decreased $5 million; this is considerably less than in the comparable period last year, when loans adjusted fell $72 million. Loans to brokers and dealers for purchasing or carrying securities and loans to nonbank financial institutions declined $20 million and $30 million, respectively. On the other hand, business loans showed a substantial gain of $20 million. Real estate loans and consumer loans were up $3 million and $12 million, both of which are much stronger increases than in the year-earlier period.

Total investments advanced $53 million, spurred by an increase of $57 million in holdings of municipal securities. U.S. Government security holdings rose $7 million, as a $30 million gain in Treasury bills more than offset declines in longer-term issues. In the comparable 1968 period, total investments were reduced $23 million.

On the liability side of the balance sheet, total demand deposits decreased $199 million during the 4 weeks ended February 12, compared with a $102 million decline a year ago. Demand deposits of individuals, partnerships, and corporations decreased $245 million, but deposits of the U.S. Government and of states and political subdivisions increased $43 million and $80 million, respectively.

Total time and savings deposits were down $13 million in the 4 weeks, principally because of the $17 million decline in deposits of individuals, partnerships, and corporations. Larger certificates of deposit decreased $34 million, as high market rates continued to make these CD's unattractive.

Registrations of new passenger automobiles in the major metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio in January were 19 percent below December. The decline, however, was largely seasonal in nature. When compared with a year ago, combined January registrations were up 2 percent.

Department store sales in the Eleventh District during the 4 weeks ended February 22 increased 12 percent over the corresponding period last year. Cumulative sales thus far in 1969 were 14 percent above the comparable period in 1968.

new par bank

The Bank of North Texas, Hurst, Texas, a nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, February 3, 1969. The officers are: Dee J. Kelly, Chairman of the Board; T. W. Weatherred, President; and Johnny R. Costner, Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

March 1969

FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 26, 1969	Jan. 29, 1969	Feb. 28, 1968
ASSETS			
Net loans and discounts	6,317,739	6,192,727	5,443,674
Valuation reserves	*119,913*	*119,404*	*107,730*
Gross loans and discounts	6,437,652	6,312,131	5,551,404
Commercial and industrial loans	3,055,587	3,026,870	2,652,228
Agricultural loans, excluding CCC certificates of interest	103,939	97,646	98,422
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	1,001	1,001	8,406
Other securities	134,471	137,153	27,086
Other loans for purchasing or carrying:			
U.S. Government securities	368	387	454
Other securities	408,650	387,685	337,350
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	140,404	140,381	162,304
Other	370,014	356,498	265,073
Real estate loans	608,053	608,510	512,036
Loans to domestic commercial banks	300,665	252,856	302,978
Loans to foreign banks	6,512	6,770	5,702
Consumer instalment loans	642,338	636,825	551,099
Loans to foreign governments, official institutions, central banks, international institutions	0	0	0
Other loans	665,650	659,549	628,266
Total investments	2,674,735	2,754,366	2,515,883
Total U.S. Government securities	1,113,552	1,162,708	1,232,540
Treasury bills	109,716	107,737r	123,256
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	129,204	192,236r	223,879
1 year to 5 years	666,275	619,050r	635,283
After 5 years	208,357	243,685r	250,122
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	28,256	36,060	3,544
All other	1,303,441	1,327,528	1,072,725
Other bonds, corporate stocks, and securities:			
Participation certificates in Federal agency loans	150,174	145,597	126,028
All other (including corporate stocks)	79,312	82,473	81,046
Cash items in process of collection	1,001,624	985,590	897,159
Reserves with Federal Reserve Bank	716,519	751,985	696,234
Currency and coin	85,046	88,130	78,566
Balances with banks in the United States	465,880	488,644	420,260
Balances with banks in foreign countries	5,976	6,422	3,746
Other assets	363,249	361,676	364,480
TOTAL ASSETS	11,630,768	11,629,540	10,420,002
LIABILITIES			
Total deposits	9,581,106	9,555,381	8,897,852
Total demand deposits	5,684,777	5,673,150	5,334,325
Individuals, partnerships, and corporations	3,971,317	3,905,127	3,622,357
States and political subdivisions	317,684	360,198	306,133
U.S. Government	159,093	163,460	210,131
Banks in the United States	1,120,980	1,135,167	1,089,613
Foreign:			
Governments, official institutions, central banks, international institutions	2,396	9,563	3,564
Commercial banks	22,212	22,284	22,221
Certified and officers' checks, etc.	91,095	77,351	80,306
Total time and savings deposits	3,896,329	3,882,231	3,563,527
Individuals, partnerships, and corporations:			
Savings deposits	1,009,109	1,009,358	1,086,010
Other time deposits	2,092,472	2,116,820	1,785,674
States and political subdivisions	750,530	710,140	658,417
U.S. Government (including postal savings)	11,983	11,983	11,701
Banks in the United States	24,745	26,730	18,725
Foreign:			
Governments, official institutions, central banks, international institutions	7,000	7,000	2,800
Commercial banks	490	200	200
Bills payable, rediscounts, and other liabilities for borrowed money	850,624	923,819	397,317
Other liabilities	252,324	209,094	225,898
CAPITAL ACCOUNTS	946,714	941,246	898,935
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	11,630,768	11,629,540	10,420,002

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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]: January 1969 (Annual-rate basis)	Percent change from: Dec. 1968	Percent change from: Jan. 1968	DEMAND DEPOSITS[1]: Jan. 31, 1969	Annual rate of turnover: Jan. 1969	Annual rate of turnover: Dec. 1968	Annual rate of turnover: Jan. 1968
ARIZONA							
Tucson	$ 4,911,564	1	12	$ 208,423	23.9	23.9	26.0
LOUISIANA							
Monroe	2,235,384	—4	5	89,744	25.4	27.1	26.2
Shreveport	6,627,960	—2	6	235,881	27.9	26.8	26.6
NEW MEXICO							
Roswell[2]	773,496	0	9	32,714	22.3	21.8	20.2
TEXAS							
Abilene	1,922,652	2	13	102,030	18.6	18.3	17.4
Amarillo	5,012,892	4	5	145,801	33.5	31.9	34.4
Austin	7,891,716	—7	38	293,562	27.3	31.9	25.9
Beaumont-Port Arthur-Orange	5,985,060	—3	9	229,445	25.3	25.9	24.4
Brownsville-Harlingen-San Benito	1,652,688	—8	7	69,831	23.7	25.4	20.7
Corpus Christi	4,726,932	0	7	196,923	23.1	23.0	22.5
Corsicana[2]	418,596	2	—3	29,770	14.1	13.9	15.3
Dallas	106,892,208	7	33	2,069,918	49.9	46.4	43.3
El Paso	6,538,020	5	15	216,962	29.2	27.7	27.6
Fort Worth	18,348,672	—9	13	597,054	30.3	33.7	29.0
Galveston-Texas City	2,591,712	11	8	109,782	23.8	21.9	23.4
Houston	87,961,440	5	22	2,298,046	37.6	35.7	33.7
Laredo	784,800	—7	16	38,867	20.5	22.3	20.5
Lubbock	3,705,144	0	14	143,921	25.2	24.0	22.9
McAllen-Pharr-Edinburg	1,585,944	1	15	88,123	17.5	17.3	15.2
Midland	1,936,344	—5	15	130,259	15.0	15.9	13.5
Odessa	1,481,028	4	20	73,907	20.7	20.5	19.7
San Angelo	1,081,068	—5	9	63,075	16.7	17.4	16.0
San Antonio	15,042,600	—1	11	595,459	24.9	25.3	24.8
Sherman-Denison	986,736	1	9	63,490	16.3	16.9	17.0
Texarkana (Texas-Arkansas)	1,576,680	—3	16	67,121	23.2	23.5	22.0
Tyler	2,058,528	2	19	90,395	21.8	21.1	19.9
Waco	2,595,480	—2	14	113,955	22.6	23.2	19.9
Wichita Falls	2,397,912	4	15	115,275	20.9	19.9	18.7
Total—28 centers	$299,723,256	0	22	$8,509,733	34.6	33.5	31.2

[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. 29, 1969	Dec. 31, 1968	Jan. 31, 1968
ASSETS			
Loans and discounts	10,808	10,912	9,428
U.S. Government obligations	2,539	2,601	2,552
Other securities	3,155	3,118	2,698
Reserves with Federal Reserve Bank	1,260	1,229	1,149
Cash in vault	266	272	238
Balances with banks in the United States	1,193	1,599	1,148
Balances with banks in foreign countries[e]	9	9	7
Cash items in process of collection	1,117	1,606	997
Other assets[e]	488	697	460
TOTAL ASSETS[e]	20,835	22,043	18,677
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,441	1,947	1,389
Other demand deposits	8,851	9,837	8,312
Time deposits	7,645	7,597	6,742
Total deposits	17,937	19,381	16,443
Borrowings	952	722	422
Other liabilities[e]	311	329	280
Total capital accounts[e]	1,635	1,611	1,532
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	20,835	22,043	18,677

e — Estimated.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 26, 1969	Jan. 29, 1969	Feb. 28, 1968
Total gold certificate reserves	340,893	222,365	381,505
Discounts for member banks	26,140	92,150	7,316
Other discounts and advances	0	0	0
U.S. Government securities	2,113,276	2,226,899	2,021,417
Total earning assets	2,139,416	2,319,049	2,028,733
Member bank reserve deposits	1,235,867	1,260,054	1,132,565
Federal Reserve notes in actual circulation	1,519,065	1,524,903	1,380,260

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	January 1969p	December 1968	November 1968	January 1968r
TEXAS				
Total industrial production	169.9	171.5	170.2	161.8
Manufacturing	195.5	198.5	194.7	180.3
Durable	216.9	214.8	208.3	194.0
Nondurable	181.3	187.6	185.6	171.1
Mining	121.0	120.7	123.2	125.3
Utilities	231.6	231.7	230.8	214.4
UNITED STATES				
Total industrial production	169.4	168.9	167.4	161.2
Manufacturing	170.7	170.4	168.9	162.7
Durable	172.8	172.8	171.5	167.2
Nondurable	168.2	167.4	165.6	157.1
Mining	126.9	127.7	126.4	121.6
Utilities	211.0	209.5	207.3	196.7

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

BUILDING PERMITS

Area	NUMBER January 1969	VALUATION (Dollar amounts in thousands) January 1969	Percent change January 1969 from December 1968	January 1968
ARIZONA				
Tucson	458	$ 1,412	—49	—17
LOUISIANA				
Monroe-West Monroe	77	1,008	17	—44
Shreveport	412	2,430	—21	43
TEXAS				
Abilene	32	274	32	—43
Amarillo	152	2,491	48	31
Austin	376	10,138	53	36
Beaumont	96	1,061	34	—23
Brownsville	56	2,973	1,702	1,022
Corpus Christi	322	1,479	—56	—79
Dallas	1,818	27,906	—10	77
Denison	32	452	253	408
El Paso	401	5,889	53	—40
Fort Worth	464	12,682	126	257
Galveston	80	387	—48	—12
Houston	2,052	41,439	60	14
Laredo	34	278	—47	170
Lubbock	122	1,648	—79	—33
Midland	74	456	—68	—33
Odessa	44	368	—52	—33
Port Arthur	44	377	—34	83
San Angelo	43	419	—78	—7
San Antonio	893	10,229	144	—42
Sherman	49	321	—47	98
Texarkana	21	116	—52	—67
Waco	206	1,196	—14	—44
Wichita Falls	70	2,083	135	280
Total—26 cities	8,428	$129,512	21	12

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS Total	Reserve city banks	Country banks	TIME DEPOSITS Total	Reserve city banks	Country banks
1967: January	9,352	4,226	5,126	5,934	2,645	3,289
1968: January	9,923	4,560	5,363	6,698	2,815	3,883
August	9,732	4,523	5,209	7,208	3,049	4,159
September	10,066	4,722	5,344	7,255	3,058	4,197
October	10,201	4,751	5,450	7,394	3,116	4,278
November	10,365	4,776	5,589	7,498	3,145	4,353
December	10,682	5,007	5,675	7,598	3,185	4,413
1969: January	10,752	4,935	5,817	7,627	3,135	4,492

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Feb. 5, 1969	4 weeks ended Jan. 1, 1969	5 weeks ended Feb. 7, 1968
RESERVE CITY BANKS			
Total reserves held	769,728	753,327	704,367
With Federal Reserve Bank	712,600	695,595	653,520
Currency and coin	57,128	57,732	50,847
Required reserves	755,492	774,782	700,998
Excess reserves	14,236	—21,455	3,369
Borrowings	29,292	13,571	3,138
Free reserves	—15,056	—35,026	231
COUNTRY BANKS			
Total reserves held	775,262	757,656	706,351
With Federal Reserve Bank	589,814	575,353	536,640
Currency and coin	185,448	182,303	169,711
Required reserves	747,418	731,141	666,676
Excess reserves	27,844	26,515	39,675
Borrowings	9,046	6,475	4,165
Free reserves	18,798	20,040	35,510
ALL MEMBER BANKS			
Total reserves held	1,544,990	1,510,983	1,410,718
With Federal Reserve Bank	1,302,414	1,270,948	1,190,160
Currency and coin	242,576	240 035	220,558
Required reserves	1,502,910	1,505,923	1,367,674
Excess reserves	42,080	5,060	43,044
Borrowings	38,338	20,046	7,303
Free reserves	3,742	—14,986	35,741

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons January 1969p	December 1968	January 1968r	Percent change Jan. 1969 from Dec. 1968	Jan. 1968
Total nonagricultural wage and salary workers	6,003,600	6,132,100	5,697,900	—2.1	5.4
Manufacturing	1,103,700	1,130,000	1,066,400	—2.3	3.5
Nonmanufacturing	4,899,900	5,002,100	4,631,500	—2.1	5.8
Mining	230,600	232,100	214,700	—.7	7.4
Construction	390,000	398,200	337,900	—2.1	15.4
Transportation and public utilities	441,900	455,400	426,600	—3.0	3.6
Trade	1,361,100	1,438,900	1,297,000	—5.4	4.9
Finance	293,400	294,000	280,800	—.2	4.5
Service	921,600	928,300	871,400	—.7	5.8
Government	1,261,300	1,255,200	1,203,100	.5	4.8

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

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	1968	1967	Percent increase
Arizona	$ 555,234	$ 527,519	5
Louisiana	632,295	594,074	6
New Mexico	338,633	317,419	7
Oklahoma	843,120	806,722	5
Texas	2,706,975	2,521,983	7
Total	$ 5,076,257	$ 4,767,717	6
United States	$44,065,213	$42,788,231	3

SOURCE: U.S. Department of Agriculture.

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	January 1969	December 1968	November 1968	January 1968
FIVE SOUTHWESTERN STATES[1]	588	648	507	452r
Residential building	237	180	224	200r
Nonresidential building	164	260	179	177
Nonbuilding construction	187	208	103	77
UNITED STATES	4,766	4,542	4,863	3,714
Residential building	1,746	1,742	2,043	1,462
Nonresidential building	2,145	1,849	1,992	1,347
Nonbuilding construction	875	951	828	906r

[1] Arizona, 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.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

Species	Texas		Five southwestern states[1]		United States	
	1969	1968	1969	1968	1969	1968
Cattle	11,521	10,972	20,454	19,697	109,661	109,152
Milk cattle	557	588	1,256	1,315	21,610	22,251
Beef cattle	10,964	10,384	19,198	18,382	88,051	86,901
Sheep	3,949	4,228	5,451	5,757	21,111	22,140
Stock sheep	3,707	3,986	5,069	5,367	18,184	19,105
Feeders	242	242	382	390	2,927	3,035
Hogs	943	934	1,624	1,644	57,205	55,265
Chickens[2]	17,445	19,298	28,259	29,909	420,204	425,158
Turkeys	793	744	844	825	6,919	7,301

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] Does not include commercial broilers.
[3] Excludes New Mexico, which was combined with Florida, 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 1969	December 1968	January 1968	Percent change from December 1968	Percent change from January 1968
FOUR SOUTHWESTERN STATES	6,206.9	6,124.3	6,292.2	1.3	—1.4
Louisiana	2,181.2	2,171.4	2,183.9	.5	—.1
New Mexico	356.0	351.6	347.9	1.3	2.3
Oklahoma	612.4	615.1	604.5	—.4	1.3
Texas	3,057.3	2,986.2	3,155.9	2.4	—3.1
Gulf Coast	601.0	590.9	623.1	1.7	—3.6
West Texas	1,441.8	1,402.0	1,474.9	2.8	—2.3
East Texas (proper)	138.6	137.4	149.3	.9	—7.2
Panhandle	90.8	86.8	93.8	4.6	—3.2
Rest of State	785.1	769.1	814.8	2.1	—3.7
UNITED STATES	9,030.3	8,968.6	9,021.2	.7	.1

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