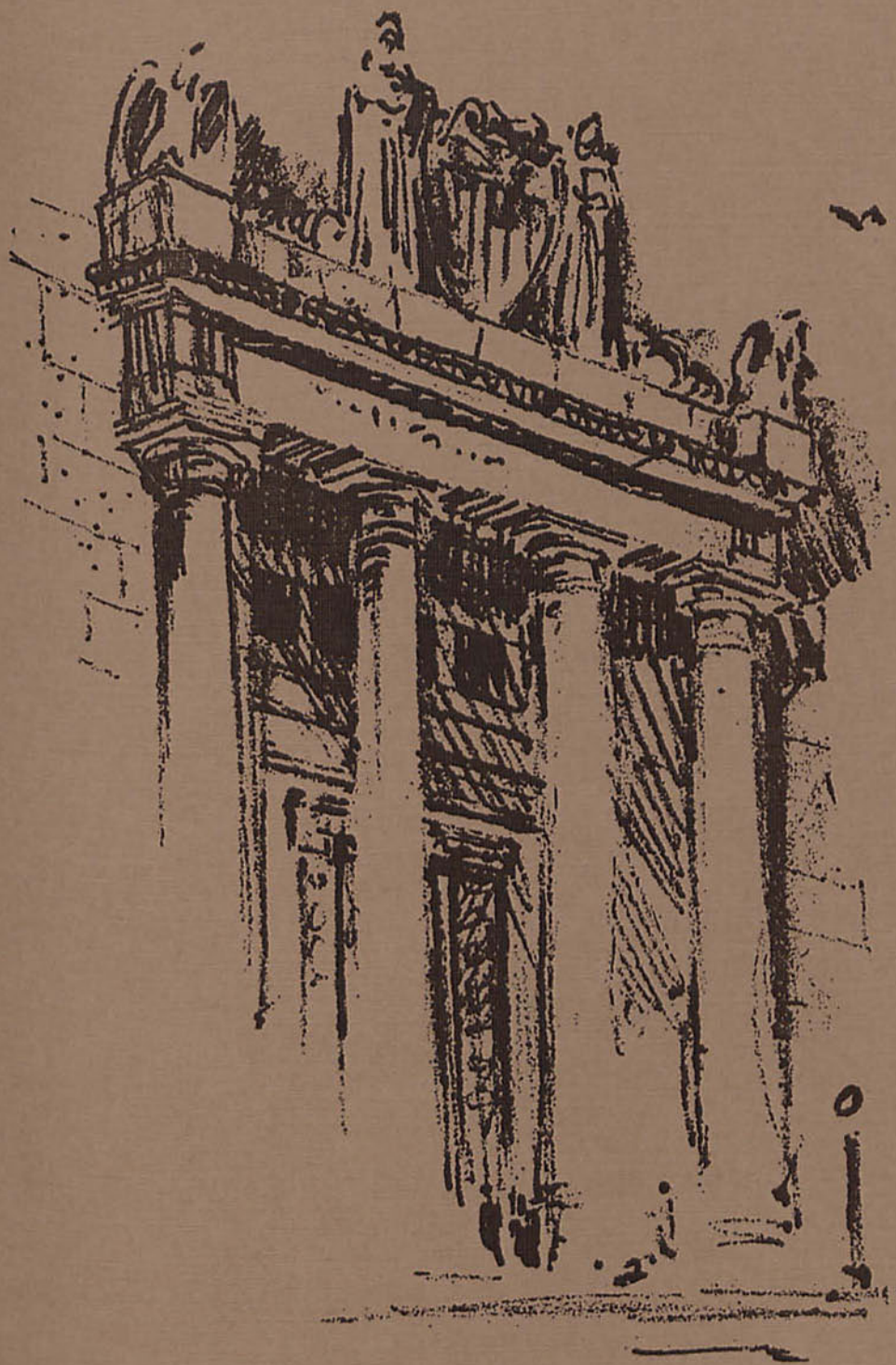


Federal Reserve Bank of Dallas

# Business Review

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Bank Structure—  
Market for Bank Services  
Changes in Texas

Population in Texas—  
Wage Differentials Spur  
Rural-to-Urban Movement

April 1971



# Market for Bank Services

## Changes in Texas

Healthy growth of commercial banks is critical to the nation's general economic wellbeing. Demand deposits of banks serve as the primary component of the money supply. Bank credit supports economic expansion, while bank reserves are the principal vehicle for the implementation of monetary policy. For these reasons, the structure of the nation's banking system is a matter of vital public interest and, therefore, subject to close scrutiny by state and federal authorities.

A large body of rules and regulations has developed over the years to deal with such matters as the establishment of new banks, the geographic expansion of banks through branching, the periodic publication of bank statements of condition, the examination of banks by public agencies, and the setting of maximum rates banks can charge on certain types of loans and pay on time and savings deposits.

Although some regulations limit the scope of banking activities, banks still have a broad range of

discretion in the management of their affairs. They are free, for example, to determine the types of loans they will make. In making loans, they can assign priorities to various groups of potential borrowers. And within the limits of state usury laws, they can set the rates charged for loans.

Even in exercising discretionary authority, however, banks still face the restraints of competition. A high degree of competition generally forces banks to expand their services and offer services at prices close to costs. Without significant competition, banks could restrict the services they offer or raise their prices.

While competition is a vital influence on the performance of banks in meeting the needs of the public, not all banks are subject to the same degree of competition. There are almost 14,000 banks in the United States, but they obviously do not all compete with one another. Most banks normally confine their operations to a limited geographic area and compete only with other banks and financial

institutions in the same geographic market. In this market setting, the level of competition a bank faces is determined largely by the structure of the particular geographic market as reflected in the number and relative size of competing financial institutions in the area.

This article examines recent developments in the structure of banking markets in the 23 standard metropolitan statistical areas of Texas. These areas are among the state's most important banking markets, accounting for almost half its insured commercial banks and about 80 percent of its total bank deposits. They are also among the fastest growing communities in the state and since 1950 have attracted eight out of every ten new entrants into the state's banking industry.

The number of banks in these areas has actually increased proportionately faster than population. As a result, the availability of banking services seems to have improved. At the same time, the concentration of deposits in the largest banks has generally declined.

### SMSA's

A standard metropolitan statistical area consists of a county with at least one city of at least 50,000 population, plus any adjacent counties that appear metropolitan in character and economically and socially integrated with the county of the central city. The area can cross state lines. If the area includes more than one city of 50,000 population, the largest city is considered the nucleus and its name is usually used to identify the SMSA. The name can include more than one city, however.

### Banking markets

To describe the structure of banking markets in Texas, the boundaries of the markets must first be determined. But, unfortunately, the geographic limits of banking markets are especially difficult to determine—harder perhaps than for any other industry.

Commercial banks are multi-product firms, and the markets for their products can differ widely. A large downtown bank in a major financial center, such as Houston or Dallas, typically finds individual



# NUMBER OF COMMERCIAL BANKS IN TEXAS METROPOLITAN AREAS

Population size <sup>1</sup> and standard metropolitan statistical area	Number of banks, end of year			Change, 1970 from 1950	
	1950	1960	1970	Absolute	Percent
<b>50,000 to 99,999</b>					
Laredo .....	2	2	3	1	50%
Midland .....	2	3	3	1	50
Odessa .....	2	4	4	2	100
San Angelo .....	3	3	5	2	67
Sherman-Denison .....	10	10	12	2	20
Texarkana (Bowie County only) .....	4	6	6	2	50
Tyler .....	7	8	8	1	14
Total .....	30	36	41	11	37
<b>100,000 to 499,999</b>					
Abilene .....	10	11	12	2	20
Amarillo .....	4	6	9	5	125
Austin .....	6	8	13	7	117
Beaumont-Port Arthur-Orange .....	9	18	19	10	111
Brownsville-Harlingen-San Benito .....	7	8	9	2	29
Corpus Christi .....	15	17	25	10	67
El Paso .....	6	8	12	6	100
Galveston-Texas City .....	9	9	14	5	56
Lubbock .....	5	8	10	5	100
McAllen-Pharr-Edinburg .....	14	15	16	2	14
Waco .....	11	15	15	4	36
Wichita Falls .....	7	7	10	3	43
Total .....	103	130	164	61	59
<b>500,000 and over</b>					
Dallas .....	70	75	113	43	61
Fort Worth .....	22	28	42	20	91
Houston .....	57	90	142	85	149
San Antonio .....	22	27	37	15	68
Total .....	171	220	334	163	95
TOTAL, 23 SMSA'S .....	304	386	539	235	77%

1. Census estimates for 1970

checking accounts, consumer installment loans, and passbook savings accounts coming largely from nearby areas, usually from within the county or from an adjacent county. But at the same time, such a bank may also participate actively in the national market for loans to large corporations, competing with banks in all parts of the country.

For most banking services, however, the relevant geographic market is confined to a metropolitan area or smaller population center. This is particularly true in the case of services ordinarily sought by individuals and small to medium-size businesses. For these customers, viable banking alternatives are usually available only in the local area. The inconvenience of shopping around for bank services and the lack of information regarding distant alternatives give local banks a decided advantage in the competition for compara-

tively small deposits and small loans.

In Texas, as elsewhere in the United States, metropolitan areas represent fairly close approximations of market areas for most banking services. This is especially true in Texas, where there are usually large distances between major cities and great differences in local areas. For many banking services, the state's 23 SMSA's are fairly well-defined market areas.

## Market structure

Critical elements in the structure of a banking market include—

- Number of banks
- Average population per bank
- Concentration ratio—the percentage of assets or deposits held by one or more of the largest banks in the market

All three of these elements have limitations as indexes of market structure. The number of banks in a market, for example, gives no



# POPULATION PER BANK IN TEXAS METROPOLITAN AREAS

Population size <sup>1</sup> and standard metropolitan statistical area	Population per bank			Change, 1970 from 1950	
	1950	1960	1970	Absolute	Percent
<b>50,000 to 99,999</b>					
Laredo .....	28,071	32,396	24,286	-3,785	-13.5%
Midland .....	12,893	22,572	21,811	8,918	69.2
Odessa .....	21,051	22,749	22,951	1,900	9.0
San Angelo .....	19,643	21,543	14,209	-5,434	-27.7
Sherman-Denison .....	7,047	7,304	6,935	-112	-1.6
Texarkana (Bowie County only) .....	15,492	9,995	11,302	-4,190	-27.1
Tyler .....	10,672	10,794	12,137	1,465	13.7
<b>100,000 to 499,999</b>					
Abilene .....	8,552	10,943	9,497	945	11.1
Amarillo .....	21,785	24,916	16,044	-5,741	-26.4
Austin .....	26,830	26,517	22,732	-4,098	-15.3
Beaumont-Port Arthur-Orange .....	26,183	17,001	16,629	-9,554	-36.5
Brownsville-Harlingen-San Benito .....	17,881	18,887	15,596	-2,285	-12.8
Corpus Christi .....	13,421	15,682	11,377	-2,044	-15.2
El Paso .....	32,495	39,259	29,941	-2,554	-7.9
Galveston-Texas City .....	12,563	15,596	12,129	-434	-3.5
Lubbock .....	20,210	19,534	17,930	-2,280	-11.3
McAllen-Pharr-Edinburg .....	11,460	12,060	11,346	-114	-1.0
Waco .....	13,019	10,721	9,837	-3,182	-24.4
Wichita Falls .....	15,044	18,520	12,762	-2,282	-15.2
<b>500,000 and over</b>					
Dallas .....	11,155	14,926	13,769	2,614	23.4
Fort Worth .....	17,847	20,472	18,145	298	1.7
Houston .....	16,412	15,759	13,979	-2,433	-14.8
San Antonio .....	33,364	31,234	22,445	-10,919	-32.7
<b>AVERAGE, 23 SMSA'S</b> .....	<b>17,960</b>	<b>19,104</b>	<b>15,991</b>	<b>-1,970</b>	<b>-6.9%</b>

1. Census estimates for 1970  
 SOURCES: U.S. Bureau of the Census  
 Federal Reserve Bank of Dallas

weight to such other financial institutions as credit unions and savings and loan associations. These institutions often compete aggressively with commercial banks for savings deposits and real estate and consumer loans. Moreover, two markets can have the same number of banks and still differ widely in the relative size and market power of competing institutions.

Concentration ratios provide some indication of the comparative size of banks in a market, but here again, they do not reflect the importance of competition from financial institutions other than banks. Moreover, while banks are multiproduct firms, concentration ratios are usually computed in terms of a single balance sheet item, such as total deposits or total assets. The ratios, therefore, often do not adequately describe concentration in all of the great variety of services performed by banking institutions.

Similarly, while population per bank provides some measure of the relative availability of banking alternatives to the public, it says nothing about the geographic distribution of banks within the market area. Since for many services convenience is a big factor in choosing a bank, the location of banks is a critical element in assessing the adequacy of banking facilities.

Clearly, then, each of these elements has serious limitations. Taken together, however, they provide a rough summary measure of the extent to which the public faces viable alternatives in its demand for banking services.

## Structural trends

The number of commercial banks in Texas SMSA's has increased sharply in recent years. Where there were 304 banks in the SMSA's in 1950, there were 539 in 1970. For the state as a whole, the number of banks increased from 908 to 1,190



during this period. Thus, where SMSA's accounted for about 33 percent of the banks in Texas in 1950, they accounted for about 45 percent in 1970. More than 80 percent of the statewide increase in banks over these two decades was in SMSA's.

There were net gains in each of the 23 SMSA's. The largest gains, however—both in absolute number and relative to the level in 1950—were in the largest population centers—Dallas, Fort Worth, Houston, and San Antonio. Taken together, the number of banks in these four centers almost doubled. This increase—from 171 in 1950 to 334 in 1970—represented over half the increase in the number of banks in the state during that period. Houston alone gained 85 banks, which brought its total to more than twice the number in 1950. Dallas had a net increase of 43 banks, which represented a 60-percent gain.

By contrast, the smallest SMSA's (those with populations less than 100,000) gained a total of only 11 banks. This represented an increase for these seven SMSA's of only 37 percent in 20 years.

Medium-size centers (those with populations of at least 100,000 but less than 500,000) made average gains falling between these extremes. Where these 12 SMSA's had a total of 103 banks in 1950, they had 164 in 1970. The net addition represented an advance of 59 percent.

The number of banks in Texas SMSA's increased faster than population during this period, apparently increasing the availability of banking services. Average population per bank dropped from about 18,000 in 1950 to about 16,000 in 1970. All this drop came in the 1960's, as the number of metropolitan banks increased a third while metropolitan popula-

tion increased little more than a fifth.

Changes in population per bank varied widely, however, with no discernible pattern that related to the populations of the SMSA's or their locations in the state. Population per bank declined in 17 of the 23 SMSA's. The exceptions were Abilene, Dallas, Fort Worth, Midland, Odessa, and Tyler, each representative of a different size SMSA.

Deposits became less concentrated during this 20-year period, especially in the 1960's. The proportion of deposits held by the largest bank in the area declined in 19 of the 23 SMSA's, dropping, on average, about six percentage points after 1950 and nearly five percentage points after 1960. Similarly, concentration of deposits in the hands of the two largest banks declined in 20 of the 23 SMSA's, falling an average of about nine percentage points after 1950 and more than seven percentage points after 1960.<sup>1</sup>

Concentration varied considerably among the SMSA's, with the largest declines, particularly in the 1950's, generally occurring in small to moderate-size communities. Concentration in the Dallas and Houston areas increased enough in the 1950's to blunt much of the effect of significant declines in concentration in these two centers in the 1960's.

### Determinants of trends

The rapid increase in the number of banks in the metropolitan areas of Texas stands in sharp contrast to developments nationwide. Where there was a net increase of 77 percent in the number of metropolitan banks in Texas between 1950 and 1970 (and a 31-percent increase statewide), there was a net decline of about 3 percent in the nation as a whole.

Some of this difference was due to the rapid growth of SMSA's in Texas. Total population of these 23 SMSA's increased 70 percent over this period, while population in the nation increased only 34 percent.

But most of the difference reflected the fact that Texas is a unit-banking state. Since branching is prohibited in Texas, the increase in banking offices needed to accommodate the additional demand came necessarily through the creation of new banks rather than the proliferation of branch offices. By contrast, while the number of separately incorporated banks in the nation declined, on balance, after 1950, the number of branch offices quadrupled.

The state's banking laws tended not only to encourage the creation of new banks but also to slow the pace of mergers among existing banks—mergers that otherwise might have offset some of the increase in new banks. Even though one out of every 12 commercial banks in the nation is located in Texas, the state has accounted for less than 2 percent of the nation's postwar bank mergers. Since the merger of two banks operating under unit-banking laws ordinarily means one of the offices must be closed, the infrequency of bank mergers in Texas was in line with developments in other states prohibiting branching. Taken as a whole, unit-banking states have accounted for less than 10 percent of the nation's postwar bank mergers.

These laws also profoundly influenced the concentration of bank deposits in SMSA's. The prohibition against branches allowed banks in the rapidly expanding suburbs to capture large shares of the growing pool of SMSA deposits. Without this prohibition, large downtown banks would doubtlessly

1. These findings concerning market concentration must be interpreted with caution, however, since they do not reflect the effects of group and chain banking. Chain banking usually refers to the control of two or more banks by a single individual or informal group of individuals. Group banking implies the ownership or control of at least two banks by a formal holding company.



# PERCENTAGE OF SMSA DEPOSITS HELD BY THE LARGEST BANK IN TEXAS METROPOLITAN AREAS

Population size <sup>1</sup> and standard metropolitan statistical area	Concentration ratio, end of year			Change	
	1950	1960	1969 <sup>2</sup>	1960 from 1950	1969 from 1960
<b>50,000 to 99,999</b>					
Laredo	67.7%	63.7%	59.5%	-4.0	-4.2
Midland	65.9	57.4	62.3	-8.5	4.9
Odessa	63.1	42.9	39.2	-20.2	-3.7
San Angelo	42.8	44.6	37.4	1.8	-7.2
Sherman-Denison	35.7	34.7	31.6	-1.0	-3.1
Texarkana (Bowie County only)	83.5	75.3	60.6	-8.2	-14.6
Tyler	43.2	38.0	30.5	-5.2	-7.5
<b>100,000 to 499,999</b>					
Abilene	35.0	35.8	27.7	.8	-8.1
Amarillo	48.7	38.1	36.4	-10.6	-1.7
Austin	39.0	33.4	29.6	-5.6	-3.8
Beaumont-Port Arthur-Orange	27.8	22.1	26.0	-5.7	3.9
Brownsville-Harlingen-San Benito	27.1	28.7	24.4	1.6	-4.3
Corpus Christi	32.5	44.4	34.5	11.9	-9.9
El Paso	46.4	44.1	38.5	-2.3	-5.6
Galveston-Texas City	22.4	27.5	21.0	5.1	-6.5
Lubbock	36.1	34.6	30.7	-1.5	-3.9
McAllen-Pharr-Edinburg	18.0	18.4	18.4	.4	.0
Waco	41.3	37.9	34.2	-3.4	-3.7
Wichita Falls	39.4	53.6	46.8	14.2	-6.8
<b>500,000 and over</b>					
Dallas	29.9	35.1	28.7	5.2	-6.4
Fort Worth	41.1	35.6	27.5	-5.5	-8.1
Houston	17.4	26.9	19.3	9.5	-7.6
San Antonio	31.5	27.8	24.4	-3.7	-3.4

1. Census estimates for 1970

2. Latest year for which comparable figures are available

SOURCES: Rand McNally International Bankers Directory  
Federal Reserve Bank of Dallas

# PERCENTAGE OF SMSA DEPOSITS HELD BY THE TWO LARGEST BANKS IN TEXAS METROPOLITAN AREAS

Population size <sup>1</sup> and standard metropolitan statistical area	Concentration ratio, end of year			Change	
	1950	1960	1969 <sup>2</sup>	1960 from 1950	1969 from 1960
<b>50,000 to 99,999</b>					
Laredo	100.0%	100.0%	88.5%	0.0	-11.5
Midland	100.0	88.9	90.6	-11.1	1.7
Odessa	100.0	69.1	70.6	-30.9	1.5
San Angelo	72.6	72.4	67.6	-.2	-4.8
Sherman-Denison	57.6	57.4	49.5	-.2	-7.9
Texarkana (Bowie County only)	83.5	80.2	78.3	-3.3	-1.9
Tyler	69.6	68.6	59.2	-1.0	-9.4
<b>100,000 to 499,999</b>					
Abilene	65.7	68.8	54.9	3.1	-13.9
Amarillo	83.1	75.9	66.9	-7.2	-9.0
Austin	69.6	62.3	55.5	-7.3	-6.8
Beaumont-Port Arthur-Orange	53.0	43.6	43.6	-9.4	.0
Brownsville-Harlingen-San Benito	53.3	54.9	45.6	1.6	-9.3
Corpus Christi	50.4	62.1	54.1	11.7	-8.0
El Paso	89.1	84.3	72.0	-4.8	-12.3
Galveston-Texas City	43.0	49.8	38.8	6.8	-11.0
Lubbock	69.7	58.4	51.8	-11.3	-6.6
McAllen-Pharr-Edinburg	28.0	32.6	36.0	4.6	3.4
Waco	79.5	75.1	66.4	-4.4	-8.7
Wichita Falls	74.7	87.9	78.9	13.2	-9.0
<b>500,000 and over</b>					
Dallas	57.2	65.4	55.2	8.2	-10.2
Fort Worth	72.8	66.5	50.2	-6.3	-16.3
Houston	34.7	43.0	31.3	8.3	-11.7
San Antonio	57.5	52.8	42.4	-4.7	-10.4

1. Census estimates for 1970

2. Latest year for which comparable figures are available

SOURCES: Rand McNally International Bankers Directory  
Federal Reserve Bank of Dallas



have established branches in the suburbs and more of these deposits would have been channeled into the large banks.

While unit-banking laws were undoubtedly central to the shaping of trends in the number of banks and concentration of deposits in the SMSA's of Texas, differences in the structural trends in banking markets in the state were clearly due to other factors, such as differences in rates of growth in population, income, and employment between the various SMSA's and shifts in patterns of population growth.

As might be expected, the greatest gains in new banks were in the fastest growing areas. Population, for example, almost doubled in Dallas, Fort Worth, Houston, and San Antonio, all centers with populations of more than 500,000, and these four centers also had the fastest growth in new banks. By contrast, population in the seven SMSA's with less than 100,000 people increased only about 50 percent and the number of banks in these areas increased the slowest.

Part of the rapid growth in the number of banks was also accounted for by shifts in population to the suburbs. The growth of suburban areas around Dallas, Fort Worth, Houston, and San Antonio spurred a rapid buildup in new suburban banks to provide the deposit and credit services needed in these outlying areas. Because the large downtown banks could not branch into the suburbs, many new banks were chartered to meet the additional demand. There was no such rapid buildup in the smaller SMSA's (particularly those with populations less than 100,000), indicating the need for new banks was not as great as in the larger metropolitan centers.

As population shifted to the suburbs surrounding the state's largest cities and deposits flowed to outlying banks, the share of deposits held by the large downtown banks

declined. The concentration of deposits in the very largest centers, however—Dallas and Houston—declined far less, on average, than in the smaller SMSA's. The ability of large city banks to maintain their market positions despite the rapid growth of suburban banks partly reflects the fact that the larger institutions were not totally dependent on local conditions for their growth. These large banks participate actively in regional and national markets for corporate loans and deposits and, therefore, are less affected by the growth of competing suburban banks than their counterparts in smaller SMSA's.

In conclusion, the structure of banking markets in metropolitan areas of Texas has undergone significant change in the past 20 years. The number of banks has increased in all 23 SMSA's, while the average number of people served by each bank has generally declined. Concentration of deposits in the largest banks has also declined in most metropolitan areas, particularly in the decade just ended.

These changes partly reflect the rapid economic expansion of the state and the character of its banking laws. But they also reflect the rapid growth of suburban communities surrounding the state's largest cities—growth that has resulted in a rapid rise in new suburban banking facilities and a corresponding decline in the relative positions of large downtown banking institutions.

—William H. Kelly  
Peter S. Rose



# Wage Differentials Spur Rural-to-Urban Movement

The population of Texas increased nearly 17 percent from 1960 to 1970. But most of this gain was in the urban counties. Except for a few counties in the Panhandle and the Big Thicket of East Texas and along the Rio Grande, rural counties lost population.

The only counties, in fact, to gain population through in-migration—except the large metropolitan counties and the counties adjacent to them—were four counties in the Panhandle and nine counties in East Texas. Population increases in counties along the Rio Grande were the result of natural increases that more than offset losses in population to out-migration.

There are many reasons for people moving from one area to another. Climate, preference for large cities or small towns, and proximity to friends and relatives—all these, for example, influence changes in location. But the most important reasons for migration are economic.

People tend to locate in areas where they are paid most for their services, and wages and incomes average significantly higher in urban areas than in rural areas. In Texas, urban incomes averaged about 40 percent higher than rural incomes in 1960. Furthermore, farm workers, who made up a significant part of the rural work force, received, on average, only two-fifths as much as other production workers, whether urban or rural.

This differential gave farm workers ample incentive to switch to nonagricultural jobs, most of which were in urban areas. From 1958 to 1968, total employment in 176 rural counties of Texas (counties that were not urban or adjacent to urban counties) fell by 73,000. Ag-

ricultural employment alone fell 62,000. Thus, even though farm workers accounted for less than a third of the employment in these counties in 1958, they accounted for about 85 percent of the decline in total employment over the ten-year period.

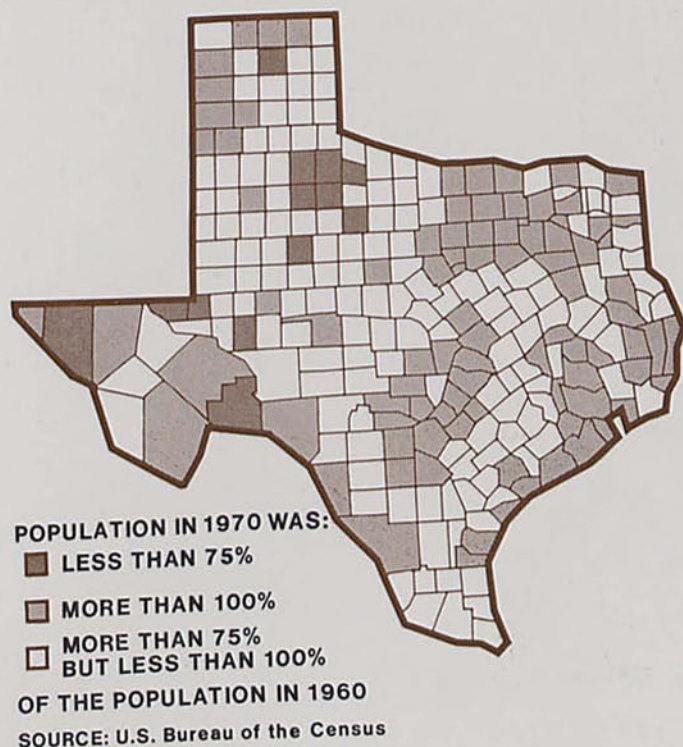
The difference in wage rates caused many manufacturers to establish plants in rural counties. But these efforts to make use of less-expensive labor only slightly dampened the outflow of population to the cities. The employment these plants offered was not enough to offset the basic differences in wages or to reverse the

general trend in population. From 1968 to 1970, out-migrations from rural counties averaged 4,000 more than natural increases in population (births less deaths).

## Basis for the difference

Migration would ordinarily be expected to have narrowed differences in rural and urban incomes. Workers moving into high-wage, high-employment areas increase the supply of labor there and tend to slow the increase in wages. Conversely, wages would be expected to rise faster in areas that had lost workers through migration. But such has not been the case with the

Population—With few exceptions, population gains were in urban counties





rural-to-urban movement—in Texas or the nation.

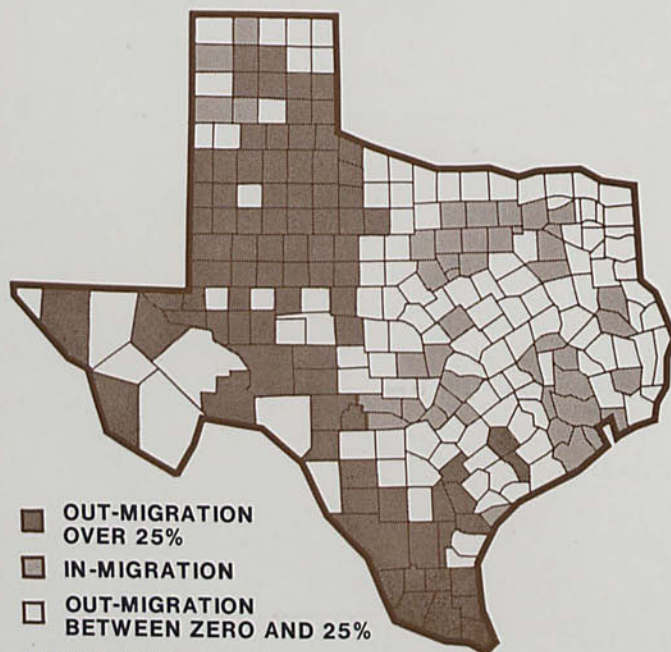
While migration slowed the increasing difference between urban and rural wages, it was not enough to stop the increase. With the rapid gains in economic activity in the cities, urban demand for workers continued to rise even though large numbers of workers were migrating to the cities. And as new techniques of agricultural production further reduced the demand for farm workers, the gap between farm and non-farm wages continued to spread. In Texas between 1958 and 1968, wages of manufacturing workers, for example, increased nearly twice as much as wages of farm workers.

For employment in the average-size rural county of Texas not to have declined, the value of its agricultural production would have had to increase about \$15 million over this ten-year period. Production increased more than that in

Sherman, Hansford, Castro, and Deaf Smith counties, the four Panhandle counties that gained population. But over the decade the average dollar increase in crop and livestock production in all 176 counties was only about \$2 million.

Advances were particularly slow in West Texas, where production was hampered by the scarcity of water. After rapid growth in production and population in the 1940's and 1950's, population in some South Plains counties dropped as supplies of underground water were depleted and production was shifted from crops to livestock. Some counties in North Texas made slight gains in production of crops and livestock but not enough to prevent a decline in population. Farm employment also fell in East Texas, although out-migration from there tended to be less than in other parts of the state, primarily because of in-

**Migration—Large numbers of Texans moved out of rural counties in 1960-70**



SOURCE: U.S. Bureau of the Census



creases in manufacturing. Of the nine East Texas counties that had population increases, seven also had increases in manufacturing employment.

### Employment alternatives

Farm workers, of course, were not limited entirely to a choice between remaining on farms or moving to the cities. There is substantial non-farm employment in rural counties, and it has been increasing relative to farm employment. Farm labor, in fact, accounted for only 31 percent of the work force in rural counties of Texas in 1958, and by 1968 the proportion had fallen to 26 percent.

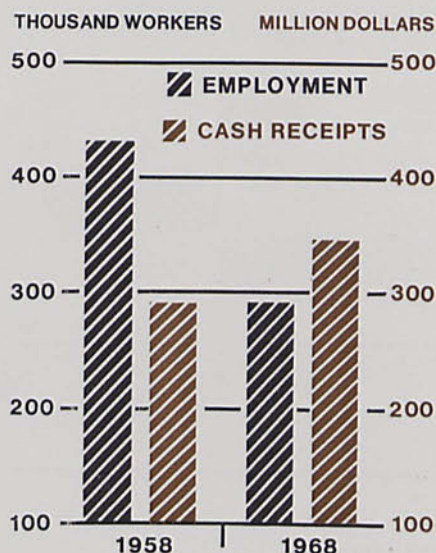
This decline reflected not only the migration of farm workers to the cities but also a shift from farm jobs to higher-paying nonfarm jobs in rural areas. And most of the relative strength of total employment in the 176 rural counties (a decline of only 8.8 percent from 1958 to 1968, compared with a decline of nearly a fourth in farm employment) was in manufacturing.

Nonfarm workers in rural counties are employed primarily in one of three kinds of small-town enterprises—

- Those supplying goods and services to support agricultural production in the area
- Those supplying goods and services to residents and industries in the area generally
- Those manufacturing goods for shipment outside the area

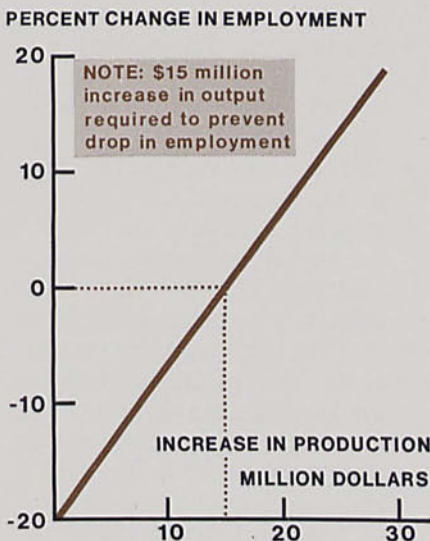
Employment in the first category—and to an extent, the second—is tied closely to the level of local agricultural output. And agricultural output in most counties did not increase enough to support any great amount of employment in either category. With total employment on the decline, neither of these primarily commercial categories absorbed any large number of former farm workers. But manufacturing plants took on 15,000

### Farm employment slips in Texas as cash receipts rise



SOURCE: U.S. Department of Agriculture

### Without rise in farm output, average rural Texas county lost employment in 1958-68

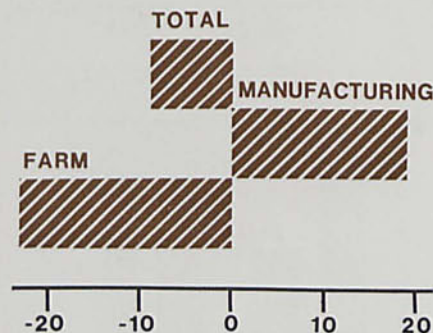


SOURCE: U.S. Department of Agriculture



## Drop in farm employment outweighs manufacturing gain in rural Texas counties

PERCENT CHANGE IN EMPLOYMENT,  
1968 FROM 1958



SOURCE: Texas Employment Commission

additional workers over the ten-year period.

During that time, some 2,000 new manufacturing plants were established in rural counties. Attracted, apparently, by the same urban-rural wage differential that caused many workers to leave rural areas, companies established plants that tended to have certain characteristics in common. Although there are a few marked exceptions (primarily plants based on the extractive industries), most plants in the 176 truly rural counties of Texas are—

- Fairly small. Three-fourths of the plants in these counties in 1968 employed fewer than 20 workers.
- Labor intensive. Most of the plants produced such goods as apparel, food products, and lumber and other building materials, all of which require relatively large inputs of labor.
- Able to reduce transportation costs. Most of the plants either are located near sources of raw materials (such as lumber) or near markets for bulky materials (such as cement) or produce goods (such as apparel) that have low transportation costs relative to the value of the product.

These characteristics suggest that growth of manufacturing in rural Texas has been encouraged primarily by comparatively low wage rates and savings in transportation costs. Since any significant reduction in costs of transportation for rural counties seems unlikely and any further development of extractive industries that might provide the basis for additional manufacturing plants is unpredictable, the future growth of nonfarm employment in rural areas apparently depends almost entirely on the urban-rural wage differential.

As rural workers migrate to the cities, there will be a tendency for the differential to narrow, thereby reducing the greatest incentive for companies to locate plants in rural areas. But as further laborsaving techniques are introduced into agriculture, there will be a tendency for the differential to spread.

Essentially, then, future growth in rural employment will depend primarily on growth in urban demand for workers. If this growth in demand continues to hold urban wages well above the wage rates paid in rural areas, the differential can be expected to continue providing incentives both for new manufacturing plants to locate in rural counties and for rural workers to migrate to the cities.

—Kenneth Wieand



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### **New par banks**

The Texas Bank of Beaumont, Beaumont, 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, March 15, 1971. The officers are: Lewis H. McNeely, President, and James R. Gunter, Vice President and Cashier.

The First Security State Bank, Cranfills Gap, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on March 15, 1971. The officers are: Wm. B. Bertelsen, Chairman of the Board; Hubert Viertel, Vice Chairman; Ray Hastings, President; and Lonnie C. Tergerson, Vice President and Cashier.

The Farmers State Bank, Meridian, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on March 15, 1971. The officers are: Wm. B. Bertelsen, Chairman of the Board; Hugh H. Trotter, President; Cecil Wimberly, Vice President; and Mrs. Alda Chesnut, Vice President and Cashier.

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





# Federal Reserve Bank of Dallas

April 1971

## Statistical Supplement to the Business Review

The seasonally adjusted Texas industrial production index was essentially unchanged in February from revised levels for December and January. At 181.3 percent of its 1957-59 base, the index was up only 0.1 percent from January and 1.0 percent from February 1970.

Manufacturing was off 0.7 percent from a year before. Manufacturing of durable goods was down 1.6 percent from January and 9.2 percent from a year before. Production of transportation equipment remained weak, but production of electrical machinery rose 1.1 percent in February. Bolstered by advances in production of food products and chemicals, manufacturing of nondurable goods advanced 1.3 percent over January, largely offsetting the decline in durable goods.

Mining and utilities remained virtually unchanged from January, although both industry groups showed advances over a year before.

Total nonagricultural wage and salary employment in the five southwestern states rose slightly in February, further strengthening a small year-to-year gain since January. Employment in manufacturing continued to decline, falling to a level 5.4 percent below a year ago. Spurred by a strong advance in government employment, nonmanufacturing employment recovered slightly from January. There were offsetting declines, such as in mining and trade, however. Employment advanced slightly in finance and services, remained unchanged in transportation and public utilities, and was essentially unchanged in construction.

Oil allowables in producing states of the Eleventh District were unchanged in April from the high levels set for February and March, and only in Texas were they even marginally lower than the rate set for January. The allowables held at 82.1 percent of maximum efficient production in Texas, 75 percent in Louisiana, and 150 percent in Oklahoma. In southeastern New Mexico, the allowable per well continued at 80 barrels a day. At these rates, production areas are believed to be pumping close to their maximum outputs without wasting casinghead gas or creating pollution problems.

The Federal Power Commission has announced that small natural gas producers—those selling less than 10 billion cubic feet of gas a year—will soon be exempt from price regulation. This will exempt all but 70 of the nation's 4,700 gas producers.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio were 20 percent higher in February than in January. All four metropolitan centers posted increases. Registrations were 11 percent greater than in February 1970. Cumulative registrations were 4 percent higher than in the first two months of 1970.

Department store sales in the Eleventh District were unchanged in the four weeks ended March 27 from the corresponding period last year. Cumulative sales through that date were 6 percent higher than a year before.

Range and pasture conditions, as well as cattle conditions, have

fallen below ten-year averages in four of the five states of the Eleventh District. Only in Louisiana have conditions not deteriorated from drought during the past month. Some areas of Arizona, New Mexico, Oklahoma, and Texas are critically short of water for livestock. Supplemental feeding continues in these states.

Because of the dry fields, crop planting is proceeding slowly in Texas. Growth of vegetables has been set back several times by cool weather in Arizona, Oklahoma, and Texas, but there has been no extensive damage. In contrast, field work in Louisiana has been hampered by excessive soil moisture.

The blizzard that hit Oklahoma and the Panhandle of Texas in February caused extensive mixing of cattle and considerable death losses, especially in Oklahoma. The result was a condition loss for nearly all surviving cattle in the area. The cost to cattlemen in actual cattle losses and sorting and reconditioning is expected to be substantial.

As livestock feeding continued to increase in the District, Texas replaced Nebraska in the early part of the year as the nation's second largest cattle feeding state.

The Texas citrus crop is estimated to be substantially larger than last season. Projections show the orange crop up 36 percent and the grapefruit crop up 9 percent. In Arizona, however, the citrus crop is down. Production of oranges is expected to be off 29 percent from last season, and production of grapefruit to be off 21 percent. Also, Arizona had two nights of freezing in early March that have caused some damage to new  
*(Continued on back page)*



# CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

## Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Mar. 24, 1971	Feb. 24, 1971	Mar. 25, 1970
Federal funds sold and securities purchased under agreements to resell.....	517,700	681,027	328,350
Other loans and discounts, gross.....	6,666,500	6,601,660	5,994,269
Commercial and industrial loans.....	3,189,980	3,177,783	3,000,519
Agricultural loans, excluding CCC certificates of interest.....	117,426	119,010	106,206
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	500	500	500
Other securities.....	50,370	43,928	39,459
Other loans for purchasing or carrying:			
U.S. Government securities.....	1,565	1,645	1,230
Other securities.....	435,711	429,629	387,955
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	212,516	189,818	132,845
Other.....	481,079	438,467	342,679
Real estate loans.....	664,941	653,373	587,795
Loans to domestic commercial banks.....	18,761	13,832	10,222
Loans to foreign banks.....	11,937	10,386	10,329
Consumer instalment loans.....	733,907	733,026	729,816
Loans to foreign governments, official institutions, central banks, and international institutions.....	0	0	425
Other loans.....	747,807	790,263	644,289
Total investments.....	3,016,930	2,893,075	2,484,670
Total U.S. Government securities.....	998,515	978,602	892,650
Treasury bills.....	148,896	123,093	44,226
Treasury certificates of indebtedness.....	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	149,954	174,252	166,647
1 year to 5 years.....	531,260	512,003	598,375
After 5 years.....	168,405	169,254	83,402
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills.....	67,782	32,882	5,906
All other.....	1,718,815	1,646,574	1,458,205
Other bonds, corporate stocks, and securities:			
Certificates representing participations in:			
Federal agency loans.....	103,555	91,793	56,828
All other (including corporate stocks).....	128,263	143,224	71,081
Cash items in process of collection.....	1,157,074	1,171,427	1,016,240
Reserves with Federal Reserve Bank.....	954,991	917,362	818,805
Currency and coin.....	88,575	88,482	84,080
Balances with banks in the United States.....	559,357	572,826	449,748
Balances with banks in foreign countries.....	7,237	7,998	8,672
Other assets (including investments in subsidiaries not consolidated).....	457,731	460,119	506,796
<b>TOTAL ASSETS.....</b>	<b>13,426,095</b>	<b>13,393,976</b>	<b>11,691,630</b>

## RESERVE POSITIONS OF MEMBER BANKS

### Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Mar. 3, 1971	4 weeks ended Feb. 3, 1971	4 weeks ended Mar. 4, 1970
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	819,979	820,983	726,216
With Federal Reserve Bank.....	767,634	764,630	675,374
Currency and coin.....	52,345	56,353	50,842
Required reserves.....	823,875	817,634	725,816
Excess reserves.....	-3,896	3,349	400
Borrowings.....	0	0	23,355
Free reserves.....	-3,896	3,349	-22,955
<b>COUNTRY BANKS</b>			
Total reserves held.....	859,985	858,082	785,303
With Federal Reserve Bank.....	671,916	658,507	604,640
Currency and coin.....	188,069	199,575	180,663
Required reserves.....	828,836	828,250	756,076
Excess reserves.....	31,149	29,832	29,227
Borrowings.....	161	214	13,388
Free reserves.....	30,988	29,618	15,839
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	1,679,964	1,679,065	1,511,519
With Federal Reserve Bank.....	1,439,550	1,423,137	1,280,014
Currency and coin.....	240,414	255,928	231,505
Required reserves.....	1,652,711	1,645,884	1,481,892
Excess reserves.....	27,253	33,181	29,627
Borrowings.....	161	214	36,743
Free reserves.....	27,092	32,967	-7,116

LIABILITIES	Mar. 24, 1971	Feb. 24, 1971	Mar. 25, 1970
Total deposits.....	10,752,463	10,735,048	8,866,268
Total demand deposits.....	6,044,603	6,067,081	5,549,339
Individuals, partnerships, and corporations.....	4,150,890	4,111,296	3,909,984
States and political subdivisions.....	339,355	330,823	258,789
U.S. Government.....	87,833	166,128	142,610
Banks in the United States.....	1,347,025	1,328,883	1,129,544
Foreign:			
Governments, official institutions, central banks, and international institutions.....	2,158	2,819	3,051
Commercial banks.....	26,700	28,972	24,594
Certified and officers' checks, etc.....	90,642	98,160	80,767
Total time and savings deposits.....	4,707,860	4,667,967	3,316,929
Individuals, partnerships, and corporations:			
Savings deposits.....	1,005,513	974,688	919,840
Other time deposits.....	2,474,084	2,496,561	1,625,228
States and political subdivisions.....	1,087,085	1,057,337	740,174
U.S. Government (including postal savings).....	41,479	30,581	1,823
Banks in the United States.....	85,914	95,015	15,314
Foreign:			
Governments, official institutions, central banks, and international institutions.....	12,685	12,685	13,200
Commercial banks.....	1,100	1,100	1,350
Federal funds purchased and securities sold under agreements to repurchase.....	1,020,752	999,089	978,055
Other liabilities for borrowed money.....	75,880	68,222	274,468
Other liabilities.....	377,003	401,159	437,455
Reserves on loans.....	136,638	138,439	134,804
Reserves on securities.....	19,934	19,471	13,277
Total capital accounts.....	1,043,425	1,032,548	987,303
<b>TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....</b>	<b>13,426,095</b>	<b>13,393,976</b>	<b>11,691,630</b>

## CONDITION STATISTICS OF ALL MEMBER BANKS

### Eleventh Federal Reserve District

(Million dollars)

Item	Feb. 24, 1971	Jan. 27, 1971	Feb. 25, 1970
<b>ASSETS</b>			
Loans and discounts, gross.....	12,931	12,878	11,434
U.S. Government obligations.....	2,302	2,280	2,054
Other securities.....	3,836	3,834	3,215
Reserves with Federal Reserve Bank.....	1,558	1,461	1,140
Cash in vault.....	277	282	260
Balances with banks in the United States.....	1,409	1,407	1,118
Balances with banks in foreign countries.....	11	12	10
Cash items in process of collection.....	1,358	1,418	1,089
Other assets.....	829	882	893
<b>TOTAL ASSETS.....</b>	<b>24,511</b>	<b>24,454</b>	<b>21,213</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,738	1,834	1,406
Other demand deposits.....	9,299	9,468	8,611
Time deposits.....	9,428	9,130	7,186
Total deposits.....	20,465	20,432	17,203
Borrowings.....	1,098	1,113	1,184
Other liabilities.....	1,104	1,071	1,088
Total capital accounts.....	1,844	1,838	1,738
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....</b>	<b>24,511</b>	<b>24,454</b>	<b>21,213</b>

e — Estimated

## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	Mar. 24, 1971	Feb. 24, 1971	Mar. 25, 1970
Total gold certificate reserves.....	451,474	580,081	413,719
Discounts for member banks.....	0	0	61,950
Other discounts and advances.....	0	0	2,240
U.S. Government securities.....	2,888,598	2,807,527	2,404,603
Total earning assets.....	2,888,598	2,807,527	2,468,793
Member bank reserve deposits.....	1,521,424	1,558,081	1,328,659
Federal Reserve notes in actual circulation.....	1,912,988	1,892,589	1,692,526



# 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>		
	February 1971 (Annual-rate basis)	Percent change			February 28, 1971	Annual rate of turnover		
		January 1971	February 1970	2 months, 1971 from 1970		February 1971	January 1971	February 1970
ARIZONA: Tucson.....	\$ 7,136,796	4%	22%	19%	\$ 242,179	29.9%	29.5%	25.7%
LOUISIANA: Monroe.....	3,226,068	6	14	16	85,045	36.5	33.8	33.4
Shreveport.....	11,857,320	23	21	9	250,767	45.8	37.3	42.8
NEW MEXICO: Roswell <sup>2</sup> .....	891,516	1	-1	-4	37,271	23.2	22.1	25.2
TEXAS: Abilene.....	2,237,268	5	9	6	99,999	22.1	20.3	21.5
Amarillo.....	5,993,148	-3	6	4	166,113	37.0	38.7	35.6
Austin.....	10,245,012	9	30	20	323,964	31.3	28.0	29.1
Beaumont-Port Arthur-Orange.....	6,886,680	12	11	6	238,324	28.2	24.7	26.2
Brownsville-Harlingen-San Benito.....	2,103,936	5	15	13	84,496	25.8	25.6	25.4
Corpus Christi.....	6,382,500	7	32	24	286,212	22.4	21.2	24.4
Corpus Christi.....	498,168	14	11	9	33,094	15.4	13.9	14.8
Dallas.....	124,535,892	-8	8	13	2,304,683	55.5	62.0	54.5
El Paso.....	7,242,756	-3	11	9	245,335	30.1	30.7	28.7
Fort Worth.....	24,004,500	4	13	13	671,660	36.0	34.9	34.2
Galveston-Texas City.....	3,252,012	4	0	4	114,009	27.9	27.6	29.4
Houston.....	106,455,768	-4	6	12	2,628,971	41.4	44.8	41.3
Laredo.....	1,061,376	17	18	13	42,967	25.2	21.8	23.1
Lubbock.....	4,449,444	20	12	10	167,124	27.4	22.6	27.0
McAllen-Pharr-Edinburg.....	1,838,196	10	15	10	105,365	17.8	16.6	16.6
Midland.....	2,061,204	4	-1	2	130,448	15.7	14.9	15.6
Odessa.....	1,635,720	3	-3	-5	94,611	17.1	17.2	22.0
San Angelo.....	1,448,652	4	14	14	71,613	20.5	19.3	18.9
San Antonio.....	20,289,372	8	19	14	664,724	31.0	28.8	28.7
Sherman-Denison.....	1,120,548	4	4	4	67,273	16.7	16.7	18.3
Texarkana (Texas-Arkansas).....	1,570,764	20	6	2	72,984	21.9	18.3	21.4
Tyler.....	2,300,544	1	7	5	99,531	23.6	23.2	24.0
Waco.....	3,143,712	5	2	2	117,884	26.8	24.6	27.3
Wichita Falls.....	2,538,660	5	12	9	122,569	21.0	20.6	19.6
Total—28 centers.....	\$366,407,532	-2%	10%	12%	\$9,569,215	38.8%	40.2%	38.2%

<sup>1</sup> Deposits of individuals, partnerships, and corporations and of states and political subdivisions  
<sup>2</sup> County basis

## VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	February 1971	January 1971	December 1970	January—February	
				1971	1970r
FIVE SOUTHWESTERN					
STATES <sup>1</sup> .....	584	546	553	1,130	1,123
Residential building.....	275	225	290	501	401
Nonresidential building....	198	227	173	424	386
Nonbuilding construction....	112	94	90	205	335
UNITED STATES.....					
Residential building.....	4,993	4,383	4,974	9,376	9,870
Nonresidential building....	1,818	1,631	2,045	3,455	2,884
Nonbuilding construction....	1,654	1,711	1,693	3,362	4,296
Nonbuilding construction....	1,521	1,041	1,235	2,559	2,689

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

r—Revised

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

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

## BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)						
	NUMBER		Percent change				
	Feb. 1971	2 mos. 1971	February 1971	2 mos. 1971	Jan. 1971	Feb. 1970	2 months, 1971 from 1970
ARIZONA							
Tucson.....	918	1,275	\$ 9,242	\$ 13,541	115	174	68
LOUISIANA							
Monroe-West							
Shreveport.....	65	190	1,168	3,071	-39	248	-10
TEXAS							
Abilene.....	45	81	295	595	-2	-70	-69
Amarillo.....	102	193	5,308	6,432	372	297	-58
Austin.....	474	854	11,970	26,784	-19	141	101
Beaumont.....	140	255	814	1,563	9	70	37
Brownsville.....	59	143	239	619	-37	10	-3
Corpus Christi.....	812	1,650	5,197	9,287	27	32	71
Dallas.....	1,662	3,293	20,514	43,954	-12	10	37
Denison.....	26	62	228	702	-52	-70	-25
El Paso.....	428	824	12,258	19,825	62	183	22
Fort Worth.....	374	747	5,091	9,420	18	-39	-42
Galveston.....	47	119	537	2,498	-73	29	144
Houston.....	3,544	6,959	63,463	100,310	72	86	43
Laredo.....	30	108	447	1,914	-70	-23	148
Lubbock.....	130	247	3,184	8,921	-45	-51	19
Midland.....	57	108	684	940	167	443	211
Odessa.....	66	129	397	939	-27	-4	-45
Port Arthur.....	73	130	795	1,052	209	150	91
San Angelo.....	63	117	1,646	1,996	370	-38	-39
San Antonio.....	1,169	2,472	7,356	13,088	28	51	29
Sherman.....	62	135	663	1,555	-26	-79	-55
Texarkana.....	35	76	1,104	1,908	37	-43	-11
Waco.....	198	367	1,022	2,315	-21	12	41
Wichita Falls.....	61	122	799	1,919	-29	124	203
Total—26 cities.....	11,080	21,541	\$158,762	\$281,950	29	51	26

## 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: February....	10,328	4,734	5,594	7,707	3,091	4,616
1970: February....	10,256	4,625	5,631	7,145	2,554	4,591
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
February....	11,272	5,118	6,154	9,299	3,689	5,610



## DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	February 1971	January 1971	February 1970r	Percent change from	
				January 1971	February 1970
FOUR SOUTHWESTERN STATES.....	7,278.3	7,296.0	6,785.9	-0.3%	7.3%
Louisiana.....	2,792.1	2,760.8	2,372.0	1.1	17.7
New Mexico.....	343.0	342.9	366.2	.0	-6.3
Oklahoma.....	601.1	641.5	619.2	-6.3	-2.9
Texas.....	3,542.1	3,550.8	3,428.5	-3	3.3
Gulf Coast.....	741.9	737.2	692.3	.6	7.2
West Texas.....	1,659.2	1,669.4	1,628.3	-6	1.9
East Texas (proper).....	235.7	239.0	193.6	-1.4	21.7
Panhandle.....	72.7	78.8	81.8	-7.8	-11.1
Rest of state.....	832.6	826.4	832.5	.8	.0
UNITED STATES.....	9,968.2	10,019.8	9,559.7	-5.5%	4.3%

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 Feb. 1971 from	
	February 1971p	January 1971	February 1970r	Jan. 1971	Feb. 1970
Total nonagricultural wage and salary workers..	6,259,100	6,255,200	6,234,600	0.1%	0.4%
Manufacturing.....	1,114,300	1,119,800	1,177,900	-5	-5.4
Nonmanufacturing.....	5,144,800	5,135,400	5,056,700	.2	1.7
Mining.....	228,600	230,100	230,100	-7	-7
Construction.....	374,800	375,000	374,600	-1	.1
Transportation and public utilities.....	448,300	448,200	445,800	.0	.6
Trade.....	1,459,300	1,467,400	1,424,200	-6	2.5
Finance.....	323,900	322,500	314,100	.4	3.1
Service.....	1,003,600	999,800	990,500	.4	1.3
Government.....	1,306,300	1,292,400	1,277,400	1.1%	2.3%

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

p—Preliminary

r—Revised

SOURCE: State employment agencies

growth and could curtail next year's citrus crop.

Credit at weekly reporting banks in the Eleventh District rose more than usual in the four weeks ended March 24. This rise was despite a smaller than normal inflow of deposits. Banks financed most of the credit expansion by reducing their sales of Federal funds.

The rise in bank loans was substantially less than in comparable periods of other recent years. Considerable strength was evident, however, in demands for real estate loans, security loans, and loans to financial institutions other than banks. The expansion in real estate

loans probably reflects recent reductions in mortgage rates and increases in construction activity, as well as higher labor and material costs of construction. Security loans rose contraseasonally, perhaps in response to the large volume of corporate and municipal securities marketed in recent weeks. Loan demand by other borrowers, including businesses and consumers, was still depressed by the sluggish pace of economic activity.

With slack loan demand and the large volume of securities coming to market, banks added further to their security portfolios. Acquisitions of municipal issues accounted

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	February 1971p	January 1971	December 1970	February 1970
TEXAS				
Total industrial production.....	181.3	181.1	179.5r	179.5r
Manufacturing.....	200.8	200.5	196.4r	202.3r
Durable.....	200.2	203.4	202.1	220.4r
Nondurable.....	201.3	198.6	192.7r	190.2r
Mining.....	136.9	137.0	138.8r	132.2r
Utilities.....	271.1	271.1	271.2r	258.3r
UNITED STATES				
Total industrial production.....	164.8	165.4	164.4r	170.5
Manufacturing.....	162.5	163.2	162.3r	170.3
Durable.....	157.9	158.1	156.0r	169.6r
Nondurable.....	168.2	169.6	170.1r	171.3
Mining.....	138.1	139.2	138.2r	134.2r
Utilities.....	244.0	242.2	240.0r	232.7r

p—Preliminary

r—Revised

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

## TOTAL OIL WELLS DRILLED

Area	Second quarter 1970	First quarter 1970	Percent change	1970 cumulative	Percent change from 1969 cumulative
FOUR SOUTHWESTERN STATES.....	1,619	1,862	-13.1	3,471	-1.7
Louisiana.....	251	273	-8.1	524	3.6
Offshore.....	111	75	48.0	186	55.0
Onshore.....	140	198	-29.3	338	-12.4
New Mexico.....	97	96	1.0	193	-35.9
Oklahoma.....	351	386	-9.1	737	3.9
Texas.....	920	1,107	-16.9	2,027	-20.0
Offshore.....	3	1	.0	4	4.0
Onshore.....	917	1,106	-17.1	2,023	-3.0
UNITED STATES.....	3,140	3,298	-4.8	6,438	-3.0

SOURCE: American Petroleum Institute

for most of the expansion, but banks also increased their holdings of U.S. Government securities, particularly Treasury bills. In comparable periods of other recent years, banks had reduced their holdings of Government issues and moderately increased their holdings of other securities.

Demand deposits declined contraseasonally. The small rise in total deposits was due entirely to a larger than usual inflow of time and savings deposits other than large CD's. In light of the weak loan demand, banks reduced their net sales of large CD's, as well as their borrowings from nondeposit sources.