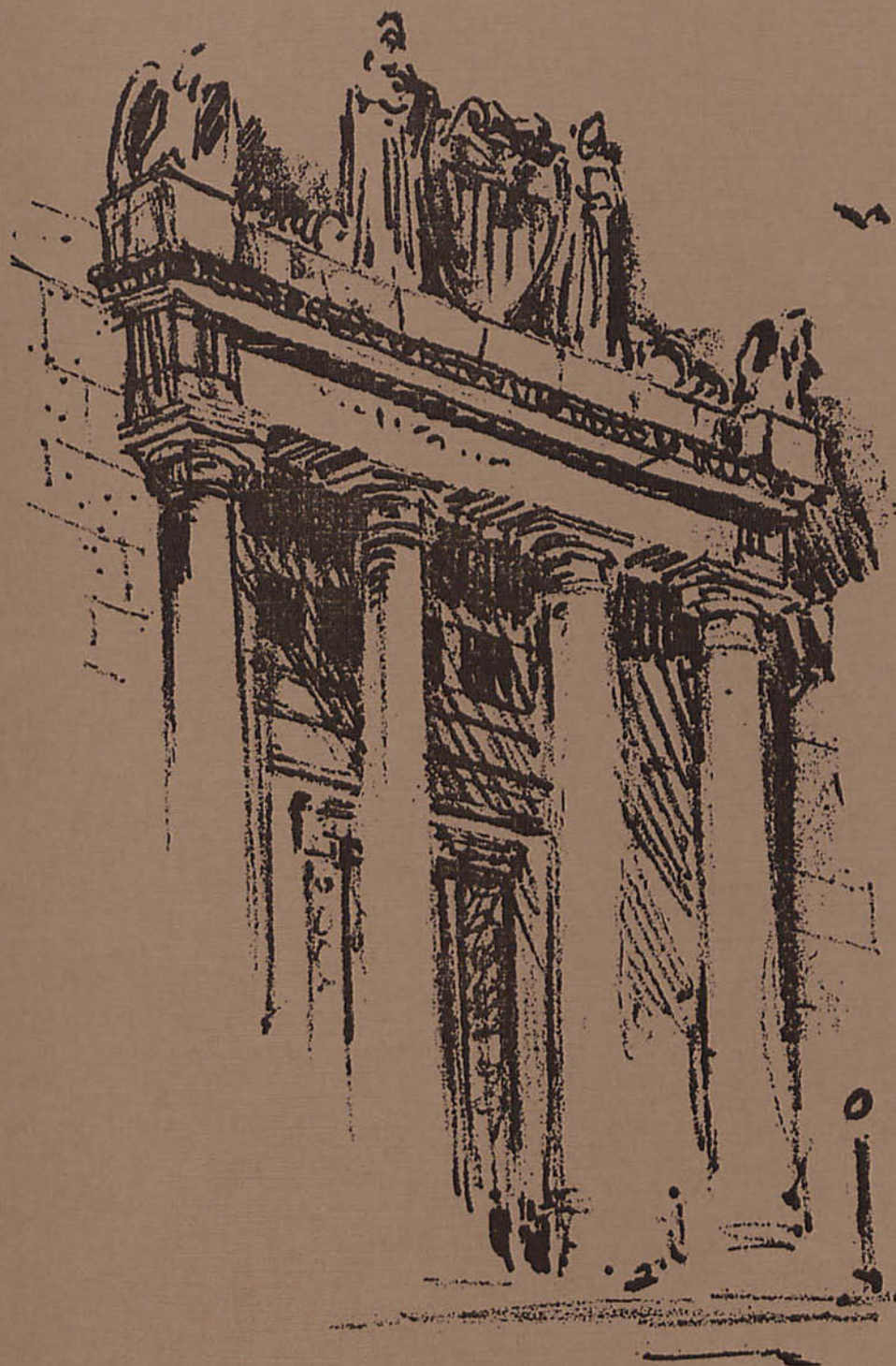


Federal Reserve Bank of Dallas

# Business Review

---



Distribution of Income—  
Price Increases Slow  
Gains in Real Income

Cost of Living—  
Metropolitan Living  
Cheaper in Texas Than  
In Most Other States

March 1971

# Price Increases Slow Gains in Real Income

Personal income in the United States increased at a compound annual rate of 7.2 percent from 1960 to 1970. But personal tax payments increased an average of 8.6 percent, reducing the annual gain in after-tax income to 6.9 percent. And advances in prices averaged 2.4 percent a year, cutting the annual gain in real disposable income to an average of 4.5 percent.

There were significant differences between the first and second halves of the decade, however, in growth of income, rate of price

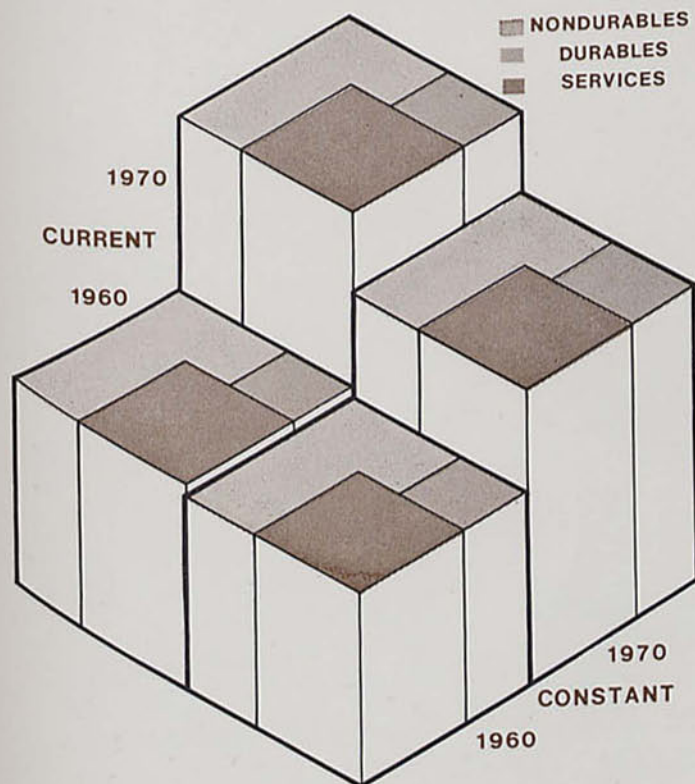
increases, and taxes on personal income. Taken as a whole, the first half of the decade was a period of fairly sustained economic growth and generally stable prices. From 1960 to 1965, annual advances in personal income averaged 6.1 percent in current dollars and 4.9 percent in constant dollars.

But with the rapid increase in economic activity after mid-decade, inflationary pressures became strong and the gap between money income and real disposable income widened. Beginning in 1965, the rate of gain in personal income

quicken, averaging 8.3 percent for the five-year period.

The step-up was dissipated, however, by a faster increase in prices. In constant dollars, the rate of gain in personal income changed little, averaging 4.8 percent in the second half of the decade compared with 4.9 percent in the first half. (The annual increase in consumer prices averaged 3.5 percent, compared with 1.1 percent in the first half.) But tax payments were also on the increase in the second half, and the advance in disposable income averaged 4 percent, compared with 5 percent in the first half.

Spending on personal consumption rose 90 percent in the 1960's, but inflation took two-fifths of the gain



## Disbursement of income

Personal income is derived primarily from wages and salaries but also includes proprietors' incomes, interest, dividends, and rent, and transfer payments. Individuals disburse this income into three channels—personal taxes (including all nondiscretionary payments to government), personal consumption, and personal saving.

**Personal taxes**—Of the three, the share of personal income going for tax payments increased the fastest in the 1960's, rising from 12.7 percent in 1960 to 14.5 percent in 1970. And payments of federal income taxes made up the largest share of these nondiscretionary payments. Since income taxes vary with earnings, federal income tax payments increased rapidly. On the average, they rose 8.2 percent a year over the decade.

Not all this increase was due to changes in personal income, of course. Some of the increase was due to changes in tax rates. Federal income tax rates were lowered in 1964, but a 10-percent surtax was

added in 1968. Then, at the beginning of 1970, the surtax was lowered to 5 percent. At the middle of the year, the surtax was discontinued altogether.

State and local taxes were on the upswing throughout the 1960's, increasing much faster than federal income taxes. State and local tax payments rose an average of 10.5 percent a year over the decade.

**Personal consumption**—Payment of personal taxes leaves consumers with disposable income, most of which goes for purchases of goods and services and the remainder being saved. The level of consumer spending, then, depends in large measure on the size of personal income and the amount of personal taxes consumers must pay.

The physical volume of personal consumption, however, is also related to movements in consumer

prices. When prices are rising sharply (as they were in the second half of the 1960's), much of the increase in consumption expenditures reflects higher prices rather than a greater volume of consumer purchases.

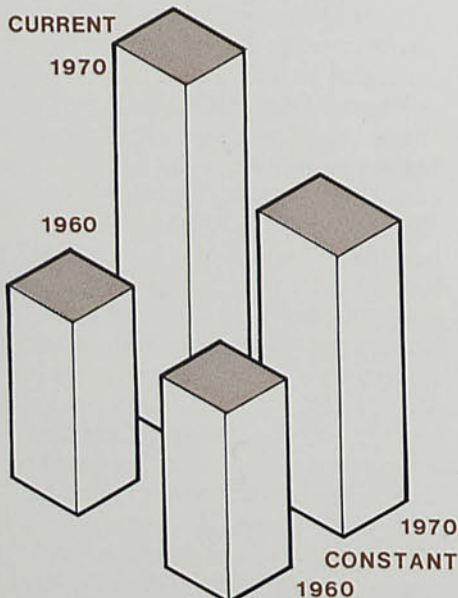
In current dollars, increases in expenditures on personal consumption averaged 7.3 percent a year in the second half of the 1960's, compared with 5.9 percent in the first half. But in constant dollars, these expenditures increased at an average annual rate of only 3.7 percent in the second half of the decade after increasing at an annual rate of 4.7 percent in the first.

The rate of increase in consumer prices usually varies with major changes in economic activity—often widely. From 1960 to 1965, the implicit deflator for consumer

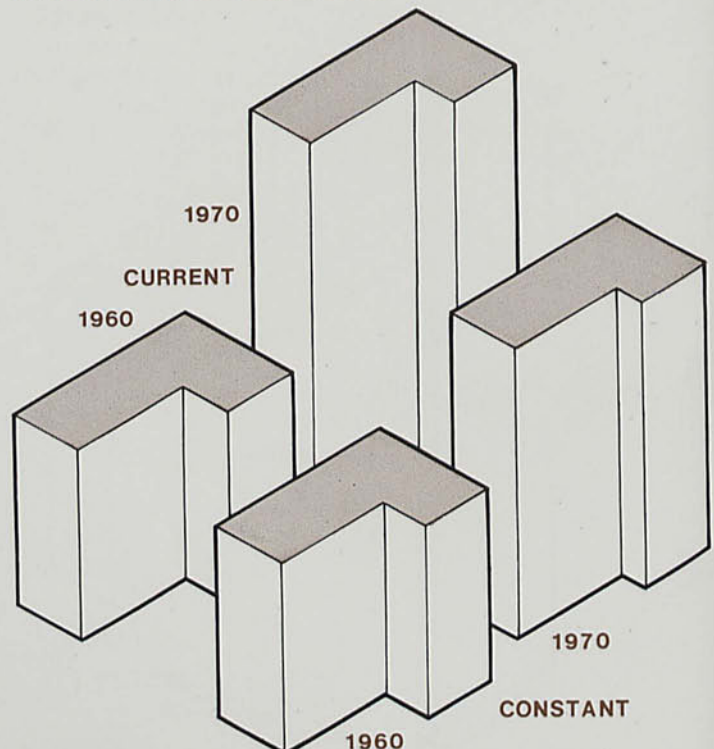
prices (the ratio of expenditures at current prices to expenditures at constant prices) increased at the very moderate average annual rate of 1.2 percent, compared with 2.2 percent in the 1950's. But with the rapid increase in economic activity in the second half of the 1960's, consumer prices began to rise more sharply. From 1965 to 1970, the implicit consumer price deflator rose at an average annual rate of 3.5 percent—about 60 percent faster than the average for the 1950's and more than three times as fast as in the first half of the 1960's.

**Personal saving**—The personal saving rate is the percentage of disposable income saved. Usually ranging between 5 and 7 percent of disposable income, the saving rate tends to decline during recessions as individuals try to maintain their consumption

Spending on durable goods grew faster than total expenditures...



...while spending on nondurables grew slower



patterns. Conversely, the percentage of income saved often increases during economic recoveries. During the recession of 1960-61, for example, the saving rate fell to 4.5 percent of disposable income in the fourth quarter of 1960. But by the fourth quarter of 1961, when the economy began to expand again, the rate had risen to 6.2 percent.

Sudden changes in disposable income also affect the saving rate as individuals take time to adjust their consumption to new income levels. Retroactive increases in federal wage and salary levels and Social Security payments in the spring of 1970, for example, caused an unusually sharp increase in disposable income. Disposable income in the second quarter last year was \$18.3 billion more than in the first quarter, and the saving

rate jumped from 6.7 percent to 7.5 percent.

### Components of consumption

Expenditures on personal consumption are channeled into three major categories—durable goods, nondurable goods, and services. Spending on consumer durables increased an average of 7.0 percent a year in the 1960's, which was above the 6.7-percent average annual rise in total personal consumption. As a result, the proportion of total personal expenditures allocated to durable goods increased from 13.9 percent in 1960 to 14.5 percent in 1970.

Spending on consumer nondurables increased an average of 5.8 percent a year, which was well below the pace of consumption expenditures overall. Spending on this component slipped from 46.5

percent of the total in 1960 to 42.9 percent in 1970. This was in sharp contrast to earlier periods. At the end of World War II, purchases of nondurable goods had accounted for more than half of all personal consumption.

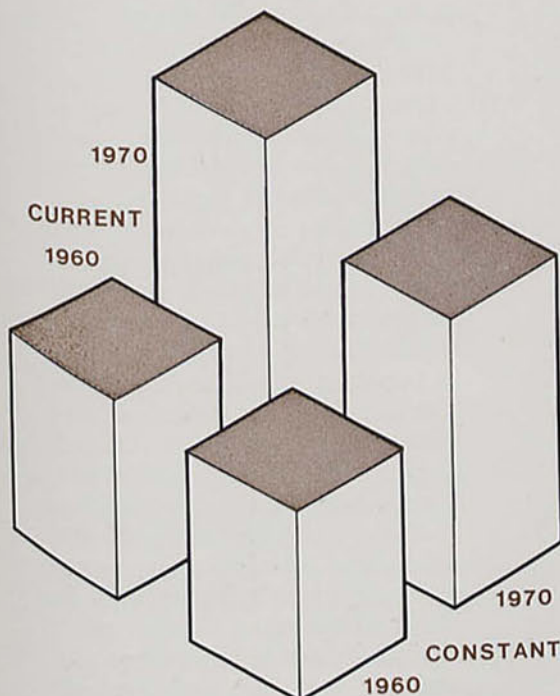
Of the three major components of personal consumption, spending on services increased fastest. Starting from a base that accounted for 39.6 percent of personal consumption in 1960, spending on services increased at an average annual rate of 7.4 percent. By 1970, this type spending accounted for 42.6 percent of personal consumption. At that rate of increase, consumers will soon spend more on services than on nondurable goods.

**Consumer durables**—Much of the increase in spending on consumer durables in the 1950's could be attributed to the release of consumer demand pent up during the war. The increase in the 1960's was doubtlessly due to the general uptrend in personal income, and this was reinforced by other factors stimulating demand: in the first half of the decade, by the continuation of the housing boom started in the 1950's and, throughout the decade, by the high rate of family formations. Purchases of furniture and household appliances accelerated in the early 1960's. The post-war rise in automobile purchases, which had peaked in the 1950's, also showed renewed strength in the early 1960's.

The implicit price deflator for durable goods increased an average of only 0.8 percent a year in the 1960's. By contrast, the deflator rose an average of 2.3 percent a year for nondurable goods and 2.9 percent a year for services.

With prices of durable goods rising slowly, the increased expenditures for durable goods mainly reflected an increase in real consumption. This was particularly true in the first half of the decade, when purchases of consumer

Service spending grew fastest, but inflation affected it most



durables increased an average of 7.9 percent a year in current dollars and 8.2 percent in constant dollars.

Although prices of consumer durables fell during the first half of the decade, causing real consumption of these goods to increase faster than current-dollar purchases, the trend was reversed in the second half. With the general rise in prices beginning in 1965, the average annual increase in durable goods purchases slowed to 6.2 percent in current dollars and 4.3 percent in constant dollars.

But while the long-term trend in purchases of consumer durables has been strong, these purchases have also been highly sensitive to cyclical variations in economic activity. This, of course, reflects the fact that purchases of durable goods can often be postponed when reductions in income and employ-

ment threaten. In line with the current slowdown in economic activity, sales of consumer durables have shown almost no growth in the past two years.

**Consumer nondurables**—Unlike outlays for durables and some services, spending on such necessities as food, fuel, and some clothing cannot be postponed. To pay for nondurables during periods of declining income, consumers may have to draw on their savings or even borrow.

Increases in prices of nondurable goods (and some durable goods) were dampened by increases in productivity resulting from technological advances and gains in economies of scale. Taken as a whole, prices of nondurable goods increased at the same rate in the 1960's as the implicit price deflator for total consumer expenditures.

Of the nondurable goods, food is still a category of major importance, even though the percentage of household budgets allocated to food has declined as incomes have risen. Food prices increased an average of 2.6 percent a year in the 1960's, or about in line with the average increase in consumer prices.

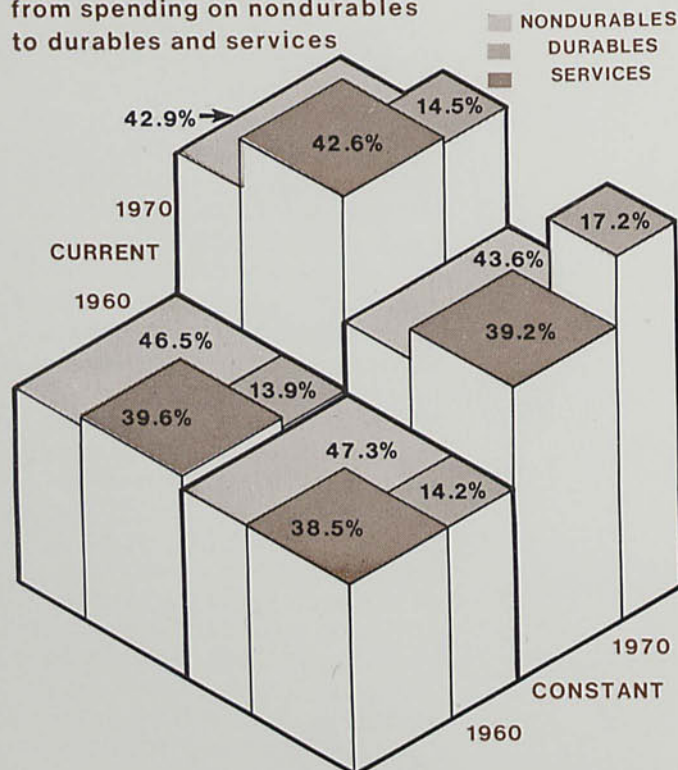
Prices of clothing, especially for men and boys, rose a little faster than consumer prices overall, with most of the increase being attributed to higher prices of footwear.

Although fuel prices drifted slowly downward throughout most of the decade, they began to rise again in 1969—and at accelerating rates. With the steady substitution of natural gas for coal and fuel oil, total increases in fuel and utility costs averaged less than 1 percent a year for most of the decade. But with the rising demand for fuel, supplies began to dwindle, putting pressure on fuel and utility prices.

Overall, between 1960 and 1965, consumer spending on nondurables increased an average of 4.8 percent a year in current dollars and 3.6 percent in constant dollars. Spending increased with the rise in prices in the second half of the decade, averaging advances of 6.7 percent a year. In constant dollars, however, the average increase in consumption slowed to 3.1 percent.

**Consumer services**—In sharp contrast to the increased personal consumption of goods, much of the increased spending on services was accounted for by rapid advances in service prices. The difference is due largely to the nature of services. Being highly personalized, they do not lend themselves to mass-production techniques such as those that allow many goods producers to realize economies of scale. As a result, increases in the productivity of service industries tend to be limited and there are stronger cost-push pressures on prices of services than on prices of goods.

Net effect was a shift from spending on nondurables to durables and services



The rise in prices of public transportation services provides a case in point. Fare increases resulted primarily from the rising costs of operating passenger services. Nationwide, local transit fares ballooned almost 50 percent in the last half of the 1960's, even though the number of commuters declined almost 10 percent. Taxicab fares increased an average of 30 percent.

Intercity carriers did not increase their fares as sharply. Average bus fares between cities still rose slightly more than 25 percent, however, and air and rail fares advanced about 17 percent.

The rise in prices of hospital services provides an even more striking example of the cost-push influence on service prices. The rising cost of equipping hospitals accounted for much of the increase in hospital costs. And added to the rise in equipment costs were higher salaries for medical staffs and higher costs of hospital construction. Reflecting these higher costs, average rates for semiprivate hospital rooms rose nearly 90 percent in the second half of the 1960's and costs of operating rooms rose more than 70 percent.

In current dollars, purchases of services increased an average of 6.4 percent a year in the first half of the decade. But they increased only 4.6 percent in constant dol-

lars, and the rate of real increase deteriorated even further in the second five-year period. Although current-dollar purchases of services increased at an average annual rate of 8.4 percent in 1965-70, the rate of increase in constant dollars slipped to an average of 4.2 percent a year.

As consumption increased in the 1960's, consumers shifted the allocation of their expenditures, spending proportionately more on durables and services and proportionately less on nondurables. Much of the increased spending on services, however, was accounted for by rapid advances in service prices, while the increase in durable goods mainly reflected a greater volume of goods purchased. In real terms, then, consumption of durables rose much faster than consumption of either nondurables or services.

With prices of services expected to continue rising, much of the future growth in buying power will depend on what happens to prices of goods. If monetary and fiscal policies succeed in slowing the rate of increase in prices of goods, consumers can expect a greater proportion of their spending to go into real consumption rather than price increases.

-Edward L. McClelland

# Metropolitan Living Cheaper In Texas Than in Most Other States

It is cheaper to live in Austin than in any other metropolitan area in the United States. And it is cheaper to live in Dallas and Houston than in most other metropolitan areas.

But while this should be good news to Texans—since living costs in these centers are indicative of costs in other cities of the state—there is also some disappointing news in a budget study recently released by the Bureau of Labor Statistics. The study shows living costs in these three cities have been rising about 6 percent a year, or at about the rate of other metropolitan areas.

Nationwide, household budget costs increased 18.5 percent between the spring of 1967 and the spring of 1970. During that period, budgets rose an average of 18.9 percent in Dallas, 17.4 percent in Austin, and 16.7 percent in Houston.

### Basis of comparison

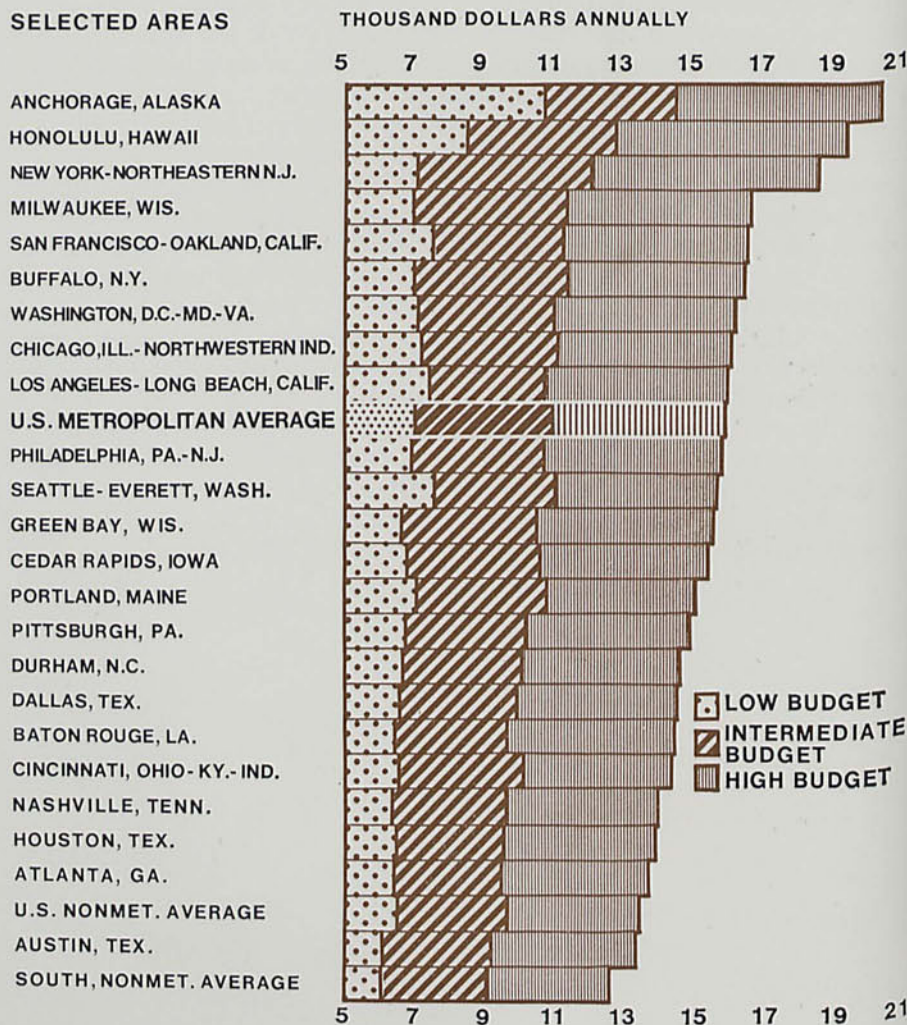
In estimating the cost of living in various areas, the Bureau of Labor Statistics developed standard budgets for a family of four living in each of 40 metropolitan areas. The budgets, therefore, are only indicative of living costs in certain areas. They apply precisely only to urban families like the one used in the study—an employed husband and his wife, their 13-year-old son and eight-year-old daughter. The family is assumed to have typical inventories of clothing, home furnishings, and major durables.

Based on annual costs of specific types and amounts of goods and services in an area, the budget illustrates the cost of living at three broad income levels—high, low,

and intermediate. For the low-income budget, the manner of living differs from the intermediate and high levels primarily in the specification that the family lives in rented housing without air conditioning, performs more

services for itself, and uses free community recreation services. The high-income budget specifies a larger proportion of homeownership than the intermediate budget, more household appliances and equipment, and still more pur-

**Living costs in Austin were lowest of all metropolitan areas in the spring of 1970, regardless of budget**



SOURCE: U.S. Bureau of Labor Statistics

chases of services. For most items common to all three budgets, both the quantity and quality are assumed to increase from the low to the high budget.

Budget estimates were prepared only for families in selected metropolitan areas with a central city of at least 50,000 population. Regional averages were estimated for urban areas with populations of less than 50,000 but more than 2,500.

### Budget outlays

Comparison of the budgets shows that of the 40 metropolitan areas included in the study, the most expensive places to live were Anchorage, Alaska, and Honolulu, Hawaii. Within the continental United States, living costs tended to be highest in the Northeast and lowest in the South. Living costs were also slightly lower in the smaller metropolitan areas. Thus, a combination of advantages accrued to Austin, a small southern city.<sup>1</sup>

Of the large metropolitan areas, only Atlanta was cheaper to live in than Dallas or Houston. It was even cheaper to live in Dallas or Houston than in most small metropolitan areas outside the South. And although data were not compiled for such areas as El Paso, Fort Worth, and San Antonio, costs of living in these cities were also probably well below those in most other metropolitan areas.

For the lower level of living, budget costs in Austin were about 12 percent less than the national average for metropolitan areas. They were 8.2 percent less in Houston and 5.4 percent less in Dallas. For the intermediate and high levels, budget costs in these cities were even further below the national metropolitan averages.

### AVERAGE ANNUAL LIVING COSTS FOR THREE BUDGETS

Budget level and area	Spring 1970	Spring 1967	Percent change
<b>Low budget</b>			
Metropolitan areas			
Austin .....	\$6,197	\$5,237	18.3%
Dallas .....	6,683	5,607	19.2
Houston .....	6,481	5,542	16.9
United States .....	7,061	5,994	17.8
Nonmetropolitan areas			
South .....	6,150	5,224	17.7
United States .....	6,512	5,564	17.0
<b>Intermediate budget</b>			
Metropolitan areas			
Austin .....	9,212	7,952	15.8
Dallas .....	9,894	8,345	18.6
Houston .....	9,645	8,301	16.2
United States .....	10,933	9,243	18.3
Nonmetropolitan areas			
South .....	9,041	7,784	16.1
United States .....	9,600	8,322	15.4
<b>High budget</b>			
Metropolitan areas			
Austin .....	13,337	11,299	18.0
Dallas .....	14,471	12,157	19.0
Houston .....	13,917	11,897	17.0
United States .....	15,971	13,367	19.5
Nonmetropolitan areas			
South .....	12,643	10,909	15.9
United States .....	13,459	11,640	15.6

SOURCE: U.S. Bureau of Labor Statistics

They were roughly 16 percent lower in Austin, 12 percent lower in Houston, and 9 percent lower in Dallas.<sup>2</sup>

Budgets calculated as average for nonmetropolitan towns in the South were about 6 percent less than the national average for such towns. These budgets, which are probably the closest indicators of the cost of living in most small towns of the Eleventh Federal Reserve District, show living costs in the nonmetropolitan South were lower than in Austin. Compared with Austin, nonmetropolitan living costs in the South averaged 1 percent less for the low budget, 2 percent less for the intermediate budget, and 5 percent less for the high budget.

### Where costs differ

Budget costs for food in Texas cities were significantly lower than

the national metropolitan average. Housing costs were also lower, as were costs of social insurance and personal income taxes. All three costs were about equally important in reducing the low-level budget. For intermediate and high budgets, there were still important savings on food but most of the difference was in lower costs of housing and social insurance and personal income taxes.

The lower overall tax cost resulted, obviously, from Texas having no state or city income taxes. The lower cost of housing probably resulted from the lower density of population, which helps hold down land prices, and the fairly moderate climate, which helps hold down building costs.

All major categories of expenditures were lower in Austin than the national average, regardless of budget level. Most categories

1. Sixteen states were taken together as the South, only one of four broad regional groups used in the study. Because of the relatively small sample used, more precise regional groupings were not feasible.

2. These comparisons do not imply that people live better in these cities than in other metropolitan areas. They reveal only that a particular level of living costs less in these cities than in the average metropolitan area.



**ANNUAL COST SAVINGS IN SELECTED BUDGET ITEMS, SPRING 1970,  
FOR TEXAS AREAS COMPARED WITH NATIONAL AVERAGES**

Budget level and metropolitan area	Food	Housing	Social insurance, personal income taxes
<b>Low budget</b>			
Austin .....	\$207	\$244	\$274
Dallas .....	162	95	159
Houston .....	148	171	205
<b>Intermediate budget</b>			
Austin .....	276	719	526
Dallas .....	205	439	394
Houston .....	180	553	451
<b>High budget</b>			
Austin .....	315	1,001	1,042
Dallas .....	239	491	752
Houston .....	208	788	897

SOURCE: U.S. Bureau of Labor Statistics

were also lower in the state's two largest cities. There were notable exceptions, however. Medical costs in Dallas, for example, were among the nation's highest—about 16 percent higher than the national average. Medical costs in Houston were about 3 percent higher than average. Except for the high-level budget, transportation costs were also slightly higher in Houston.

So, while living costs in these three metropolitan areas were rising rapidly, they were still far below the national average—

regardless of the level of living. Furthermore, incomes in these centers were probably increasing even faster than living costs. Information on per capita income for 1970 is not available yet for individual cities. For Texas as a whole, however, per capita personal income rose about 28 percent between the spring of 1967 and the spring of 1970—roughly half again more than the average increase in living costs in these three metropolitan areas.

—Leonard G. Bower

**New par bank**

The Mont Belvieu State Bank, Mont Belvieu, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, February 8, 1971. The officers are: Robert McCorquodale, President; H. H. McCollum, Vice President (Inactive); and Lloyd H. Brown, Jr., Cashier.



**Research Department**  
**Federal Reserve Bank of Dallas**  
**Station K, Dallas, Texas 75222**



Federal Reserve Bank of Dallas

March 1971

## Statistical Supplement to the Business Review

The seasonally adjusted Texas industrial production index was essentially unchanged in January from the level in December. At 182.0 percent of its 1957-59 base, the index was up only 0.2 percent from December and 0.4 percent from January 1970.

Slight month-to-month gains were shown in the manufacture of both durable and nondurable goods, raising total manufacturing to a level 1 percent higher than in December. The total was still nearly 2 percent lower than a year before, however. Production of transportation equipment and electrical machinery was particularly weak.

Bolstered by a high rate of output in petroleum refining, the manufacture of nondurable goods advanced nearly 4 percent over a year before, largely offsetting the decline in durable goods.

Utilities showed no change from December and about a 5-percent increase over a year before.

Total nonagricultural wage and salary employment in the five southwestern states declined slightly in January but was still higher than a year before. A seasonal decline from December was expected in all areas of employment. But most declines were less than expected, and employment in finance showed a slight gain. Trade accounted for much of the overall decline. Manufacturing employment continued its slow downtrend, reaching a level more than 5 percent lower than in January 1970.

Oil allowables in producing states of the Southwest were unchanged in March from the high levels in February. In Texas, allowables

were held at 82.1 percent of the maximum efficient rate of production, halting the slow decline from November's record level of 87.3 percent. Other Eleventh District states are still producing at their record levels.

Since production in Texas serves to even out surpluses and shortages in the nation's supply of crude petroleum, the outlook for Texas allowables depends to an extent on the unpredictable international petroleum situation. World supplies tightened over the past year as an important Middle Eastern pipeline to the Mediterranean was closed, North African production was cut back, and tanker space grew scarce. The pipeline was reopened recently, however, and the world's leading petroleum companies are negotiating price agreements with major exporting countries, raising the possibility that international markets—and, thereby, the nation's supply—will soon return to normal.

Preliminary planting intentions for 1971 in states of the Eleventh District indicate a 14-percent increase in sorghum acreage over 1970 and about 10-percent increases in corn, oats, and soybean acreages. The prospective upland cotton acreage is about the same as last year, but extra-long staple cotton acreage is expected to be 35 percent larger. The sharp rise in expected plantings of extra-long staple cotton is in line with an increase in the Government-allotted acreage resulting from short supplies in 1970.

Grazing conditions are about normal in Louisiana, but the forage available for grazing in other areas of the District has been below average. The prolonged dry weather has limited dryland wheat grazing,

and growth of irrigated wheat was slowed by the cold weather in early January.

Because of poor grazing, livestock conditions have slipped below average over much of the five-state area. As a result, considerable supplemental feeding is required. In Texas, there has been some culling of older cows.

Texas retained its position last year as the nation's third largest cattle feeding state, surpassed only by Iowa and Nebraska. Feedlots in Texas marketed 3.1 million head of cattle—432,000 head more than in 1969. At 16 percent, however, this gain represented considerably less growth than the 37-percent increase in marketings in 1969.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio were 5 percent lower in January than in December. There were wide variations in the four centers, however. Registrations increased 19 percent in San Antonio and 12 percent in Dallas. But they declined 16 percent in Houston and 24 percent in Fort Worth. Total registrations were 3 percent lower than in January 1970.

Department store sales in the Eleventh District were 8 percent higher in the four weeks ended February 27 than in the corresponding period a year earlier. Cumulative sales through that date were 9 percent higher than a year before.

Credit at weekly reporting banks in the Eleventh District declined less than usual in the four-week period ended February 24, in line  
*(Continued on back page)*

## CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

### Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Feb. 24, 1971	Jan. 27, 1971	Feb. 25, 1970	LIABILITIES	Feb. 24, 1971	Jan. 27, 1971	Feb. 25, 1970
Federal funds sold and securities purchased under agreements to resell.....	681,027	716,130	348,150	Total deposits.....	10,735,048	10,777,099	8,761,963
Other loans and discounts, gross.....	6,601,660	6,586,896	5,970,685	Total demand deposits.....	6,067,081	6,228,547	5,475,240
Commercial and industrial loans.....	3,177,783	3,171,189	3,011,646	Individuals, partnerships, and corporations....	4,111,296	4,171,008	3,832,534
Agricultural loans, excluding CCC certificates of interest.....	119,010	115,689	106,535	States and political subdivisions.....	330,823	290,716	302,366
Loans to brokers and dealers for purchasing or carrying:				U.S. Government.....	166,128	204,393	155,695
U.S. Government securities.....	500	509	500	Banks in the United States.....	1,328,883	1,419,977	1,077,310
Other securities.....	43,928	52,313	42,111	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions.....	2,819	3,871	3,650
U.S. Government securities.....	1,645	1,606	944	Commercial banks.....	28,972	26,003	26,274
Other securities.....	429,629	433,811	382,994	Certified and officers' checks, etc.....	98,160	112,579	77,411
Loans to nonbank financial institutions:				Total time and savings deposits.....	4,667,967	4,548,552	3,286,723
Sales finance, personal finance, factors, and other business credit companies.....	189,818	182,578	131,585	Individuals, partnerships, and corporations:			
Other.....	438,467	447,980	310,390	Savings deposits.....	974,688	948,906	915,978
Real estate loans.....	653,373	652,044	612,862	Other time deposits.....	2,496,561	2,509,390	1,615,218
Loans to domestic commercial banks.....	13,832	16,448	16,099	States and political subdivisions.....	1,057,337	966,190	724,005
Loans to foreign banks.....	10,386	9,572	10,021	U.S. Government (including postal savings)....	30,581	18,481	2,086
Consumer instalment loans.....	733,026	736,322	727,163	Banks in the United States.....	95,015	86,692	15,486
Loans to foreign governments, official institutions, central banks, and international institutions.....	0	0	750	Foreign:			
Other loans.....	790,263	766,835	617,085	Governments, official institutions, central banks, and international institutions.....	12,685	17,785	12,600
Total investments.....	2,893,075	2,929,039	2,500,217	Commercial banks.....	1,100	1,100	1,350
Total U.S. Government securities.....	978,602	989,159	910,690	Federal funds purchased and securities sold under agreements to repurchase.....	999,089	1,012,322	756,807
Treasury bills.....	123,093	125,963	43,915	Other liabilities for borrowed money.....	68,222	73,802	375,537
Treasury certificates of indebtedness.....	0	0	0	Other liabilities.....	401,159	397,006	364,944
Treasury notes and U.S. Government bonds maturing:				Reserves on loans.....	138,439	139,403	135,298
Within 1 year.....	174,252	220,311	153,830	Reserves on securities.....	19,471	20,418	13,284
1 year to 5 years.....	512,003	531,757	627,561	Total capital accounts.....	1,032,548	1,028,863	978,101
After 5 years.....	169,254	111,128	85,384				
Obligations of states and political subdivisions:				TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....	13,393,976	13,448,913	11,385,934
Tax warrants and short-term notes and bills...	32,882	69,995	3,843				
All other.....	1,646,574	1,647,225	1,468,099				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans.....	91,793	86,076	50,308				
All other (including corporate stocks).....	143,224	136,584	67,277				
Cash items in process of collection.....	1,171,427	1,238,025	936,850				
Reserves with Federal Reserve Bank.....	917,362	876,386	612,406				
Currency and coin.....	88,482	92,712	86,000				
Balances with banks in the United States.....	572,826	532,240	428,708				
Balances with banks in foreign countries.....	7,998	9,682	7,916				
Other assets (including investments in subsidiaries not consolidated).....	460,119	467,803	495,002				
TOTAL ASSETS.....	13,393,976	13,448,913	11,385,934				

## CONDITION STATISTICS OF ALL MEMBER BANKS

### Eleventh Federal Reserve District

(Million dollars)

Item	Jan. 27, 1971	Dec. 30, 1970	Jan. 28, 1970
<b>ASSETS</b>			
Loans and discounts, gross.....	12,878	13,211	11,498
U.S. Government obligations.....	2,280	2,268	2,151
Other securities.....	3,834	3,742	3,267
Reserves with Federal Reserve Bank.....	1,461	1,400	1,309
Cash in vault.....	282	296	269
Balances with banks in the United States....	1,407	1,457	1,203
Balances with banks in foreign countries <sup>a</sup> ...	12	10	12
Cash items in process of collection.....	1,418	1,405	1,235
Other assets <sup>a</sup> .....	882	956	801
TOTAL ASSETS <sup>a</sup> .....	24,454	24,745	21,745
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,834	1,861	1,456
Other demand deposits.....	9,468	9,792	8,880
Time deposits.....	9,130	8,895	7,079
Total deposits.....	20,432	20,548	17,415
Borrowings.....	1,113	1,229	1,637
Other liabilities <sup>a</sup> .....	1,071	1,126	961
Total capital accounts <sup>a</sup> .....	1,838	1,842	1,732
TOTAL LIABILITIES AND CAPITAL ACCOUNTS <sup>a</sup> .....	24,454	24,745	21,745

<sup>a</sup> — Estimated

## RESERVE POSITIONS OF MEMBER BANKS

### Eleventh Federal Reserve District

(Averages of daily figures, Thousand dollars)

Item	4 weeks ended Feb. 3, 1971	5 weeks ended Jan. 6, 1971	4 weeks ended Feb. 4, 1970
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	820,983	806,799	759,270
With Federal Reserve Bank.....	764,630	747,167	704,669
Currency and coin.....	56,353	59,632	54,601
Required reserves.....	817,634	825,028	735,117
Excess reserves.....	3,349	—18,229	24,153
Borrowings.....	0	0	28,555
Free reserves.....	3,349	—18,229	—4,402
<b>COUNTRY BANKS</b>			
Total reserves held.....	858,082	825,823	801,841
With Federal Reserve Bank.....	658,507	633,558	610,848
Currency and coin.....	199,575	192,265	190,993
Required reserves.....	828,250	815,231	771,212
Excess reserves.....	29,832	10,592	30,629
Borrowings.....	214	0	14,255
Free reserves.....	29,618	10,592	16,374
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	1,679,065	1,632,622	1,561,111
With Federal Reserve Bank.....	1,423,137	1,380,725	1,315,517
Currency and coin.....	255,928	251,897	245,594
Required reserves.....	1,645,884	1,640,259	1,506,329
Excess reserves.....	33,181	—7,637	54,782
Borrowings.....	214	0	42,810
Free reserves.....	32,967	—7,637	11,972

## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	Feb. 24, 1971	Jan. 27, 1971	Feb. 25, 1970
Total gold certificate reserves.....	580,081	380,924	278,482
Discounts for member banks.....	0	300	36,780
Other discounts and advances.....	0	0	2,240
U.S. Government securities.....	2,807,527	2,802,860	2,367,247
Total earning assets.....	2,807,527	2,803,160	2,406,267
Member bank reserve deposits.....	1,558,081	1,460,824	1,139,978
Federal Reserve notes in actual circulation....	1,892,589	1,902,027	1,682,637

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

Four Southwestern States

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS <sup>1</sup>				DEMAND DEPOSITS <sup>1</sup>		
	January 1971 (Annual-rate basis)	Percent change from		January 31, 1971	Annual rate of turnover		
		December 1970	January 1970		January 1971	December 1970	January 1970
ARIZONA: Tucson	\$ 6,872,268	-2%	16%	\$ 234,457	29.5%	30.5%	25.9%
LOUISIANA: Monroe	3,031,020	2	17	91,623	33.8	34.5	30.6
Shreveport	9,625,152	2	-2	267,200	37.3	37.0	40.8
NEW MEXICO: Roswell <sup>2</sup>	882,240	-5	-7	39,425	22.1	23.5	24.7
TEXAS: Abilene	2,123,808	-1	4	102,127	20.3	20.2	21.3
Amarillo	6,183,792	9	2	158,136	38.7	35.3	37.8
Austin	9,364,008	1	10	330,827	28.0	28.8	31.4
Beaumont-Port Arthur-Orange	6,147,288	-6	2	249,401	24.7	26.9	25.2
Brownsville-Harlingen-San Benito	1,999,416	-3	10	78,734	25.6	26.4	25.5
Corpus Christi	5,960,268	-11	16	284,130	21.2	23.3	24.8
Corsicana <sup>2</sup>	437,928	-3	8	31,458	13.9	14.4	14.1
Dallas	135,685,008	10	19	2,183,068	62.0	55.5	52.9
El Paso	7,485,504	0	8	236,127	30.7	30.4	29.6
Fort Worth	23,188,524	-1	13	660,246	34.9	35.5	32.6
Galveston-Texas City	3,204,000	15	8	118,945	27.6	25.1	26.7
Houston	110,810,196	6	18	2,514,420	44.8	41.7	38.5
Laredo	906,120	-14	8	41,346	21.8	25.0	21.7
Lubbock	3,698,988	-16	7	158,227	22.6	25.4	23.0
McAllen-Pharr-Edinburg	1,675,440	-5	5	101,210	16.6	17.3	16.5
Midland	1,977,240	-11	5	132,451	14.9	16.7	14.3
Odessa	1,594,548	-11	-7	96,771	17.2	17.4	23.5
San Angelo	1,395,168	-2	14	69,914	19.3	19.9	17.5
San Antonio	18,752,364	-2	9	646,127	28.8	28.1	27.8
Sherman-Denison	1,082,628	-10	3	66,910	16.7	18.6	18.3
Texarkana (Texas-Arkansas)	1,311,312	-7	-3	70,581	18.3	19.3	19.2
Tyler	2,288,940	-1	4	95,371	23.2	22.8	23.9
Waco	3,001,620	4	5	116,773	24.6	23.4	24.8
Wichita Falls	2,408,484	4	5	118,802	20.6	20.0	20.3
Total—28 centers	\$373,093,272	5%	15%	\$9,294,807	40.2%	38.1%	36.7%

<sup>1</sup> Deposits of individuals, partnerships, and corporations and of states and political subdivisions

<sup>2</sup> County basis

## BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)			
	NUMBER	January 1971	Percent change January 1971 from	
			January 1971	December 1970
ARIZONA				
Tucson	357	\$ 4,299	-54%	-8%
LOUISIANA				
Monroe-West Monroe	125	1,903	-68	-38
Shreveport	445	2,461	-30	-55
TEXAS				
Abilene	36	300	-38	-68
Amarillo	91	1,124	-76	-92
Austin	380	14,814	-21	78
Beaumont	115	749	33	13
Brownsville	84	380	-80	-10
Corpus Christi	838	4,090	162	274
Dallas	1,631	23,440	-19	76
Denison	36	474	379	184
El Paso	396	7,567	-26	-37
Fort Worth	373	4,329	15	-45
Galveston	72	1,961	229	222
Houston	3,415	36,847	-18	3
Laredo	78	1,467	586	664
Lubbock	117	5,737	36	456
Midland	51	256	-73	45
Odessa	63	542	-44	-58
Port Arthur	57	257	122	10
San Angelo	54	350	-70	-41
San Antonio	1,303	5,732	-39	9
Sherman	73	892	22	156
Texarkana	41	804	393	279
Waco	169	1,293	112	76
Wichita Falls	61	1,120	40	304
Total—26 cities	10,461	\$123,188	-21%	3%

## VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	January 1971	December 1970	November 1970	January 1970 <sup>r</sup>
FIVE SOUTHWESTERN STATES <sup>1</sup>	546	553	553	622
Residential building	225	290	227	190
Nonresidential building	227	173	199	224
Nonbuilding construction	94	90	128	208
UNITED STATES	4,383	4,974	5,145	4,825
Residential building	1,631	2,045	1,947	1,426
Nonresidential building	1,711	1,693	1,701	2,188
Nonbuilding construction	1,041	1,235	1,497	1,211

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas

<sup>r</sup>—Revised

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

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

## GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1969: January	10,752	4,935	5,817	7,627	3,135	4,492
1970: January	10,793	4,910	5,883	7,108	2,568	4,540
August	10,530	4,816	5,714	7,783	2,926	4,857
September	10,658	4,885	5,773	8,088	3,162	4,926
October	10,684	4,860	5,824	8,317	3,305	5,012
November	10,843	4,899	5,944	8,622	3,476	5,146
December	11,271	5,161	6,110	8,825	3,554	5,271
1971: January	11,532	5,236	6,296	9,038	3,635	5,403

## DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	January 1971	December 1970	January 1970r	Percent change from	
				December 1970	January 1970
<b>FOUR SOUTHWESTERN STATES</b>					
Louisiana	7,296.0	7,265.5	6,724.8	0.4%	8.5%
New Mexico	2,760.8	2,758.0	2,366.4	.1	16.7
Oklahoma	342.9	339.0	358.4	1.2	-4.3
Texas	641.5	610.5	595.9	5.1	7.7
Gulf Coast	3,550.8	3,558.0	3,404.1	-2	4.3
West Texas	737.2	733.6	689.3	.5	6.9
East Texas (proper)	1,669.4	1,685.8	1,614.2	-1.0	3.4
Panhandle	239.0	235.2	194.0	1.6	23.2
Rest of state	78.8	79.1	79.3	-4	-6
UNITED STATES	826.4	824.3	827.3	.3	-1
	10,019.8	10,008.3	9,467.0	.1%	5.8%

r — Revised

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

## NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change Jan. 1971 from	
	January 1971p	December 1970	January 1970r	Dec. 1970	Jan. 1970
Total nonagricultural wage and salary workers	6,259,000	6,356,700	6,229,200	-1.5%	0.5%
Manufacturing	1,121,900	1,131,600	1,187,000	-.9	-5.5
Nonmanufacturing	5,137,100	5,225,100	5,042,200	-1.7	1.9
Mining	230,400	232,100	231,600	-.7	-.5
Construction	375,300	384,600	366,700	-2.4	2.3
Transportation and public utilities	448,600	450,900	446,500	-.5	.5
Trade	1,468,100	1,533,800	1,432,700	-4.3	2.5
Finance	322,400	322,000	312,700	.1	3.1
Service	1,001,100	1,006,600	985,500	-.6	1.6
Government	1,291,200	1,295,100	1,266,500	-.3%	2.0%

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas

p — Preliminary

r — Revised

SOURCE: State employment agencies

with a less than seasonal outflow of deposits. The reduction in bank credit took the form of declines in both bank loans and bank holdings of securities.

The fall in bank loans, however, was slightly less than in comparable periods of recent years, primarily reflecting strength in the demand for business and real estate loans and loans to financial institutions other than banks. The demand for business loans was probably associated with the recovery of economic activity and the further cut in the prime rate.

The rise in real estate loans probably reflected recent reductions in mortgage rates and increased construction activity.

The decline in security holdings was also less than usual in February, apparently because banks took into portfolio long-term U.S. Government securities acquired in the late-January Treasury refunding. Bank holdings of other securities fell substantially more than usual, however, reflecting a sizable decline in short-term municipals. This was the first such reduction in bank holdings

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	January 1971p	December 1970	November 1970	January 1970
<b>TEXAS</b>				
Total industrial production	182.0	181.6	179.4r	181.2r
Manufacturing	201.2	199.3	194.2r	205.6
Durable	204.5	202.1	198.7	226.7r
Nondurable	199.1	197.4	191.2r	191.6
Mining	137.5	139.6	142.8r	130.9r
Utilities	274.6	274.6	266.2r	262.0
<b>UNITED STATES</b>				
Total industrial production	165.1	164.0	161.5r	170.4r
Manufacturing	162.7	161.6	158.7r	170.2r
Durable	157.5	155.6	151.5r	169.7r
Nondurable	169.2	169.0	167.7	171.0
Mining	140.1	139.6	140.8r	131.7r
Utilities	244.0	242.0	238.7r	230.1

p — Preliminary

r — Revised

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

## LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

Species	Texas		Five southwestern states <sup>1</sup>		United States	
	1971	1970	1971	1970	1971	1970
All cattle and calves	12,578	12,212	22,029	21,590	114,568	112,303
Milk cows	355	354	757	765	12,445	12,578
Beef cows	5,791	5,556	9,891	9,611	37,557	36,404
Sheep	3,789	3,708	5,239	5,212	19,560	20,288
Stock sheep	3,510	3,408	4,822	4,751	16,937	17,411
Feeders	279	300	417	461	2,623	2,877
Hogs	1,419	959	2,323	1,676	67,540	56,655
Chickens	17,267	17,096	28,320	28,450	442,783	433,640
Turkeys	1,747	1,077	4,805	4,117	7,462	6,769

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas

<sup>2</sup> Data are for December of preceding year.

<sup>3</sup> Excludes commercial broilers

<sup>4</sup> Excludes Arizona and New Mexico, which were combined with Florida, Idaho, Montana, and Wyoming to avoid disclosure of individual state operations

SOURCE: U.S. Department of Agriculture

of municipal securities since mid-1970.

The fall in bank deposits was due entirely to a larger than usual decline in demand deposits. Time and savings deposits other than large CD's rose sharply in February. In light of these ample inflows, banks added only nominally to their CD's outstanding. On balance, however, they increased their borrowings from nondeposit sources. This increase was reflected largely in a rise in borrowings in the Eurodollar market.