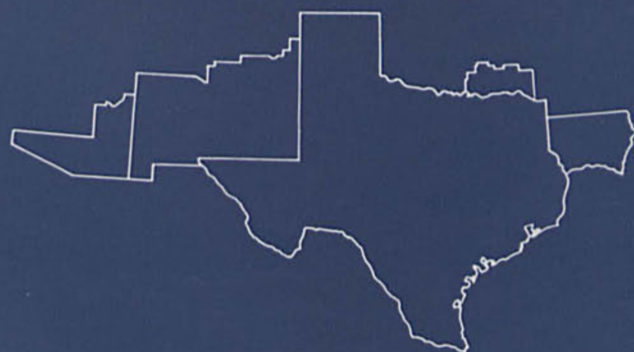
business review



january 1970

FEDERAL RESERVE
BANK OF DALLAS

Annual Report Issue

contents

The 1969 economy — waiting for a slowdown

The 1969 economy—waiting for a slowdown

The American economy continued to grow in 1969, but rising prices accounted for most of the increase. With undampened expectations influencing the performance of important sectors, industrial production reached new heights, labor markets remained fairly tight, and personal income advanced at a near-record pace. These developments—normally evidence of economic health—would ordinarily have been welcomed as signs of continued improvement in the standard of American life. But behind this facade of growth, imbalances and strains were developing, especially in financial areas, where a heavy demand for funds and a substantial lessening in the growth of bank credit pushed interest rates to record heights.

The rapidity of the expansion—plus the driving force of capital spending, which pushed toward further expansion — created an economic environment that was basically unhealthy. With the economy already strained to capacity, strong aggregate demand, buoyed particularly by business investment, kept persistent upward pressure on prices. Average prices rose faster than in any other year since the early 1950's.

Fiscal and monetary steps were taken to slow the expansion and thereby reduce inflationary pressures while preserving the basic strength of a growing economy. As a result of spending and taxing decisions, the Federal budget moved from a deficit to a surplus. Government spending was cut back in many areas, especially in defense and federally assisted construction projects.

To reduce private spending and increase Government revenue, the 10-percent tax surcharge on personal and corporate incomes, first passed in mid-1968, was extended through 1969. Advocates of the surtax had thought it would help immediately in curbing aggregate demand, but consumer spending did not slow until late spring and, despite the weakness in consumer spending in the second half of the year, businesses pushed ahead with their expansion plans. The Federal Government persisted with its restrictive fiscal policy in the second half of the year, asking Congress for an extension of the surtax through mid-1970 and continuing its efforts to repeal the 7-percent investment tax credit.

Monetary policy — aimed, like fiscal policy, at slowing expansion by reducing demand — restrained supplies of credit and made business and consumer purchases more costly to finance. Partly reflecting the intensification of monetary pressures, most monetary aggregates recorded slow or even negative rates of growth in the second and third quarters, particularly in the third, and interest rates rose sharply.

Beginning in the second half, there were indications that, under fiscal and monetary restraints, the expansion had started to slow. But the slowdown was still not enough — nor did it last long enough — to appreciably reduce inflationary pressure on the economy. Industrial production eased downward after hitting a peak in July, and the unemployment rate moved irregularly on an upward trend. The rate of growth of personal income eased in the last four months of the year, and retail sales indicated a weakening consumer demand.

These changes in the second half were not strong enough, however, to reverse the basic conclusion that, overall, 1969 was a record year. The economy continued to produce a largely inflated gross national product despite some signs of cooling. But the policies pursued in 1969 are generally expected to continue their impact on the economy in 1970, causing the rate of expansion to ease further and eventually slowing the rate of price increase.

Economic developments

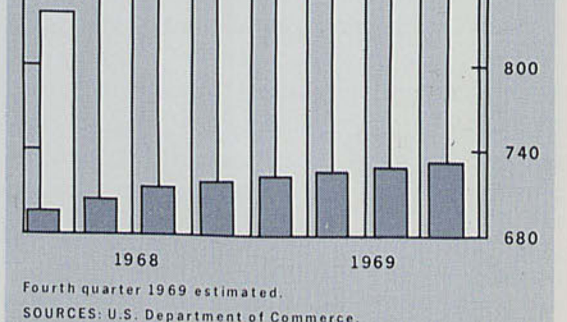
Gross national product increased rapidly in 1969, registering advances every quarter. There was a decline, however, in the amount of increase that could be attributed to gains in real output and a rapid rise in the amount resulting from higher prices. Based on current prices, GNP rose slightly more than $16 billion in both of the first two quarters and $18 billion in the third quarter. The rate of expansion of total output eased in the fourth quarter, and the gross product for the year increased 7.8 percent, compared with 9.1 percent in 1968. But nearly 70 percent of the gain in current-dollar GNP can be attributed to price increases. Adjusted for the rise in prices, GNP advanced 2.9 percent, compared with 4.9 percent in 1968.

All major categories of spending contributed to the gain in national product, but the rate of gain varied among the components of GNP, with gross private domestic investment rising at the fastest rate. Net exports were less than in 1968, as exports in the first and second quarters were reduced by a dock strike that tied up shipping from December 1968 through April 1969. Final sales increased slower in 1969, even though private sales continued to make strong gains. Most of the weakness in final sales can be traced to government spending, which (except for the Federal pay raise July 1) was curtailed sharply in the last three quarters of the year. Also, inventory accumulation accounted for a larger proportion of the gain in GNP than in 1968.

Rising 7.3 percent last year, expenditures on personal consumption increased slower than GNP. While stronger than expected early in the year, personal spending slowed considerably in the third quarter and maintained a relatively small rate of advancement in the fourth quarter. Consumers were able to maintain a high level of consumption in the first half as personal income rose and a smaller proportion of disposable income was saved. The increase in personal income last year, while not as fast as in 1968, was more pronounced in the first half. By contrast, the proportion of personal income saved in the first half of the year was sharply lower than in the second half of 1968, falling from an average of 6.5 percent in the second half of 1968 to 5.3 percent in the first half of 1969.

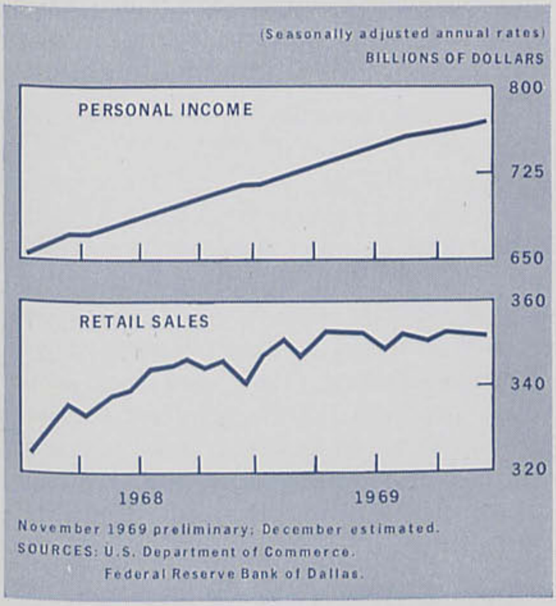
The impact of the surtax apparently began to fall heavier on consumer spending in the second half. Personal consumption expenditures advanced at an annual rate of only 5 percent in the third quarter and only slightly faster in the fourth quarter. The increase in personal income also slowed, especially in the fourth quarter, and the proportion of personal income saved rose, reaching 6.7 percent of disposable income in the third quarter. The slowdown in consumer spending in the second half was particularly evident in expenditures for durable goods.

GROSS NATIONAL PRODUCT



Fourth quarter 1969 estimated.
SOURCES: U.S. Department of Commerce.
Federal Reserve Bank of Dallas.

PERSONAL INCOME AND RETAIL SALES
United States



Although all major categories of spending on personal consumption rose last year, most patterns of spending were different from 1968. Consumer expenditures for durable goods increased only moderately, after showing rapid gains the year before. The slowdown was widespread among sales of most durables, including automobiles. The increase in consumer spending on nondurables also slowed, but not as much as spending on durables. Spending on services was more vigorous last year than spending on goods, as service spending continued its long-term upward trend.

The continuation of investment spending in the face of rapidly rising borrowing costs was a primary factor in sustaining the momentum of the economy. Business fixed investment rose nearly twice as fast as in 1968, making strides that far exceeded the percentage increase in GNP. Decisions to invest were, of course, related primarily to matters of economic efficiency, but they were also influenced by inflationary psychology.

Much of the exuberant strength in business fixed investment was in expenditures for new plant and equipment. Business spent about $71.2 billion on new plant and equipment last year. That represented a gain of 11.2 percent over spending the previous year, and the rate of increase was more than twice the rate in 1968.

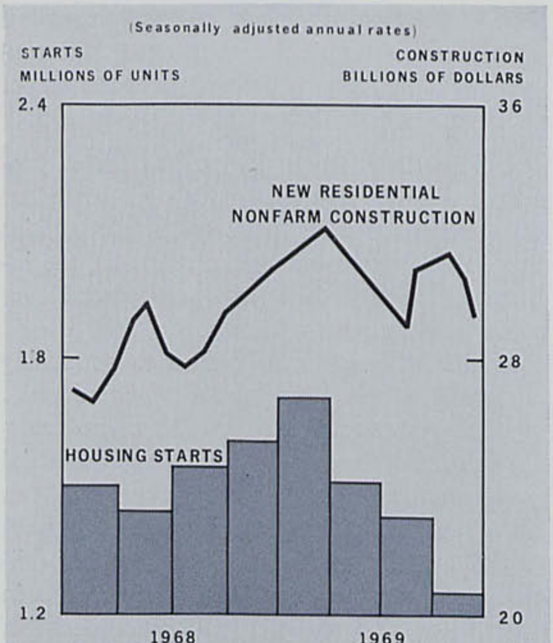
Unlike 1968, when significantly larger proportions of the additional outlays for new plant and equipment were made by public utilities and transportation other than railroads, the increases in outlays last year were spread over many industry groups. Manufacturing registered a significant gain, with industries producing durable goods investing faster than industries producing nondurables. Among nonmanufacturing industries, the largest gain of any industrial group was made in communications, with an annual increase of 21.8 percent. Except for public utilities and transportation other than railroads, all industry groups made larger gains in expenditures for new plant and equipment last year than in 1968.

The rate of increase in spending on plant and equipment weakened in the fourth quarter, although total outlays continued to rise. In some industries — particularly durable manufacturing and total nonmanufacturing — such spending declined slightly. Despite the slowing in the advance of capital spending in the fourth quarter, businessmen expect outlays on fixed investment to continue upward in the first half of 1970 to a level 11 percent higher than in the first half of 1969 and 6 percent higher than in the second half. Most of the increase will probably be in spending on plant and equipment for such nonmanufacturing industries as utilities, communications, and mining. Manufacturers expect to increase their outlays about 3 percent.

The high rate of inventory accumulation was also a stimulant to the economy in 1969, though generally a moderate one. While the rate of accumulation probably leveled off in the fourth quarter, inventories were built up in the first

PRIVATE RESIDENTIAL CONSTRUCTION AND HOUSING STARTS

United States



October 1969 preliminary; November, December, and fourth quarter estimated.
SOURCES: U.S. Department of Commerce.
Federal Reserve Bank of Dallas.

three quarters at annual rates that rose from \$6.6 billion in the first to \$10.7 billion in the third. The rate of buildup was particularly stimulative in the third quarter, when inventory accumulation accounted for more than a fifth of the increase in current-dollar GNP.

One component of gross private domestic investment did weaken last year. Outlays for residential construction slowed considerably in response to tighter monetary policy and the reduced availability of mortgage funds. On a year-to-year basis, spending on residential construction increased, advancing about 7 percent over 1968. But this gain was very small compared with the 21-percent gain registered in 1968. Under the restraints of higher construction costs, rising mortgage rates, and reduced availability of funds, private housing starts declined sharply, falling from an annual rate of 1.9 million units in January to 1.3 million units in November. The weakness in housing affected both single-family and multifamily starts.

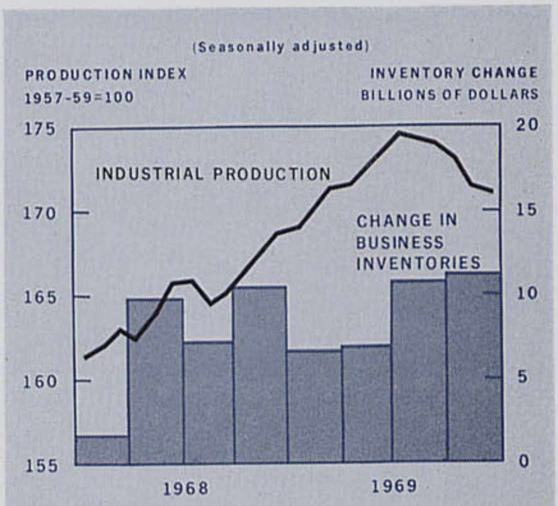
Government spending increased only a little over 7 percent last year, which was well below the gain posted for 1968. The slower rate of increase resulted directly from the Administration's efforts to ease inflationary pressures by cutting back on Federal outlays. In contrast to other recent years, when increased public spending was attributed to all components of government — Federal, state, and local — the largest proportion of the gain last year was made by state and local governments. But the high cost of borrowing, along with the ceiling on rates many municipalities could pay, apparently dampened the flow of funds to state and local governments to slow the increase in their spending in the second half. In Federal purchases, the increase in defense spending dropped from nearly 8 percent in 1968 to less than 2 percent in 1969. There was less weakness in other areas of Federal spending, but they, too, advanced much slower than in previous years.

Net exports continued to deteriorate, following the pattern set the year before. Some of the weakness in the first half can be attributed to the dock strike, which affected exports more than imports. The merchandise export surplus improved significantly in the third quarter, however — partly because of the backlog of shipments built up during the strike. On a balance-of-payments basis, the surplus rose in the third quarter at an annual rate of \$1.3 billion. This gain, which followed a small deficit in the first half, was the largest surplus in nearly two years.

Although the demand placed on resources continued to increase sharply over the previous year, a slowing in the rate of increase in most sectors in the second half of 1969 eased the pressure on some primary resources, especially employment and industrial production. Industrial production averaged almost 4.2 percent higher than in 1968 — a gain slightly less than in 1968. All the increase came in the first seven months, however, as production increased from 168.7 percent of its 1957-59 base in December 1968 to 174.6 percent in July — an annual gain of 7 percent. The upward trend in the index of industrial production was reversed in August, and output declined for the rest of the year.

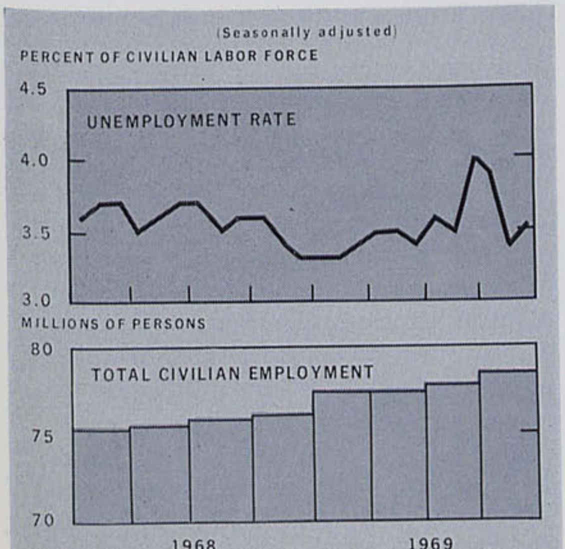
Production gains in the first half were led by advances in the output of business equipment, industrial materials, and some consumer goods — particularly autos, auto parts, and allied products. Weakness in the second half was concentrated in industries producing such finished goods as autos, apparel, and furniture and such materials as textiles, paper, rubber, chemicals, and building supplies. With auto sales failing to show the buoyancy expected at midyear, auto assemblies were readjusted sharply downward in the last months of the year.

PRODUCTION AND INVENTORIES
United States



November 1969 preliminary; December and fourth quarter estimated.
SOURCES: Board of Governors, Federal Reserve System.
U.S. Department of Commerce.
Federal Reserve Bank of Dallas.

EMPLOYMENT TRENDS
United States



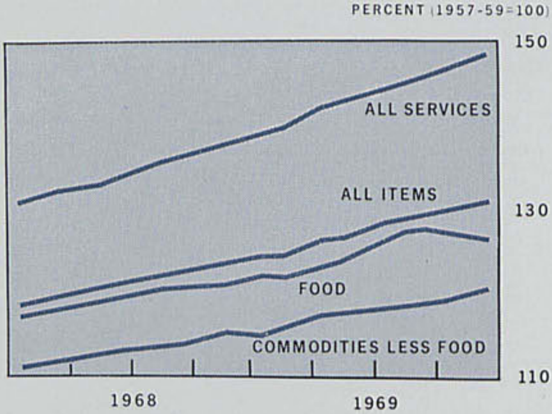
November 1969 preliminary; December estimated.
SOURCES: U.S. Department of Labor.
Federal Reserve Bank of Dallas.

Employment followed much the same pattern as production. Conditions were firm in labor markets in the first half of 1969, with employment levels moving upward and the unemployment rate holding between 3.3 and 3.5 percent of the labor force. The market was even tighter for married men and experienced workers. But there were signs of easing in the demand for labor after midyear, particularly in manufacturing. Although total employment continued to increase, employment in some industries eased and the unemployment rate for all workers moved up around the 4-percent level before declining again in November. The reduced pressure on labor markets was also reflected in fourth-quarter declines in both the average workweek for factory workers and the overtime hours worked.

Despite fiscal and monetary restraints and their impact on the real-goods economy, prices continued to advance throughout the year.

CONSUMER PRICES

United States



November and December 1969 estimated.
SOURCES: U.S. Department of Labor.
Federal Reserve Bank of Dallas.

Wholesale prices averaged 3.9 percent higher, compared with a gain of 2.5 percent in 1968. The fastest advance was made in the first half, when wholesale prices rose at an annual rate of 4.9 percent. In the second half, the rate slowed to 3.7 percent. Wholesale prices for industrial products trended upward throughout the year, and prices for farm products remained unseasonally high in the second half of the year, after showing unusual strength in the first half.

Consumer prices advanced even faster, rising about 5.4 percent compared with 4.2 percent in 1968. The increase was the largest since 1951, when the Korean war provoked a sharp speculative rise in prices. Services continued to pace the advance of consumer prices last year, but food prices also rose sharply, particularly in the first half, and did not show as much weakness as usual in the second half.

Financial developments

Major developments in the nation's financial markets last year were shaped by sustained monetary restraint, heavy demand for funds (especially from corporate borrowers), a diminished flow of funds into financial institutions, and a substantial reduction in the growth of bank credit. As a result, interest rates in money and capital markets advanced to record heights. In international finance, the dominant developments were parity adjustments in the French franc and German mark, a sharp decline in the free-market price of gold, the adoption of a new international reserve asset, and a material weakening in the U.S. balance-of-payments position.

Bank reserves were under pressure as the Federal Reserve increased monetary restraint to control the inflationary boom. Bank deposits declined, with the heaviest losses coming in the third quarter. Reflecting these trends and the intense competition for funds, banks began to rely heavily on sources of funds other than deposits to meet the demand for loans. Eurodollar borrowing by American banks rose sharply most of the year, and affiliates of banks increased their sales of commercial paper in the open market. Although banks were able to offset a large part of the decline in total deposits by tapping these nondeposit sources of funds, it was still necessary for banks to liquidate large amounts of U.S. Government and other securities and sell loans to investors. In reaction to these adjustments and the increase in direct borrowing in the market, most interest rates rose to new highs.

All three of the Federal Reserve's tools of general monetary control were applied in an effort to reduce inflationary pressures and moderate the demand for credit. Through its open market operations, the Federal Reserve absorbed a substantial volume of available reserves, particularly in the third quarter, forcing a moderate decline in both total reserves and nonborrowed reserves. Total reserves available to the banking system declined an estimated 1.2 percent in 1969, while nonborrowed reserves fell 3.7 percent. Excess reserves held by member banks declined about 50 percent. As a result, the net borrowed reserve position of member banks continued to deepen through May, averaging close to $1 billion for the rest of the year.

In another move against inflation, the Board of Governors raised reserve requirements on demand deposits half a percentage point at both reserve city and country banks. This change, made in April, boosted required reserves an estimated $650 million. The discount rate Federal Reserve banks charge on loans to member banks was also increased in April. This increase, from 5.5 percent to 6 percent, brought the discount rate to the highest level since 1929.

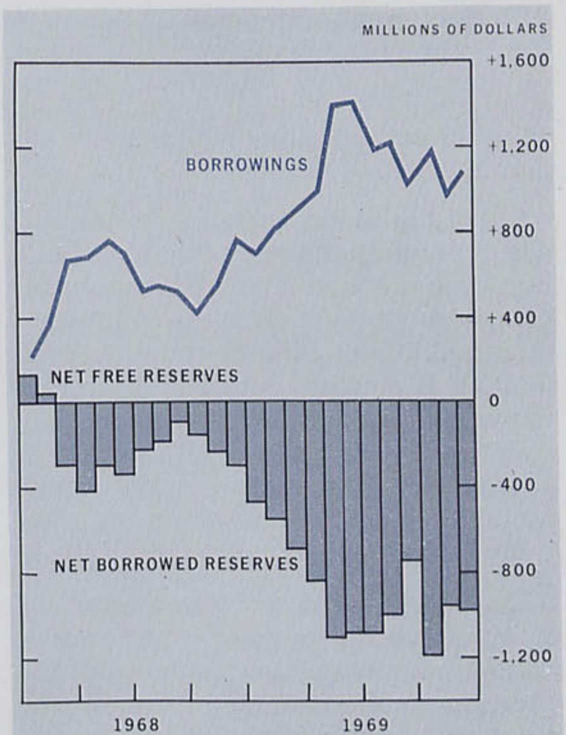
Pressures on reserves applied through general monetary controls — open market operations, reserve requirement changes, and changes in the discount rate — were further augmented by a heavy runoff in time deposits. Despite rapid increases in market yields on competing investments, no changes were made in Regulation Q, the Federal Reserve regulation setting the maximum rates banks can pay on time and savings deposits. As a consequence, these deposits declined sharply — especially large negotiable certificates of deposit, which are highly sensitive to shifts in interest rates.

To help offset their losses in time deposits, large banks increased their borrowings in the Eurodollar market and, through bank holding companies and other affiliates, stepped up their sales of commercial paper in the open market. The Board of Governors responded by amending its regulations governing the reserve requirements and foreign activities of member banks. Effective July 31, member banks were required to include in their demand deposits subject to reserves "bills payable checks" and "London drafts" issued in settling transactions with foreign branches.

A further step in limiting Eurodollar borrowings was taken in August, when the Board of Governors imposed 10-percent marginal reserve requirements on member bank borrowings from their own foreign branches or from other banks abroad. Sales of assets by member banks to their foreign branches were also brought under the 10-percent marginal reserve requirement, as was credit extended by the branches to residents of the United States.

Restraints on the further issuance of commercial paper by bank subsidiaries were also proposed in late October. The Board of Governors held that commercial paper issued by bank subsidiaries was subject to reserve requirements and interest rate limitations as if it were issued directly by the parent bank. Subsequently, however, the Board extended until January 15, 1970, the time in which banks were to comply with this new requirement, provided the amount of commercial paper issued by a bank subsidiary

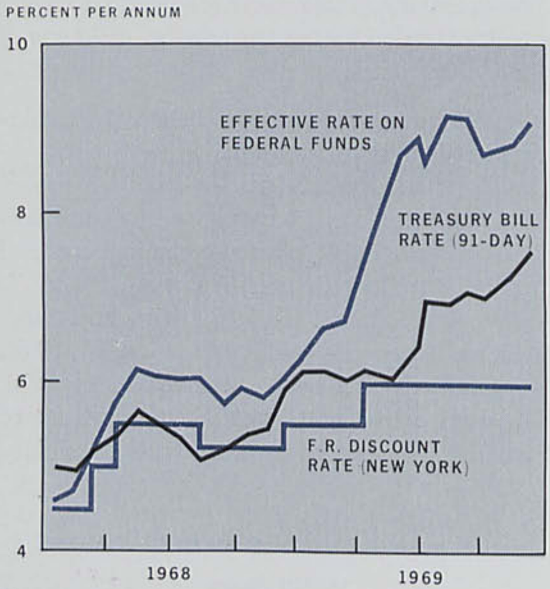
RESERVE POSITION OF MEMBER BANKS
United States



November 1969 preliminary; December estimated.
SOURCES: Board of Governors, Federal Reserve System.
Federal Reserve Bank of Dallas.

SHORT-TERM INTEREST RATES

United States



December 1969 estimated.
SOURCES: Board of Governors, Federal Reserve System.
Federal Reserve Bank of Dallas.

did not exceed the amount outstanding on October 29, 1969.

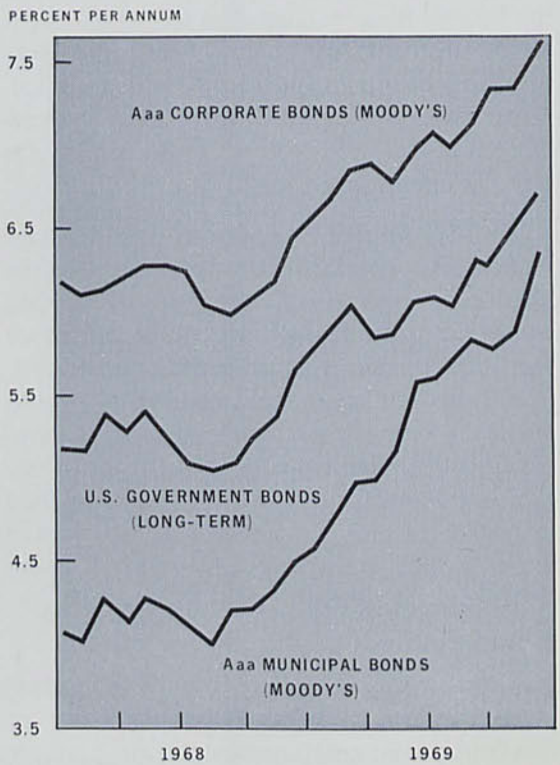
Responding to the conflicting pressures of monetary restraint and heavy demand for funds, interest rates in the money market rose to record levels, with only brief deviations from the upward trend. The effective rate on Federal funds — which is especially sensitive to monetary pressures — advanced steadily through early June, then dipped slightly in July. Beginning in August, however, the funds rate rose above 9 percent, on a monthly average basis, and tended to remain near that level for the rest of the year.

Treasury bill rates showed more erratic movements, but later in the year they, too, rose to record levels, with the rate on three-month bills moving up close to 8 percent. After sharp increases in the first quarter, yields on Treasury bills eased a few basis points in April and May, largely because of strengthening in investment demand as funds were shifted out of large negotiable CD's into bills but also because of uncertainties about future rates and stock prices. Spurred primarily by banks' liquidating their holdings of Treasury bills, the rate rose again in June and July, reaching new record levels. Bill rates surged upward again late in the fourth quarter, reflecting market congestion stemming from a large volume of borrowings by corporations, Federal agencies, and the Treasury, coupled with heavy sales of Treasury bills by the German central bank.

With the availability of loanable funds sharply reduced and the cost of funds rising, banks reacted to the persistent demand for loans by increasing the prime loan rate. This rate — the

LONG-TERM INTEREST RATES

United States



December 1969 estimated.
SOURCES: Board of Governors, Federal Reserve System.
Federal Reserve Bank of Dallas.

rate banks charge their most creditworthy borrowers for short-term loans — was increased three times: to 7 percent in January, 7.5 percent in March, and 8.5 percent in June.

Interest rates also rose in the capital market, largely as a result of the limited availability of funds to institutional investors and expectations of higher rates in the future. Most long-term rates rose sharply in the first quarter, with gains ranging from 40 to 50 basis points, and then eased slightly in April and May. In the third quarter, however, rates surged again as banks continued to sell municipals and other issues in the face of continuing demand for funds. Rates advanced 20 to 30 basis points above their June levels.

Following a brief rally in the bond market in October, yields in the capital market rose to record highs in response to market congestion and a pessimistic outlook for the economy resulting in part from the growing belief that the effectiveness of fiscal restraint might be waning. By year-end, new high-grade corporate issues were offered at more than 8 percent, with some selling at more than 9 percent, while seasoned Aaa municipal issues were well above 6 percent.

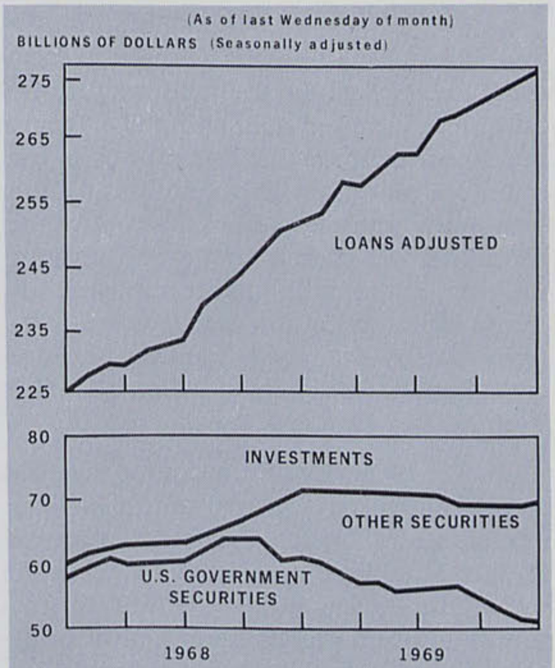
Growth of bank credit slowed drastically after the rapid pace set in 1968. Total bank credit increased an estimated 1 percent in 1969, compared with 11 percent in 1968. Bank credit advanced in the first half at an annual rate of 3.0 percent, which was less than half as fast as in the same period a year earlier, and actually declined in the third quarter as monetary pressure on bank reserve positions mounted and banks liquidated investments faster than they could increase loans.

Loan demand was strong, with total loans increasing early in the first half at an annual rate of 9 percent, compared with 7.2 percent in the first half of 1968. But as the sharply reduced availability of bank reserves began to be felt in the second half, the increase slowed to an estimated annual rate of 4 percent, compared with 15.5 percent in the second half of 1968. Business loans, which rose at an annual rate of 14 percent in the first half and an estimated 5 percent in the second half, accounted for most of the difference. Several factors were reflected in the slower growth of business loans: the restrictive monetary policy, bank sales of commercial loans to secure additional funds (which removed these loans from bank balance sheets), and heavier corporate borrowing from the commercial paper market.

Other types of loans also made strong gains in the first half and showed marked slowing in the second. Real estate loans increased particularly fast in the first half, rising $3.4 billion, but this robust growth diminished rapidly in the second half as high interest rates and the reduced

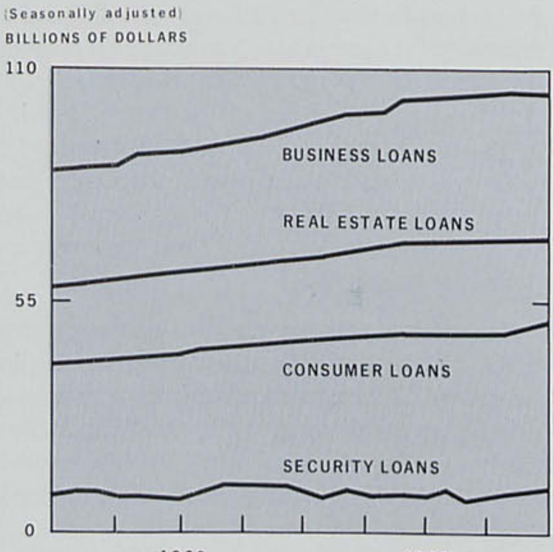
COMMERCIAL BANK LOANS AND INVESTMENTS

United States



November and December 1969 estimated.
SOURCES: Board of Governors, Federal Reserve System.
Federal Reserve Bank of Dallas.

SELECTED COMMERCIAL BANK LOANS
United States



November and December 1969 estimated.
SOURCES: Board of Governors, Federal Reserve System. Federal Reserve Bank of Dallas.

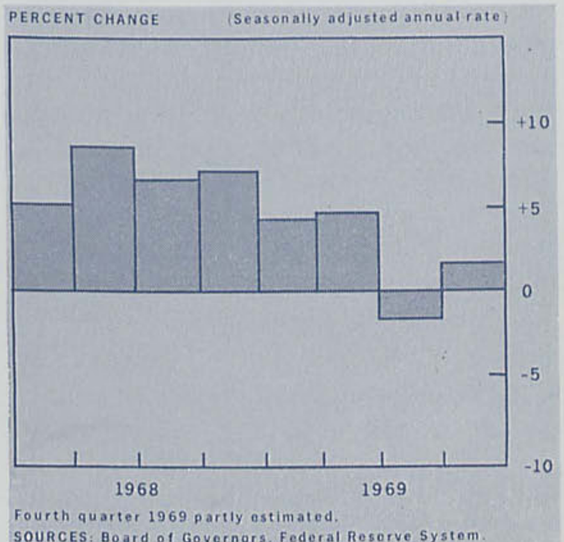
availability of mortgage funds together dampened construction. In the third quarter, real estate loans increased at less than half the annual rate recorded for the first half. Growth in consumer loans at banks also slowed as the year progressed, with the gain in the final quarter about half the advance of a year earlier. As weakness in the stock market combined with record interest rates to reduce the demand for funds to carry both equity and debt issues, security loans declined from their December 1968 level.

Total investments at the nation's commercial banks were sharply reduced in 1969. Where investments had increased almost 10 percent in 1968, they declined an estimated 9 percent in 1969. The decline varied considerably from quarter to quarter as the impact of monetary policy became more intense and deposit inflows fluctuated, but the trend was always downward. Most of the attrition in bank-held securities was in holdings of U.S. Government issues, which declined an estimated $10 billion. Holdings of other securities, mostly municipals, dropped only about $2 billion.

Bank liquidity, as measured by the loan-to-deposit ratio, fell substantially in 1969, reinforcing the trend established in 1968. Reflecting the rise in deposit runoff, the ratio surged to 73.3 percent at the end of the third quarter. Although the loan-to-deposit ratio eased slightly toward year-end — as deposit inflows increased faster than bank loans — it was still considerably above the 64.7 percent recorded for December 1968. Bank liquidity had deteriorated far less in 1968, when the loan-to-deposit ratio rose from 63.8 percent at the beginning of the year.

After very rapid growth in 1967 and 1968, the money supply — conventionally defined as demand deposits adjusted plus currency in the hands of the public — rose far slower in 1969, advancing an estimated $5 billion, or 2 percent. This gain was less than half the gain a year earlier. Since currency in the hands of the public

MONEY SUPPLY
United States



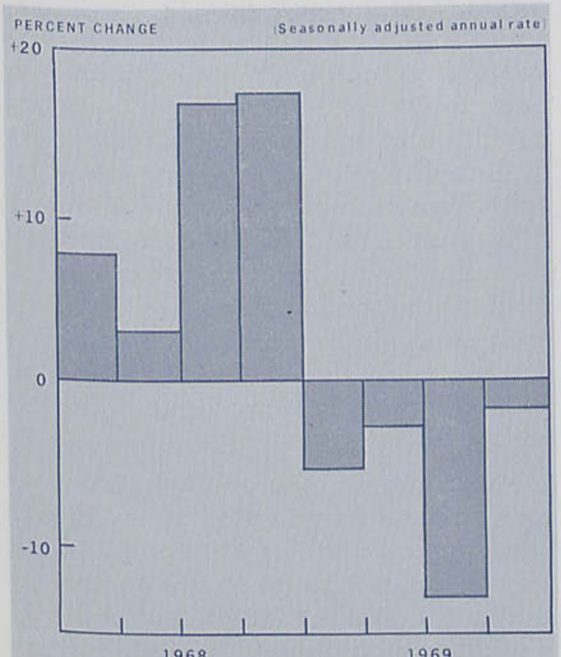
Fourth quarter 1969 partly estimated.
SOURCES: Board of Governors, Federal Reserve System. Federal Reserve Bank of Dallas.

increased only slightly slower than in 1968, rising an estimated $2.5 billion, most of the slowdown in growth of the money supply resulted from the slower growth in demand deposits. Where demand deposits increased $10.1 billion in 1968, they increased only about $2.5 billion in 1969.

Total time and savings deposits actually declined, falling an estimated $11 billion, or 5.5 percent. This was in sharp contrast to the gain of $21.2 billion made in 1968. Virtually all the decline resulted from the runoff in large negotiable CD's (those issued for $100,000 or more). While the attrition was fairly even through the first three quarters of the year, averaging $3.5 billion to $4 billion a quarter, the rate of decline slowed markedly in the fourth quarter. A large portion of the highly interest-

COMMERCIAL BANK TIME DEPOSITS ADJUSTED

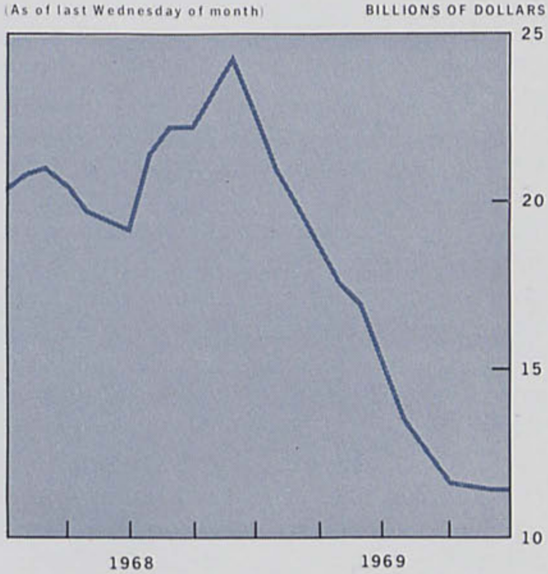
United States



Fourth quarter 1969 partly estimated.
SOURCES: Board of Governors, Federal Reserve System.
Federal Reserve Bank of Dallas.

LARGE CERTIFICATES OF DEPOSIT* AT WEEKLY REPORTING COMMERCIAL BANKS

United States



*Negotiable certificates of deposit issued in denominations of $100,000 or more.
December 1969 estimated.
SOURCES: Board of Governors, Federal Reserve System.
Federal Reserve Bank of Dallas.

sensitive CD's ran off early in the year. By the fourth quarter, the outflow began to slow as New York City banks began selling large CD's to foreign official institutions. These sales, made largely in response to new regulatory limitations on Eurodollar borrowings, were possible because issuances of CD's to foreign official institutions were not subject to Regulation Q.

Where liquid assets held by the public increased substantially in 1967 and 1968, the gains in 1969 were only marginal. Holdings of short-term marketable Government securities increased much faster than in 1968, but more attractive money and capital market rates cut into the flow of funds to financial intermediaries. Not only did time deposits at commercial banks decline, but share accounts at savings and loan associations increased only $4 billion, compared with more than $7 billion in 1968, and deposits at mutual savings banks rose only $2 billion, less than half the 1968 increase. Holdings of U.S. savings bonds declined slightly.

Although credit costs were high and rising, net corporate long-term borrowing continued to increase, reaching an estimated $27 billion in 1969 — a gain of about $2 billion over the record 1967 volume. Several factors contributed to the heavy volume of new corporate offerings: the wide gap between capital expenditures and internally generated funds, the possibility of changes in the investment tax credit, and expectations — despite restrictive stabilization measures — of further inflation and still higher interest rates. In the first half, emphasis was on stock issues as a means of raising new capital, but as the market for equity issues weakened in the second half, there was a shift to fixed-income securities. Even so, corporate stocks outstanding increased an estimated $7 billion, compared with $4.6 billion in 1968.

About three-fourths of the new corporate securities represented debt financing. Publicly offered bonds increased faster than privately offered issues. Public offerings increased an estimated $13 billion, or about $2 billion more than in 1968, while private placements rose only slightly faster.

State and local governments broke their pace of borrowing in the capital market. Reflecting the pressure of record-high interest rates, which often exceeded the legal ceilings on tax-exempt issues, new municipal offerings totaled an estimated $12 billion, or about 25 percent less than the record 1968 volume. As in the past, most state and local borrowings were earmarked for public improvements and expansion of school facilities.

Particularly significant for the municipal market were the cutback in demand for these issues by commercial banks, which liquidated large amounts of state and local obligations to provide funds for loans, and congressional debate earlier in the year on a proposal to tax interest on municipal bonds. These two factors contributed greatly to the increase in municipal rates, particularly in the third quarter. A brief price rally in the municipal market was set off in October, when the Senate Finance Committee finally rejected the proposal to tax interest on municipal bonds; but amid heavy market congestion, municipal rates continued to climb in November and December, together with other capital market rates.

Treasury demands on money and capital markets were considerably less in the first half than in early 1968, but the rate of Treasury cash borrowings accelerated in the second half, bringing borrowings of new money to about $18.5 billion for the year. While this totaled $6.5 billion less than in 1968, approximately $14 billion was raised in the second half of the year.

In addition to raising a substantial volume of new cash in the second half, the Treasury also carried out two major refunding operations. In August, it offered an 18-month (7¾-percent) note to holders of $3.4 billion of maturing notes. Investors exchanged $2.9 billion for the new notes. In October, it refunded $8.9 billion of maturing notes and bonds through the issuance of 20-month (8-percent), 3-year and 8-month (7¾-percent), and 6-year and 11-month (7½-percent) notes. The passage of time more than offset the lengthening effects of these refunding operations, however. As a result, the average maturity of the marketable Federal debt declined slightly from four years in December 1968 to three years and ten months in September 1969.

Federal agencies borrowed heavily in 1969, especially in the second half, applying additional upward pressure on money and capital market rates. Borrowings by the Federal Home Loan Bank and the Federal National Mortgage Association were particularly important. While these agencies were able to curtail their borrowing early in the year by reducing their liquid assets, they borrowed a record total of $4.2 billion in new money in the second and third quarters, paying progressively higher interest rates.

International developments

Last year was a critical period in international finance. Tensions carried over from the previous year grew into crises of major proportions. But to ease the strain, more innovations were made than in the previous two decades, and the year ended on a calm note.

Signs of strain appeared early in the Eurodollar market — the market in dollar deposits outside the United States. As sources of loanable funds in this country contracted under restrictive monetary policy, American banks increased their demand for Eurodollars, raising their borrowings (measured as liabilities to their foreign branches) from $7.5 billion at the start of the year to $14.4 billion in late July. With the increase in borrowings by American banks and the continued strong demand for Eurodollars elsewhere in the world, interest rates on Eurodollar deposits soared to heights at midyear that would have seemed highly improbable a year earlier. To moderate Eurodollar takings by American banks, the Federal Reserve imposed a 10-percent marginal reserve requirement on net liabilities to foreign branches. This requirement, which became effective in September, raised the cost of taking Eurodollars and thereby contributed to a slowing in borrowings by U.S. banks.

In the foreign-exchange market, the position of the French franc weakened. The stability of the franc had been slipping since May 1968, when strikes and student revolts forced sudden increases in wages. As wages increased, higher incomes and production costs forced prices up; and as rising prices and soaring consumption brought ever-larger increases in imports, the French trade balance deteriorated, giving rise to widespread speculation that the franc would be devalued. Capital poured out of the country at accelerating rates — mostly to Germany, on the basis of market expectations that the mark would be revalued. Faced with an outflow of funds they could not stem — even with strict exchange controls — the newly elected French government, in August, quietly devalued the franc more than 11 percent.

Devaluation of the franc did not remove another point of strain that was becoming increasingly apparent. Because the German mark was expected to be revalued once national elections were held in September, it continued to attract speculative flows of funds into Germany, even after devaluation of the franc. When this flow increased before the September 28 election, German authorities first closed the foreign-exchange market briefly and then allowed the value of the mark to float when the market was reopened after the election. In this period, the value of the mark gradually rose by about 7.5 percent, and on October 24, for the second time in the 1960's, the German government formally revalued the mark at a fixed rate, raising its par value 9.3 percent.[1]

From a structural point of view, the major innovation in the world payments system was the agreement in the International Monetary Fund in September to begin the distribution of a new form of international reserve — Special Drawing Rights, or SDR's. On January 1, 1970, the first allocations of SDR's were to be made to member countries for use as reserve assets to help in adjusting their international reserve positions. The IMF agreement provides for the creation of $9.5 billion of SDR's over the next three years. In addition, negotiations that are underway are expected to lead to an agreement in 1970 to increases of some $7 billion in IMF quotas (capital contributions from member countries).

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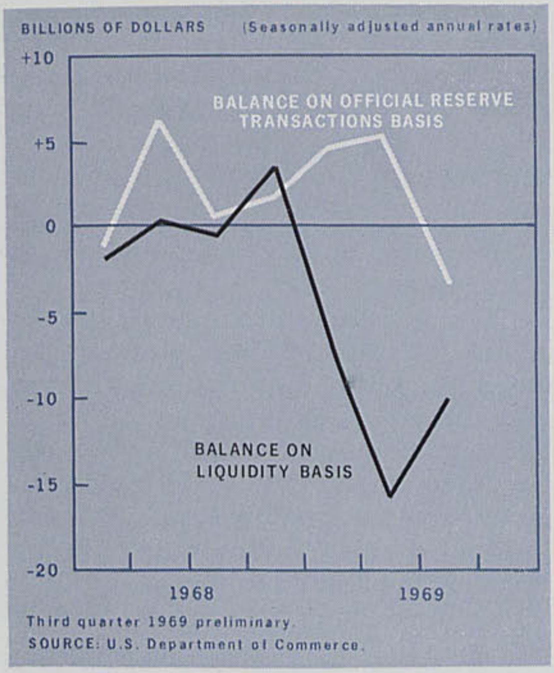
[1] The value of the mark was increased 5 percent in 1961. The only other convertible currency to be revalued in the 1960's was the Dutch guilder, also in 1961.

U.S. BALANCE OF PAYMENTS



Third quarter 1969 preliminary.
SOURCE: U.S. Department of Commerce.

The two-tier system of pricing gold helped relieve speculative pressures on currencies, including the dollar. When adopted in March 1968, the system had been considered a stopgap measure to prevent the spread of speculative crises. The market price of gold rose during periods of financial strain in 1969, but the increases were moderate and price changes in the private market swung generally between \$39 and \$43 an ounce. Then, in October — after the IMF commitment to SDR's, the realignment of French and German parities, and an increase in interest rates to a level that made hoarding too costly for many speculators — conditions in the gold market eased. By early December, the price of gold on the London market had fallen to around the official buying price of \$35 an ounce.

The U.S. balance of payments was adversely affected by a number of developments, worsening sharply, on the liquidity basis, from the small surplus registered in 1968. Factors contributing to the deterioration in the U.S. position included (1) a reversal of "special" financing arrangements with foreign governments, (2) large outflows to the Eurodollar market, (3) much lower foreign inflows into U.S. equity securities and new issues sold abroad to finance direct investments, and (4) larger interest payments on the greatly enlarged borrowing abroad by U.S. banks.

Another factor pressing on the balance of payments was the still-small surplus in the nonmilitary trade balance recorded for the first three quarters of 1969, though the balance improved in the fourth quarter. The trade balance was hard hit by the dock strike. In addition, strong consumer demand continued to attract more merchandise imports.

In contrast to a surplus of \$168 million in 1968, on a liquidity basis, the balance of payments showed a deficit in the first three quarters of about \$8 billion. The annual rate of deficit in the third quarter was less than in the second, however, and a much smaller deficit is expected in the fourth quarter.

The official settlement balance showed a surplus in the first three quarters of about \$1.3 billion, compared with more than \$1.6 billion for all of 1968. This surplus reflected the extraordinary rate at which private foreigners were providing funds to U.S. banks through the Eurodollar market. These borrowings slowed down after July, however, and deficits on this balance emerged again.

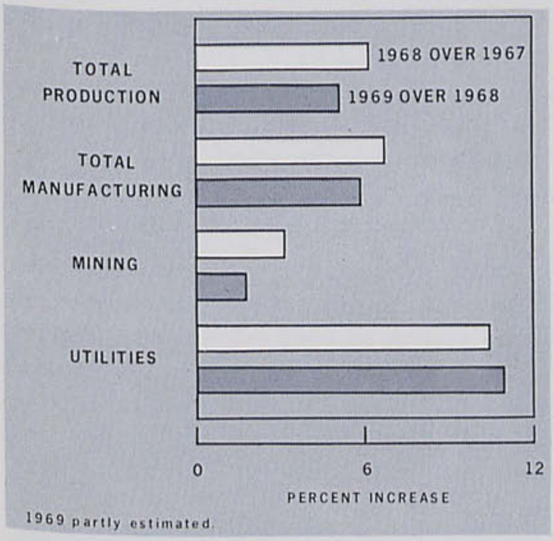
Despite the deterioration in the balance-of-payments position, U.S. reserve assets — the gold stock, convertible foreign currencies, and the U.S. reserve position at the IMF — increased slightly in 1969. Moreover, foreign official holdings of dollars were much less than they were even two years ago.

Regional situation

The five states of the Eleventh Federal Reserve District — Arizona, Louisiana, New Mexico, Oklahoma, and Texas — continued to share in the nation's economic expansion in 1969. Although the percentage increases in some measures of economic activity — industrial production, construction contracts, and retail sales — were smaller than in 1968, the increase in employment was slightly larger and unemployment was low all year.

Texas industrial production increased 5.2 percent last year — a sizable gain and better than the national average but 1 percent less than the increase made in 1968. Where national output peaked at midyear and then eased downward, production in Texas continued to climb. Utilities made the strongest advance, led by electrical utilities. Mining and manufacturing remained strong in 1969 but were up less than in 1968.

INDUSTRIAL PRODUCTION IN TEXAS



Manufacturing output, at an average nearly double the 1957-59 base, was up 5.9 percent in 1969, compared with 6.9 percent in 1968. Production of durable goods increased more than production of nondurables, as has been the pattern of recent years in Texas. Nondurables still account for the largest share of manufacturing in Texas, despite the growth in durable goods. The production of all durable goods increased, but the strongest gains were made in fabricated metal products and machinery. Production of nondurable goods also increased overall, but the gains were uneven. The strongest advances were made in apparel and paper products. Textile mill production declined.

Mining, up 1.8 percent compared with 3.2 percent in 1968, averaged about 26 percent higher than the 1957-59 base. Growth in mining was held back by sluggishness in crude petroleum production. Production of crude petroleum exceeded year-earlier levels in the last half of 1969 but did not match the 1968 output in the first half. Although much slower than the growth in manufacturing, the advance in mining was a healthy continuation of the recent trend in Texas.

To hold crude petroleum production in line with demand, Texas oil allowables were changed considerably during the year. The lowest allowable was in February — 42.8 percent of the maximum efficient rate of production. In June, the allowable was raised to an all-time high of 63.5 percent. In New Mexico, allowables for both the southeastern and northwestern parts of the state were increased to all-time highs in November and December.[2]

The total value of construction contracts in both District states and the United States increased less than in 1968. The weakness in the District was more pronounced, however, as construction contracts were up only about 2 percent, compared with more than 15 percent in 1968. Since construction costs continued to spiral upward in 1969, this small increase in the dollar value of construction contracts probably meant that less physical construction was initiated than in 1968.

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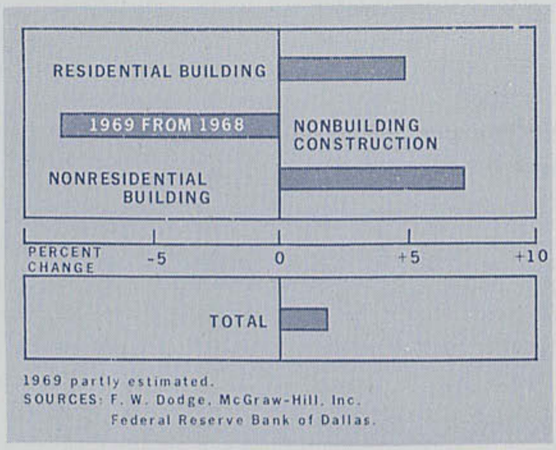
[2] Developments in petroleum and agriculture last year are reported in the *Business Review*, December 1969.

The two basic types of construction — building and nonbuilding — moved in opposite directions, with contracts for residential and nonresidential building increasing while nonbuilding contracts declined. Contracts for residential construction increased nearly 5 percent in the five states in 1969, a gain that was slightly more than the increase for the nation. The increase is attributable to a gain in contracts for multifamily projects. Single-family contracts showed some decline. Higher interest rates and more stringent borrowing conditions restricted construction of single-family homes more than the commercial development of apartment complexes. Financing to build apartments was often made available through equity agreements that gave the lender a percentage of return on the property. Only slightly more housing units were contracted for in 1969, and more of them were apartments than in 1968.

Contracts for construction of nonresidential buildings — new or remodeled commercial, industrial, educational, religious, and governmental facilities — increased more than 7 percent in these states. Although less than half the increase nationally, the gain was greater in these states than in 1968.

VALUE OF CONSTRUCTION CONTRACTS

Five Southwestern States



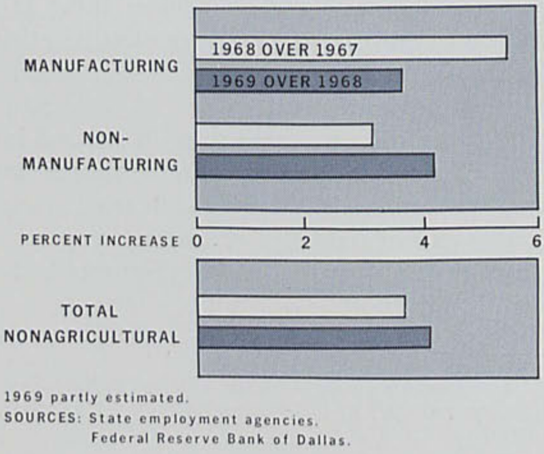
1969 partly estimated.
SOURCES: F. W. Dodge, McGraw-Hill, Inc.
Federal Reserve Bank of Dallas.

In sharp contrast to 1968, when contracts for nonbuilding construction increased 30 percent in the Southwest, awards of these contracts declined in 1969. Nationwide, nonbuilding construction increased more than 10 percent. The decline in the Southwest resulted primarily from a reduction in the value of new contracts for electrical utility construction, which had been particularly strong in 1968; there was more construction of streets and highways than in 1968.

Because of adverse weather, crop production in states of the District fell below the record levels reached in 1968, more than offsetting gains made in cattle production. Higher beef prices and increased marketings of cattle probably offset the decline in crop receipts, however, leaving net farm income in the District at about the 1968 level.

WAGE AND SALARY EMPLOYMENT

Five Southwestern States



1969 partly estimated.
SOURCES: State employment agencies.
Federal Reserve Bank of Dallas.

Total nonagricultural employment increased more than 4 percent in the five states last year, compared with slightly less than 4 percent in 1968. While the rate of growth in these two years was fairly similar, there were marked differences in the sources of growth. Where manufacturing employment increased faster than total employment in 1968, the largest gains in 1969 were made in nonmanufacturing. Following the trend toward greater consumer spending on services, nearly 50,000 new jobs opened in services in 1969, providing an increase of more than 5 percent. In addition to the service increase, the nonmanufacturing increase included sizable advances in transportation, trade, finance, and government. Where substantial gains were made in mining and construction employment in 1968, there were only marginal advances in 1969.

Expanding job opportunities in these states continued to absorb increments in the labor force, as they have for several years, creating a generally tight labor market. The unemployment rate still averaged about 3.4 percent, as it had in 1968. The rate was higher in New Mexico and Louisiana and slightly lower in Arizona, Oklahoma, and Texas.

Despite the impressive gains in employment and income, retail sales in the five District states edged up only about 2 percent in 1969, and much of this increase came in the first half of the year. Since the gain in the dollar value of sales was considerably less than the average increase in prices, the real quantity of goods sold probably declined. Part of the lag was undoubtedly due to the increasing proportion of income spent on services, but much of it was also probably due to consumer resistance to spiraling prices. An increase in the rate of personal saving in the second half of the year suggests consumers were postponing purchases.

Sales seem to have held up better at large department stores than sales of all retailers would indicate. Department store sales increased about 8 percent in 1969, and, in some of the metropolitan areas of the Southwest, sales were up more than 10 percent.

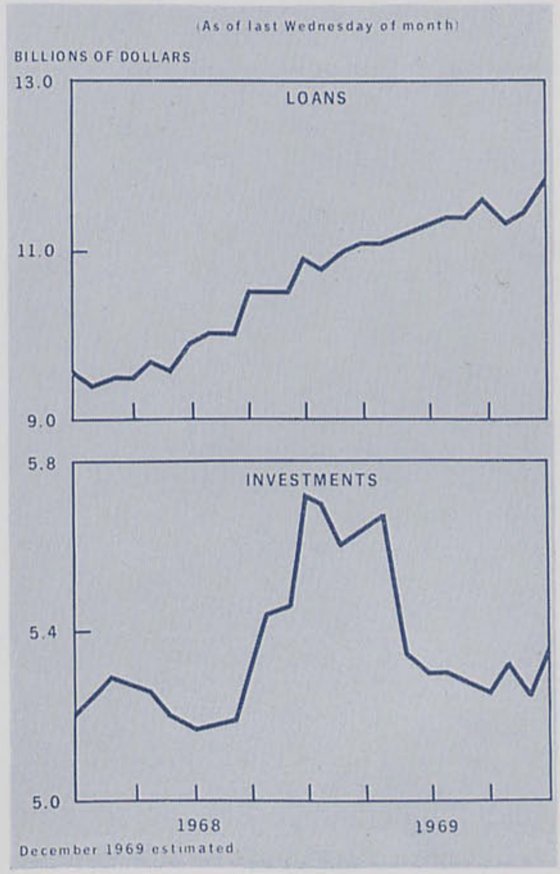
During the course of 1969, banking developments in the Southwest were generally consistent with those that occurred in the nation. The expansion of credit at member banks in the Eleventh District slowed, and total investments and time deposits declined. With loans still expanding, however, and deposits declining, the loan-to-deposit ratio at member banks rose, reaching its high point in December.

Total credit at these banks — loans and investments — increased an estimated 3.5 percent for the year, or at only slightly more than a fourth the rate of gain in 1968. Loans expanded 8.0 percent last year, which was significantly less than the 14.7-percent increase in 1968. But most of the slowdown resulted from a 6-percent decline in total investments.

The decline in total investments can be traced primarily to a 16.5-percent reduction in bank holdings of U.S. Government securities. This

MEMBER BANK LOANS AND INVESTMENTS

Eleventh Federal Reserve District



reduction was more than enough to offset the small gain in holdings of other securities. The decline in investments contrasts sharply with increases of 9.8 percent in 1968 and 14.1 percent in 1967.

Total demand deposits declined an estimated 9.0 percent at banks in the District. This was opposed to a moderate gain posted for banks nationwide and to a 15-percent gain posted for banks of the District in 1968. Total time deposits declined 4.5 percent in the District, which was only about a third of the rate of decline nationwide. Most of this decline resulted from the persistent attrition of large CD's, which reached a maximum at midyear and then continued at a diminishing rate for the rest of the year. Negotiable certificates of deposit in denominations of $100,000 or more dropped from $1.6 billion at weekly reporting banks in the District at the end of 1968 to about $1.0 billion at the end of 1969. The loan-to-deposit ratio was above 60 percent throughout 1969, climbing steadily to a peak of about 66 percent in December. Only in two months did the ratio reach 60 percent in 1968, and it never reached that level during the credit crunch of 1966.

Responding to the deposit runoff and strong demand for credit, member banks in the District turned to various sources for funds. Net purchases of Federal funds increased, especially during the summer, when purchases reached record levels. Borrowings from the Federal Reserve Bank increased. On the basis of monthly averages, the high in bank borrowings came in June, when borrowings reached $92.7 million. That was almost twice the monthly peak reached in 1968. Banks also obtained funds by issuing commercial paper, selling loans from their portfolios, and borrowing Eurodollars. The volume of funds from these nondeposit sources peaked in August and then declined until December, when the volume began rising again.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

January 1970

FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 24, 1969	Nov. 26, 1969	Dec. 25, 1968[1]
ASSETS			
Federal funds sold and securities purchased under agreements to resell	296,085	389,972	6,323,842
Other loans and discounts, gross	6,160,670	5,977,082	
Commercial and industrial loans	3,078,674	2,960,231	2,944,769
Agricultural loans, excluding CCC certificates of interest	110,591	109,223	97,057
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	555	555	1,001
Other securities	48,334	42,751	138,226
Other loans for purchasing or carrying:			
U.S. Government securities	950	740	326
Other securities	392,026	393,447	374,227
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	144,631	125,828	172,509
Other	358,914	336,024	353,404
Real estate loans	657,744	664,009	606,546
Loans to domestic commercial banks	11,860	11,265	327,464
Loans to foreign banks	7,969	8,390	5,073
Consumer instalment loans	728,264	713,395	631,812
Loans to foreign governments, official institutions, central banks, international institutions	0	0	0
Other loans	620,158	611,224	671,428
Total investments	2,590,139	2,480,174	2,718,957
Total U.S. Government securities	929,481	930,424	1,125,695
Treasury bills	41,383	35,878	61,577
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	139,668	134,359	178,280
1 year to 5 years	619,438	623,996	619,231
After 5 years	128,992	136,191	266,607
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	9,062	30,299	35,392
All other	1,527,039	1,396,799	1,322,588
Other bonds, corporate stocks, and securities:			
Certificates representing participations in Federal agency loans	57,624	53,559	154,601
All other (including corporate stocks)	66,933	69,093	80,681
Cash items in process of collection	1,317,755	1,140,255	1,202,180
Reserves with Federal Reserve Bank	828,679	719,035	758,427
Currency and coin	82,859	79,494	87,728
Balances with banks in the United States	502,204	507,765	529,803
Balances with banks in foreign countries	8,874	6,686	5,222
Other assets (including investments in subsidiaries not consolidated)	460,437	448,031	360,528
TOTAL ASSETS	12,247,702	11,748,494	11,986,687
LIABILITIES			
Total deposits	9,437,450	9,175,973	10,081,485
Total demand deposits	6,095,782	5,818,010	6,140,874
Individuals, partnerships, and corporations	4,196,095	4,044,914	4,188,096
States and political subdivisions	248,294	356,248	308,614
U.S. Government	259,859	131,920	250,052
Banks in the United States	1,274,855	1,176,773	1,276,942
Foreign:			
Governments, official institutions, central banks, international institutions	2,770	3,570	6,391
Commercial banks	26,571	25,410	26,336
Certified and officers' checks, etc.	87,338	79,175	84,443
Total time and savings deposits	3,341,668	3,357,963	3,940,611
Individuals, partnerships, and corporations:			
Savings deposits	947,070	943,182	1,053,031
Other time deposits	1,716,740	1,754,943	2,168,048
States and political subdivisions	647,970	628,638	677,466
U.S. Government (including postal savings)	2,587	5,067	8,632
Banks in the United States	18,441	19,273	26,134
Foreign:			
Governments, official institutions, central banks, international institutions	7,500	5,500	7,000
Commercial banks	1,360	1,360	300
Federal funds purchased and securities sold under agreements to repurchase	995,921	928,037	613,392
Other liabilities for borrowed money	258,506	170,322	
Other liabilities	456,025	369,412	249,074
Reserves on loans	117,527	116,583	108,915
Reserves on securities	10,721	10,623	n.a.
Total capital accounts	971,552	977,544	933,821
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	12,247,702	11,748,494	11,986,687

[1] Because of format revisions as of July 2, 1969, earlier data are not fully comparable.
n.a. — Not available.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Dec. 3, 1969	5 weeks ended Nov. 5, 1969	4 weeks ended Dec. 4, 1968
RESERVE CITY BANKS			
Total reserves held	731,700	732,869	744,220
With Federal Reserve Bank	679,167	681,317	691,979
Currency and coin	52,533	51,552	52,241
Required reserves	735,397	722,360	742,120
Excess reserves	—3,697	10,509	2,100
Borrowings	48,627	15,166	13,429
Free reserves	—52,324	—4,657	—11,329
COUNTRY BANKS			
Total reserves held	777,540	773,084	747,582
With Federal Reserve Bank	598,067	595,200	571 046
Currency and coin	179,473	177,884	176,536
Required reserves	756,752	750,086	717,895
Excess reserves	20,788	22,998	29,687
Borrowings	11,168	13,287	5,557
Free reserves	9,620	9,711	24,130
ALL MEMBER BANKS			
Total reserves held	1,509,240	1,505,953	1,491,802
With Federal Reserve Bank	1,277,234	1,276,517	1,263,025
Currency and coin	232,006	229,436	228,777
Required reserves	1,492,149	1,472,446	1,460,015
Excess reserves	17,091	33,507	31,787
Borrowings	59,795	28,453	18,986
Free reserves	—42,704	5,054	12,801

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Dec. 24, 1969	Nov. 26, 1969	Dec. 25, 1968
Total gold certificate reserves	499,251	292,972	374,009
Discounts for member banks	24,450	22,790	10,000
Other discounts and advances	0	0	0
U.S. Government securities	2,423,807	2,493,615	2,195,649
Total earning assets	2,448,257	2,516,405	2,205,649
Member bank reserve deposits	1,373,310	1,245,705	1,266,442
Federal Reserve notes in actual circulation	1,745,492	1,699,971	1,566,282

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Nov. 26, 1969	Oct. 29, 1969	Nov. 27, 1968
ASSETS			
Loans and discounts, gross[1]	11,450	11,297	10,556
U.S. Government obligations	2,107	2,138	2,466
Other securities	3,178	3,180	2,992
Reserves with Federal Reserve Bank	1,246	1,236	1,293
Cash in vault	245	262	242
Balances with banks in the United States	1,284	1,178	1,290
Balances with banks in foreign countries[e]	9	9	8
Cash items in process of collection	1,323	1,213	1,241
Other assets[e]	852	732	479
TOTAL ASSETS[e]	21,694	21,245	20,567
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,525	1,507	1,550
Other demand deposits	9,004	8,770	8,860
Time deposits	7,220	7,285	7,532
Total deposits	17,749	17,562	17,942
Borrowings	1,146	1,035	623
Other liabilities[e]	1,071	927	369
Total capital accounts[e]	1,728	1,721	1,633
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	21,694	21,245	20,567

[1] Before July 2, 1969, this item was published on a net basis.
e — Estimated.

BANK DEBITS, END-OF-MONTH DEPOSITS, AND DEPOSIT TURNOVER

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS[1]: November 1969 (Annual-rate basis)	Percent change: November 1969 from October 1969	Percent change: November 1969 from November 1968	Percent change: 11 months, 1969 from 1968	DEMAND DEPOSITS[1]: November 30, 1969	Annual rate of turnover: November 1969	Annual rate of turnover: October 1969	Annual rate of turnover: November 1968
ARIZONA: Tucson	$ 5,264,568	—15	10	18	$ 229,598	23.3	27.9	23.7
LOUISIANA: Monroe	2,323,704	—12	11	16	85,223	27.6	30.4	24.8
Shreveport	7,855,020	—11	28	28	255,150	32.5	37.4	24.6
NEW MEXICO: Roswell[2]	825,660	—12	16	23	37,365	22.3	25.1	20.7
TEXAS: Abilene	1,871,244	—6	—3	9	94,802	19.2	19.8	18.8
Amarillo	5,161,056	—9	7	6	164,757	32.2	35.9	32.5
Austin	8,623,788	0	6	35	284,812	30.5	31.4	30.6
Beaumont-Port Arthur-Orange	5,608,392	—11	4	7	239,880	23.9	27.3	23.5
Brownsville-Harlingen-San Benito	1,817,940	6	2	6	71,690	25.2	24.0	24.6
Corpus Christi	4,463,976	—11	0	7	201,423	21.9	24.5	22.4
Corsicana[2]	382,200	—12	—3	4	29,576	13.2	14.6	13.7
Dallas	108,055,260	—11	18	27	2,162,009	51.3	57.7	44.9
El Paso	6,087,744	—13	7	15	235,711	26.4	30.4	26.5
Fort Worth	20,189,112	—2	10	12	619,473	33.0	33.3	31.3
Galveston-Texas City	2,421,432	—5	0	6	102,969	23.4	24.3	22.3
Houston	87,229,440	—11	4	16	2,497,069	35.6	40.3	36.1
Laredo	781,260	—12	1	13	40,182	19.8	22.9	20.2
Lubbock	3,534,024	—22	—5	14	159,585	22.0	27.7	23.2
McAllen-Pharr-Edinburg	1,446,204	—11	—6	6	92,047	15.8	17.6	17.4
Midland	1,780,080	—16	0	11	133,159	13.4	15.7	13.7
Odessa	1,590,456	—10	16	18	69,148	23.2	24.1	20.9
San Angelo	1,180,884	—4	6	11	69,042	17.2	17.9	17.2
San Antonio	15,989,436	1	3	10	579,297	27.4	26.8	26.2
Sherman-Denison	988,980	—4	9	10	61,871	15.8	16.2	15.9
Texarkana (Texas-Arkansas)	1,330,368	—9	—12	7	70,282	19.3	21.7	21.7
Tyler	2,012,700	—12	1	17	94,741	21.8	24.5	21.6
Waco	2,590,788	—12	4	13	114,366	22.7	25.2	22.5
Wichita Falls	2,111,784	—15	—10	5	113,143	18.6	21.1	20.0
Total—28 centers	$303,517,500	—10	9	19	$8,908,370	34.6	38.4	32.8

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

BUILDING PERMITS

Area	NUMBER: Nov. 1969	NUMBER: 11 mos. 1969	VALUATION (Dollar amounts in thousands): Nov. 1969	VALUATION: 11 mos. 1969	Percent change: Nov. 1969 from Oct. 1969	Percent change: Nov. 1969 from Nov. 1968	Percent change: 11 months, 1969 from 1968
ARIZONA							
Tucson	447	6,732	$ 6,122	$ 57,947	95	191	95
LOUISIANA							
Monroe-West Monroe	53	682	938	12,012	—37	—72	—43
Shreveport	353	4,584	3,346	37,408	12	15	52
TEXAS							
Abilene	32	422	223	11,457	—92	—10	50
Amarillo	983	13,891	5,864	40,721	111	544	121
Austin	256	4,341	5,740	141,526	—72	—75	13
Beaumont	193	2,001	594	10,064	—34	—68	—37
Brownsville	59	708	380	7,713	26	—58	44
Corpus Christi	212	3,473	837	22,679	—72	—62	—51
Dallas	1,238	20,402	13,461	293,022	0	—44	8
Denison	26	300	110	2,697	33	—52	—30
El Paso	418	4,790	8,551	82,552	31	76	29
Fort Worth	374	5,300	6,062	70,393	47	—52	—21
Galveston	49	903	121	17,709	—87	—90	—14
Houston	2,276	33,691	29,306	401,778	—32	—24	6
Laredo	38	380	96	4,033	—94	—58	51
Lubbock	153	1,209	6,686	31,337	234	15	—11
Midland	32	473	549	5,845	167	89	—46
Odessa	38	661	116	7,379	—73	—88	4
Port Arthur	64	907	141	8,068	—44	—4	52
San Angelo	54	605	660	6,025	88	180	—26
San Antonio	932	11,578	6,517	77,198	5	47	—29
Sherman	52	815	315	17,851	—12	—79	195
Texarkana	31	365	353	6,437	32	498	—50
Waco	163	2,568	691	17,072	—12	—26	10
Wichita Falls	52	772	255	16,785	—95	—51	65
Total—26 cities	8,578	122,553	$98,034	$1,407,708	—21	—27	5

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	GROSS DEMAND DEPOSITS: Reserve city banks	GROSS DEMAND DEPOSITS: Country banks	TIME DEPOSITS: Total	TIME DEPOSITS: Reserve city banks	TIME DEPOSITS: Country banks
1967: November	9,582	4,417	5,165	6,509	2,744	3,765
1968: November	10,365	4,776	5,589	7,498	3,145	4,353
1969: June	10,209	4,758	5,451	7,634	2,925	4,709
July	10,316	4,783	5,533	7,474	2,806	4,668
August	10,250	4,746	5,504	7,353	2,741	4,612
September	10,497	4,867	5,630	7,272	2,685	4,587
October	10,306	4,726	5,580	7,223	2,646	4,577
November	10,373	4,750	5,623	7,268	2,690	4,578

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	November 1969	October 1969	September 1969	January—November 1969	January—November 1968
FIVE SOUTHWESTERN STATES[1]	462	613	460	6,271	6,041
Residential building	193	256	209	2,596	2,497
Nonresidential building	164	234	132	2,072	1,835
Nonbuilding construction	106	123	119	1,603	1,709
UNITED STATES	4,406	6,240	5,140	62,364	57,270
Residential building	1,675	2,290	1,952	23,536	23,128
Nonresidential building	1,566	2,502	2,013	23,587	20,689
Nonbuilding construction	1,165	1,449	1,175	15,241	13,453

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
NOTE. — Details may not add to totals because of rounding.
SOURCE: F. W. Dodge, McGraw-Hill, Inc.

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State and crop	Indicated 1969	1968	1967
ARIZONA			
Oranges..................	5,600	5,380	3,120
Grapefruit................	3,000	2,510	3,740
TEXAS			
Oranges..................	5,500	4,500	1,800
Grapefruit................	8,000	6,700	2,800

SOURCE: U.S. Department of Agriculture.

HARVESTED ACREAGE OF PRINCIPAL CROPS

(In thousands of acres)

Area	1969	1968	1967
Arizona....................	1,108	1,128	1,068
Louisiana..................	3,527	3,547	3,270
New Mexico................	1,117	1,224	1,061
Oklahoma..................	8,257	9,065	8,945
Texas......................	19,854	20,530	19,062
Total.....................	33,863	35,494	33,406

SOURCE: U.S. Department of Agriculture.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	November 1969	October 1969	November 1968	Percent change from October 1969	Percent change from November 1968
FOUR SOUTHWESTERN STATES.................	6,444.9	6,514.3	6,169.4	—1.1	4.5
Louisiana...............	2,334.2	2,306.7	2,221.0	1.2	5.1
New Mexico.............	344.0	348.0	356.4	—1.2	—3.5
Oklahoma..............	610.1	611.7	612.4	—.3	—.4
Texas..................	3,156.6	3,247.9	2,979.6	—2.8	5.9
Gulf Coast............	641.7	672.4	575.9	—4.6	11.4
West Texas...........	1,494.1	1,520.9	1,408.2	—1.8	6.1
East Texas (proper).....	166.9	175.9	133.7	—5.1	24.8
Panhandle............	83.1	83.6	89.7	—.6	—7.4
Rest of state..........	770.8	795.1	772.1	—3.1	—.2
UNITED STATES............	9,276.3	9,354.2	8,975.3	—.8	3.4

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

WINTER WHEAT

Area	ACREAGE SEEDED (In thousands of acres) Crop of 1970	Crop of 1969	Crop of 1968	PRODUCTION (In thousands of bushels) Crop of 1970[1]	Crop of 1969	Crop of 1968
Arizona........	146	81	57	8,760	4,526	2,704
Louisiana.......	78	82	165	1,092	874	2,112
New Mexico.....	297	288	339	6,534	5,088	7,625
Oklahoma......	4,822	5,299	6,091	101,262	118,275	122,383
Texas..........	3,794	4,124	4,909	75,880	68,856	84,150
Total.........	9,137	9,874	11,561	193,528	197,619	218,974

[1] Indicated December 1, 1969.
SOURCE: U.S. Department of Agriculture.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	November 1969p	October 1969	September 1969	November 1968
TEXAS				
Total industrial production......	178.7	180.1	175.4r	166.6r
Manufacturing.................	203.0	203.7	199.7r	188.2r
Durable.....................	223.8	227.0	226.6	202.2r
Nondurable..................	189.1	188.1	181.7r	178.9r
Mining.......................	128.3	130.9	127.0r	123.1r
Utilities......................	262.3	262.3	247.3r	232.0r
UNITED STATES				
Total industrial production........	171.1	173.1	173.9	167.5r
Manufacturing.................	171.8	174.0	175.1	169.1r
Durable.....................	172.7	177.1	178.5	171.3r
Nondurable..................	170.6	170.2	169.8r	166.3r
Mining.......................	131.4	130.4	129.9r	126.4
Utilities......................	223.5	223.4	222.5r	206.9r

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons November 1969p	October 1969	November 1968r	Percent change Nov. 1969 from Oct. 1969	Nov. 1968
Total nonagricultural wage and salary workers..	6,287,500	6,250,200	6,071,400	0.6	3.6
Manufacturing...........	1,171,600	1,169,900	1,132,500	.1	3.5
Nonmanufacturing........	5,115,900	5,080,300	4,938,900	.7	3.6
Mining...............	231,800	231,900	230,900	—.1	.4
Construction...........	406,000	406,900	402,300	—.2	.9
Transportation and public utilities........	467,400	461,900	447,400	1.2	4.5
Trade................	1,443,700	1,424,900	1,383,500	1.3	4.4
Finance...............	311,200	309,900	293,200	.4	6.1
Service...............	972,100	965,600	928,100	.7	4.7
Government...........	1,283,700	1,279,200	1,253,500	.4	2.4

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