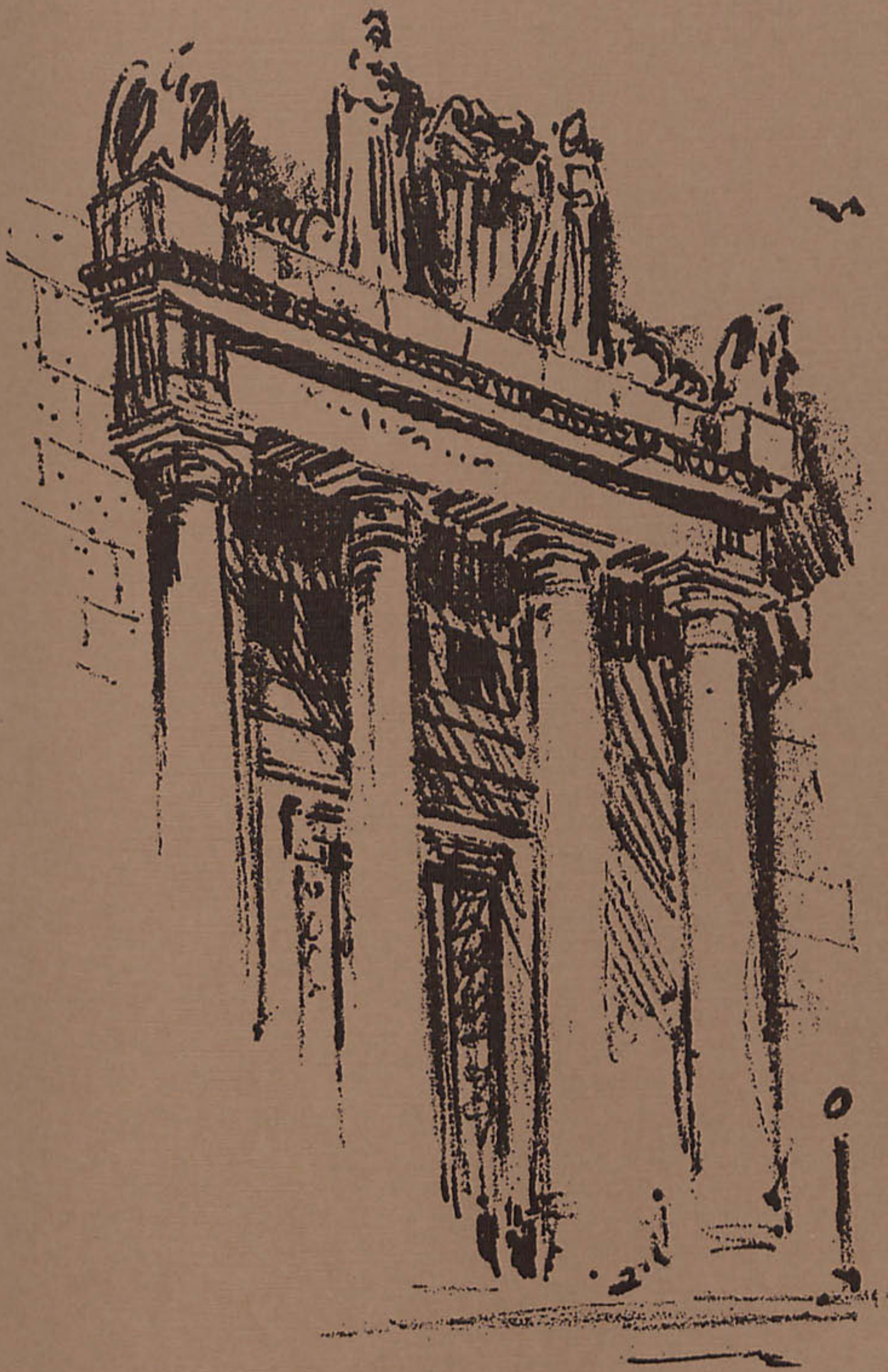
Federal Reserve Bank of Dallas

Business Review



International Banking–
Economic Events Force Changes on Several Fronts

District Agriculture–
Major Crops Lag In Export Growth

June 1971

Economic Events Force Changes on Several Fronts

Many overseas operations of member banks have expanded sharply since the midsixties. Where these banks had 181 overseas branches at the end of 1964, they had 533 at the end of 1970. During that time, total assets of foreign branches rose from $6.9 billion to an estimated $44 billion. The number of Edge Act corporations more than doubled, reaching 70. And where member banks did not control a single directly held bank subsidiary overseas in 1964, they had majority interest in 55 foreign banks in 1970.

But direct foreign lending by U.S. banks almost stagnated during those years. Long the mainstay of most international banking operations, foreign lending increased very little over this period. Direct foreign loans outstanding advanced only 2 percent a year to a total of $13.8 billion at the end of 1970, compared with $12.2 billion at the end of 1964.

Banking through foreign correspondents–another traditionally important international operation–also showed little growth. At the end of June 1970 (the most recent date for which data are available), U.S. banks were maintaining balances with foreign banks totaling $398.8 billion. That was an increase of only $49 billion since the end of 1964, or an average annual increase of only 2.6 percent over the five and a half years.

Sources of change . . .

These seemingly inconsistent developments reflect the interaction of three major influences that originated outside international banking:

- The U.S. balance-of-payments deficit and the official control programs instituted to ease it
- Deposit shortages that developed at U.S. banks as a result of tight monetary policy in 1966 and again in 1969 and early 1970
- Rapid growth of multinational corporations

The appearance of large deficits in the balance of payments in the late 1950's and their persistence throughout the 1960's contributed heavily to the rapid expansion of foreign-owned dollar assets. By the end of 1970, total liquid liabilities of the United States to foreigners had climbed to $43.3 billion–a rise of $27.4 billion since the end of 1957. Meanwhile, the U.S. gold stock had dropped more than half, falling from $22.9 billion in 1957 to $11.1 billion in 1970. As these trends developed, the United States adopted several measures to improve the nation's international payments position.

In 1963, the interest equalization tax made it more expensive for foreign borrowers to use capital markets in this country. Two years later, the Voluntary Foreign Credit Restraint Program placed a ceiling on the volume of funds banks and other financial institutions could lend abroad. At the same time, the transfer of funds from the United States by businesses was limited by voluntary direct investment guidelines.

In 1968, the Overseas Foreign Direct Investment Program was inaugurated, making foreign investment guidelines mandatory for businesses. At the same time, direct international lending by U.S. banks was further restricted under the Voluntary Foreign Credit Restraint Program. As a result, U.S. businesses were forced to seek offshore financing in an effort to sustain the growth of their foreign operations.

Meanwhile, deposit shortages developed in this country in 1966 and again in 1969 and early 1970, restricting the access of banks to domestic funds. Large banks turned to nondeposit sources for funds. One of these sources was the Eurodollar market, which offered an attractive means of obtaining funds from overseas. Thus, by opening an office abroad, a bank could not only better serve its corporate customers doing business abroad but also gain direct access to foreign funds needed for lending to domestic customers.

The balance-of-payments control programs and recent periods of monetary restraint gave all banks an inducement to extend their foreign ties. But the sharp

NUMBER OF OVERSEAS BRANCHES OF MEMBER BANKS

(End-of-year figures)

Location of branches	1964	1965	1966	1967	1968	1969
Near East and Africa	31	31	8	9	9	7
U.S. trust territories	0	0	29	31	35	38
England and Ireland	17	21	22	25	35	40
Continental Europe	15	21	26	34	46	64
Far East	40	50	57	63	72	76
Latin America and Bahamas	78	88	102	133	178	234
TOTAL	181	211	244	295	375	459

SOURCE: Board of Governors, Federal Reserve System

ASSETS OF OVERSEAS BRANCHES OF MEMBER BANKS

(End-of-year figures. Million dollars)

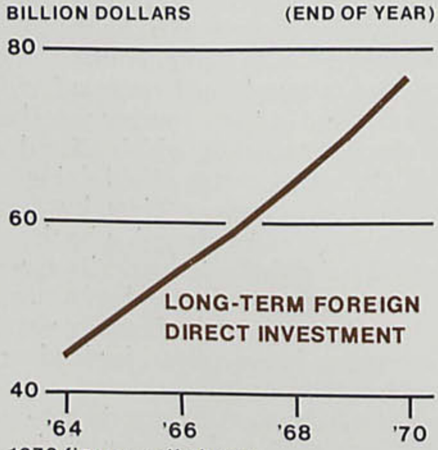
Location of branches	1964	1965	1966	1967	1968	1969
Near East and Africa	$798	$913	$270	$257	$284	$265
U.S. trust territories	—	—	787	965	1,037	1,804
England and Ireland	2,690	4,257	6,445	8,178	13,177	24,753
Continental Europe	1,097	1,354	2,022	2,721	4,121	6,464
Far East	1,543	1,700	1,808	2,267	2,663	3,257
Latin America and Bahamas	810	878	1,052	1,270	1,736	4,577
TOTAL	$6,938	$9,102	$12,384	$15,658	$23,018	$41,120

SOURCE: Board of Governors, Federal Reserve System

increase in international operations of U.S. businesses also put regional banks under pressure to increase their offerings of international banking services or run the risk of losing some of their preferred customers, especially larger corporate businesses.

By the end of 1970, U.S. private investments abroad (direct, long-term) had grown to an estimated $77.2 billion–an increase of nearly $33 billion since the end of 1964. To accommodate the overseas growth of their corporate customers, regional banks had to expand into international operations. Otherwise, they seemed bound to be at a disadvantage in competition with large international banks in New York, Illinois, and California that were using their international ties to attract the customers of regional banks. Among the regional banks to increase their offerings of international services were several large banks in the Eleventh Federal Reserve District.

U.S. investments abroad reflect continuing spread of multinational corporations



1970 figure preliminary

SOURCE: U.S. Department of Commerce

. . . in the District

Until 1968, international operations of banks in the District were usually confined to limited head office operations, principally the financing of trade and maintenance of foreign correspondent relationships. After 1968, however, the banks not only increased their borrowing overseas–and, to some extent, their lending–but also began entering international banking directly.

Since 1968, seven banks in the District have established foreign branches–seven in Nassau and two in London. Two banks now own Edge Act subsidiaries. Two more own interest in a third Edge Act corporation. Three have acquired an equity interest in foreign banks, and a number have opened representative offices in such cities as Paris, Tokyo, and Mexico City.

Much of the increase in foreign operations has been achieved through use of foreign correspondents. Balances of banks in the District with correspondents overseas increased nearly threefold from the end of 1964 to the end of 1970, a relative gain that was much greater than that for banks in the nation as a whole. This sharp percentage advance is due, of course, to the fairly recent entry of District banks into international banking and the fact that growth has been from a relatively small base.

Total foreign liabilities of banks in the Eleventh District nearly tripled between the end of 1964 and the end of 1969–rising from $89.4 million to almost $224 million. Most of the rise was in Euro-dollar borrowings. Then, as deposit inflows increased in 1970, foreign liabilities dropped a third, leaving District banks with liabilities to foreigners totaling $141 million at the end of the year.

This drop, which was in line with changes at banks in several other regions, contrasted sharply with the continued rise in total foreign liabilities of all the nation's banks. Total liabilities of the nation's banks still rose mainly as a result of the ongoing deficit in the balance of payments. Meanwhile, the nearly level trend in foreign lending continued for all banks, whether they served national or regional markets.

Patterns of change . . .

Most banks conducting overseas operations have a separate international department, the principal function of which is to oversee its representatives around the world in (1) purchasing and selling foreign currency, (2) financing international transactions, and (3) making and collecting payments overseas for customers. Several types of foreign representatives are used, each with somewhat different advantages over the others and allowing banks to undertake somewhat different banking functions.

Many banks operating internationally rely on correspondent banks to handle their transactions overseas. Under this arrangement, a bank enters an agreement with a foreign bank (directly or through another U.S. bank) for the two banks to act as agent for each other.

Banks with substantial foreign business often supplement their correspondent relationships with representative overseas offices. These representative offices are used to maintain close relations with foreign markets and the local banks serving them. Unable to accept deposits or make loans, they serve only as agents of their bank in arranging services for customers from correspondent banks, negotiating their bank's participation in loans of foreign correspondents, and developing contacts with foreign banks and businesses to encourage their use of the U.S. bank's facilities when transacting business in this country.

Banks seeking to expand internationally can also operate through subsidiaries and overseas branches. Unlike the use of correspondent banks or representative offices–either of which is fairly easy to initiate and represents very little commitment that the bank cannot easily withdraw from–foreign branches and subsidiaries require considerable commitment to a bank's continued participation in international banking.

First, a bank decision to operate abroad through a branch or subsidiary usually must be approved in advance by the Board of Governors of the Federal Reserve System–a condition that imposes important minimum requirements on the applying bank. Second, although there are several distinct advantages to be gained from a branch or subsidiary, there are also some disadvantages that correspondent banking and representative offices do not pose–particularly in risks and initially high costs.

. . . Edge Act corporations

Bank subsidiaries abroad can be acquired either directly by the parent bank or indirectly through Edge Act and agreement corporations. Very similar organizations, Edge Act and agreement corporations can perform several international banking functions–some, in fact, that parent banks cannot perform for themselves.

Agreement corporations are state-chartered organizations formed primarily to conduct banking operations overseas. National banks, with permission of the Board of Governors of the Federal Reserve System, have been authorized to invest in such corporations since 1916.

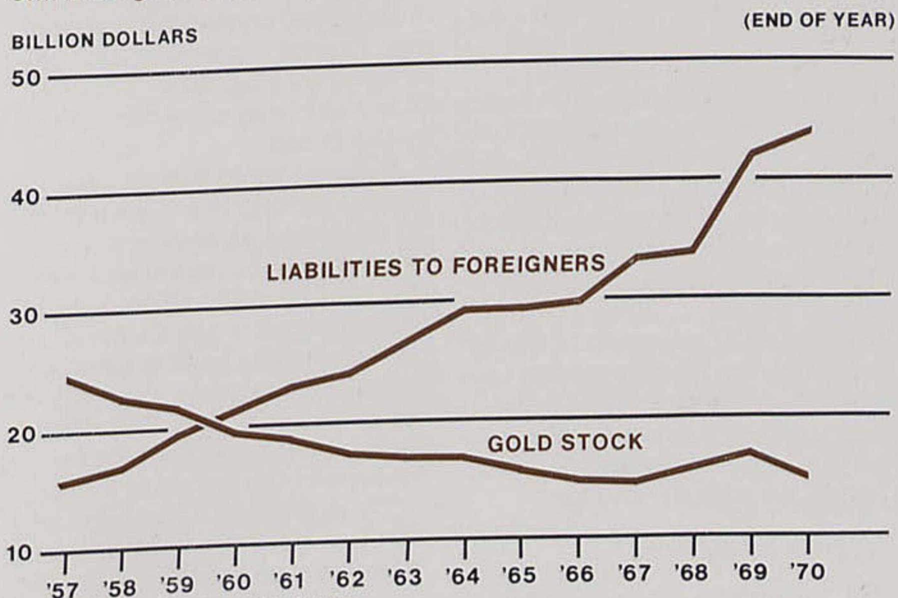
Since 1919, banks have also been authorized to invest in corporations chartered by the U.S. Government to conduct foreign banking operations. These are called Edge Act corporations after the act authorizing the Board of Governors to charter such corporations.

Agreement and Edge Act corporations serve essentially three purposes. They–

- Act largely as holding companies for U.S. banks acquiring interest in foreign banking operations.
- Function as banks.
- Invest in nonbanking interests abroad.

Until very recent years, U.S. banks were not allowed to hold direct equity interest in banks abroad. If they wanted to conduct international banking operations through foreign subsidiaries, they had to hold the subsidiary through an agreement or Edge Act corporation. This restriction was removed in 1966, but many foreign subsidiary institutions are still held through these corporations, which not only acquire interest in banks abroad but also establish foreign branches.

Liquid liabilities to foreigners climb as gold stock declines



1970 liabilities figure preliminary

SOURCE: Board of Governors, Federal Reserve System

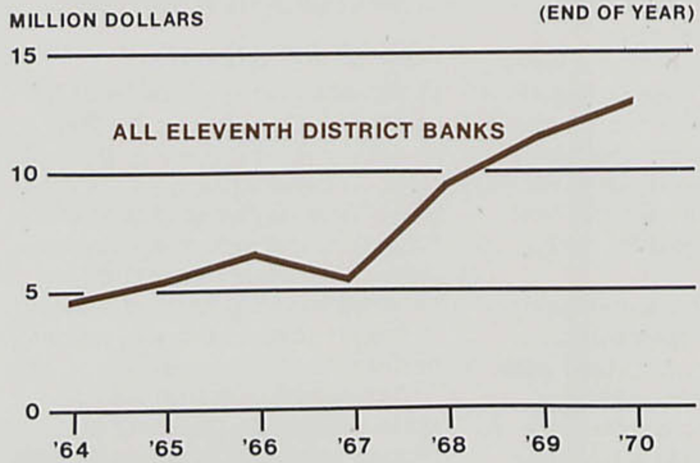
In their function as banks, these corporations can receive deposits outside the United States. They can also receive demand and time deposits (but not savings deposits) in the United States, provided the deposits are incidental to their carrying out transactions in other countries. They can issue letters of credit, accept bills and drafts drawn on them, trade foreign exchange, and make intermediate and long-term credit available to businesses overseas.

They cannot make domestic loans, however. Funds of these corporations can be held in this country only in the form of cash, deposits with banks, bankers' acceptances, and U.S. Government securities.

Their function as a depository institution is especially useful for banks chartered for locations outside New York City. Since operations of Edge Act and agreement corporations are not restricted to the states in which the parent bank is incorporated, they can establish facilities for conducting foreign business in New York City.

In addition to their normal international banking operations, these corporations sometimes operate around the world. Typically, they invest in promising long-term ventures through a combination of loan and equity participation. Their investments in nonbanking interests abroad must ordinarily be approved in advance by the Board of Governors. Important exceptions are made, however, in the case of certain limited investments that corporations can make with the Board's general consent. Their equity interest in foreign ventures is expected to compensate the bank for its risks in foreign investments and loans.

Balances with foreign banks nearly triple for banks in the District



1970 figure preliminary

SOURCE: Federal Deposit Insurance Corporation

. . . bank subsidiaries

The investment limits in foreign banks are essentially the same whether a bank acquires its subsidiary directly or through a holding company. But banks have somewhat more flexibility in making investments through Edge Act corporations. This is because banking acquisitions through Edge Act corporations–provided they do not exceed certain limits ($500,000, or 15 percent of the capital and surplus of the acquiring company, or 25 percent of the voting shares of the acquired corporation)–do not require prior approval of the Board of Governors. All direct acquisitions must be approved in advance by the Board.

National banks can acquire interest directly in a foreign bank. To make such an acquisition, a bank must have capital and surplus of at least $1 million and the prior approval of the Board of Governors. The bank it acquires cannot engage (even indirectly) in activities in the United States except those incidental to the foreign business of the acquiring bank.

There are both advantages and disadvantages to a bank acquiring a foreign bank subsidiary. In some countries, such as Canada and South Africa, where U.S. banks are effectively prevented from establishing branches, they can gain access to local markets by investing in subsidiaries. Also, by buying into an existing institution, a bank can avoid the risks and problems of establishing a new branch in a foreign country. And as the acquisition is presumably a successful bank, the parent bank can expect to obtain the services of an experienced staff with knowledge of local financial conditions.

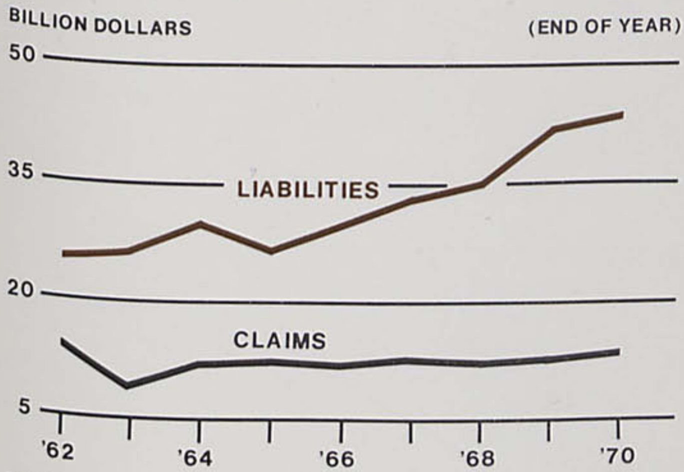
There can be problems, however. Interests of the directors of a foreign bank may not always coincide with those of the parent U.S. bank. And the parent bank, which is often inclined to regard the subsidiary as merely one component of its organization, may be inclined to ignore demands of local markets for bank services. Also, if the parent bank does not essentially control the operation of its foreign acquisition, it may be hard for it to maintain its own standards of performance.

. . . and overseas branches

With a branch overseas, a bank can make foreign loans and finance its customers overseas without regard to limits on domestic banks established under the credit restraint

Liabilities to foreigners advance much faster than claims on foreigners. . .

. . .at banks in the nation. . .



SOURCE: U.S. Department of the Treasury

program. A foreign branch can also accept and service deposits overseas. And through its branch, the bank can obtain Eurodollars for use in the United States without regard to the limits on interest rates imposed under Federal Reserve Regulation Q.

For these reasons, U.S. banks have far more foreign branches than majority-owned foreign bank subsidiaries and Edge Act and agreement corporations combined. At the end of 1970, in fact, they had roughly four times as many foreign branches as subsidiaries. Furthermore, foreign branches of U.S. banks were more widespread geographically than were subsidiaries.

A national bank seeking to expand its international operations through branching must first have approval of the Board of Governors. As in the case of banks acquiring subsidiaries overseas, it must also have capital and surplus of at least $1 million.

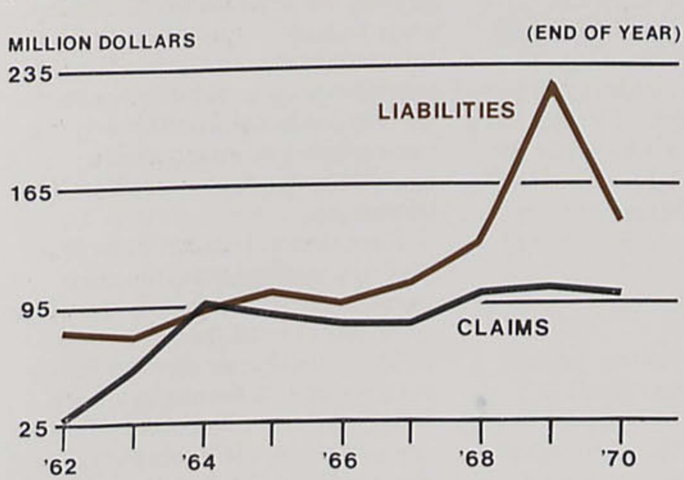
In addition to the specialized functions of branches, there are several other advantages to a bank using branching as a means of expanding its international banking services. As the branch is an integral part of the bank, lines of responsibility are clear. And as the branch was built from scratch, it can be expected to follow the same standards as the head office. Also, operating in the name of the parent bank, the branch is particularly well situated to attract the business of U.S. companies overseas. A network of branches offers still further advantages–the exchange of information and, more importantly, the rapid transfer of funds.

But branching also involves high costs and high risks. A building must be leased, personnel recruited and trained, and operating costs covered until the branch earns a profit.

Because of the high costs of setting up a branch, most small banks with foreign branches have limited themselves to Nassau branches. These branches are largely bookkeeping devices. Their business is developed primarily by the head office and representatives around the world. Some branches consist of only a few employees, and some are run by representatives from outside the bank's organization.

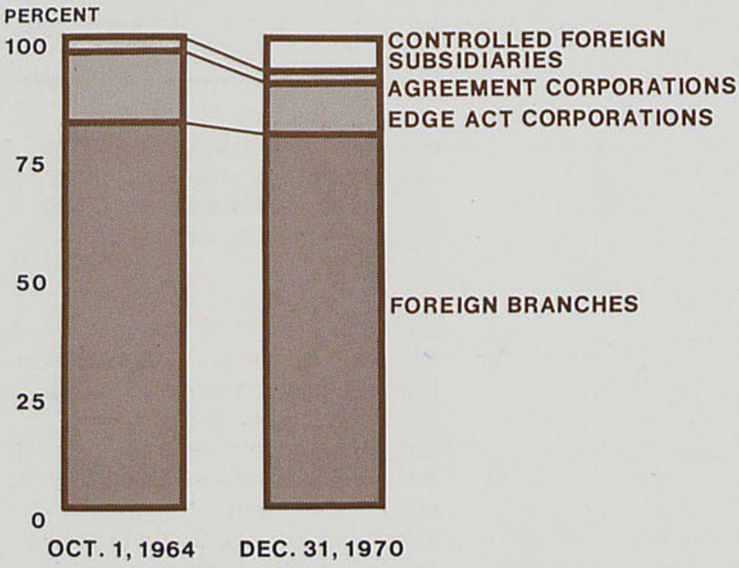
The success of a foreign branch depends on its ability to generate a viable volume of deposits at reasonable rates. Because of the U.S. foreign credit restraint program, overseas branches cannot depend on funds from the head office to support their local operations.

. . .and banks in the Eleventh District



SOURCES: U.S. Department of the Treasury
Federal Reserve Bank of Dallas

Branches account for most overseas offices of U.S. banks



SOURCE: Board of Governors, Federal Reserve System

Nor can they look to other branches as sources of funds. Since branches are usually in countries with various currency and exchange regulations, exchange risks discourage transfers of funds between branches.

But if a branch comes under pressure to accommodate loan demand of foreign subsidiaries of head office customers and cannot meet the demand from local currency deposits, it runs the risk of losing important accounts to other banks. When it does not have the resources to accommodate such demand, it may have to incur the cost of swapping dollars or other currency for local currency, reducing the potential profitability of the loan.

Look to the future

Continuation of the economic trends that have hastened U.S. expansion into international banking–the deficit in the U.S. balance of payments, the restraints on credit (foreign and domestic), and the spread of multinational corporations–seems almost certain to promote still more expansion into international banking. Further international growth of banks will undoubtedly boost the number of foreign bank subsidiaries and Edge Act and agreement corporations.

If developments since the mid-sixties are indicative, most of the future growth in international banking will probably take the form of increased foreign branching. All the organizational choices open to banks expanding their international operations offer certain advantages and disadvantages. But banks–in the District and the nation–have demonstrated a fairly clear preference for foreign branches.

Recent events could alter this preference, however. One such event is the emergence of the whole question of bank holding companies. Another is the increasing interest of U.S. banks in underwriting overseas securities. These securities cannot be underwritten through branches but must be handled through subsidiaries.

–Lacy H. Hunt, II

Major Crops Lag In Export Growth

Agricultural exports from the United States have been on the uptrend since the late 1950's. The advance, which brought farm shipments to a record $7.2 billion last year, has resulted almost entirely from growth in commercial sales.

Commercial sales accounted for an average of 65 percent of the nation's annual farm exports in 1957-59. But with greater promotional efforts to sell U.S. farm products abroad and the development of many of the world's economies into importing countries, the proportion of exports accounted for by commercial sales has increased. Last year, commercial sales made up 85 percent of the nation's farm shipments.

The result was a marked improvement in total shipments by U.S. farmers. The value of their exports almost doubled between 1958 and 1970–and without any significant increase in direct Government support.

Since 1965, in fact, the value of farm exports shipped under Government programs has actually declined. Government programs of relief and assistance to other countries included expenditures that averaged $1.5 billion a year from 1955 to 1965. But as domestic surpluses of farm products were eliminated after the midsixties and self-help programs began to take hold in countries receiving exports through U.S. assistance programs, the Government was able to cut back on these outlays, lowering shipments under assistance programs to less than $1 billion in 1970.

Nation's farm exports rise with gains in commercial sales

1971 figures estimated

SOURCE: U.S. Department of Agriculture

District exports trail

Shipments from states of the Eleventh Federal Reserve District have not kept up with the growth in exports, however, even though until recent years exports were more important to farmers in the District than to those in the nation as a whole. Where less than 10 percent of the nation's farm marketings were shipped abroad in 1954, the proportion exported from District states was nearly 14 percent. Over the next 16 years, the proportion of the nation's farm marketings going into exports increased roughly half again. But the relative gains for District states were almost negligible.

Failure of much of the District's agriculture to share in this gain was due to increases in world demand for U.S. farm products that are not produced extensively in the Southwest. In 1964, for example, wheat and cotton, both of which have long been important District crops, accounted for roughly a third of the nation's agricultural exports, while soybeans and corn, both of which have been less important in the District, accounted for less than a fifth of the national total. In 1970, however, wheat and cotton made up only 19 percent of farm exports, while soybeans and corn accounted for more than 35 percent.

Because of changes in the composition of agricultural exports, growth in commercial sales had very different effects on the various states of the District, depending on their concentration in major crops and their dependence on Government programs.

Of the five states, only Louisiana had significantly larger farm exports in 1969 than in 1959. Louisiana's export strength came with the continuing strong world demand for rice, which is the state's principal export crop, and the rapid expansion of soybean production. Soybeans have been the glamour commodity in U.S. agricultural trade.

Texas was able to maintain its position as one of the nation's leading export states, largely because of the diversification of its farm shipments. Its farm exports nevertheless declined, dropping 6 percent over the 1959-69 decade. This was because growth commodities make up only a small part of the state's exports and Government programs are highly important to its major export crops.

Exports from Arizona also slipped 6 percent over this period, and exports from New Mexico fell 19 percent. These reductions resulted mainly from a shrinking market for cotton and a decline in Government sales. Oklahoma showed a slight gain in exports, largely as a result of the growing diversification of its agriculture. But wheat remained the state's major export crop, preventing any marked rise in commercial sales.

AGRICULTURAL EXPORTS–AS PERCENTAGE OF TOTAL FARM MARKETINGS IN UNITED STATES

	1950-54	1955-59	1960-64	1965-69
Five-year average	10.4%	12.6%	14.8%	14.6%
Adjusted average[1]	10.0	12.1	14.3	15.2

1. Obtained by excluding the year showing the greatest deviation. This partially eliminates any short-term effects. The years excluded were 1951, 1957, 1964, and 1969.
SOURCE: U.S. Department of Agriculture

Changing export market

Six crops typically account for about 70 percent of the nation's agricultural exports–even though some 570 farm products are shipped abroad. Five of these major crops are grown extensively in states of the Eleventh District.

Cotton, wheat, rice, and feed grains made up more than 78 percent of the farm exports from these states in 1965 and a little over 50 percent of the nation's total farm trade. Five years later, these four crops still accounted for over 67 percent of the exports from District states but little more than 39 percent of the nation's exports. During those years, the proportion of District exports accounted for by soybeans increased from less than 1 percent to well over 7 percent.

Despite the large proportion of the nation's farm exports accounted for by these major crops, no one crop makes up more than a fourth of the nation's total farm shipments. But that is not the case with exports from individual states. Some state exports are highly concentrated, with the result that even comparatively slight shifts in demand for some commodities can have marked effects on the total exports of particular states.

In 1964, for example, cotton accounted for 56 percent of the exports from Arizona, nearly 49 percent of the exports from New Mexico, and more than 41 percent of the exports from Texas. Rice accounted for more than 52 percent of the exports from Louisiana that year, and wheat represented nearly 68 percent of the exports from Oklahoma.

Cotton has long been the major export crop from District states. Although cotton shipments have fluctuated widely over the past ten years, they have tended generally downward. This drift–which resulted from a world surplus of cotton, growing competition from synthetic fibers, and smaller Government exports–has been particularly noticeable in the net declines in farm exports from Arizona, New Mexico, and Texas. Cotton is the leading export crop in all three of these states.

Wheat was the nation's leading export crop for many years–a prominence prolonged for some time by the Food for Peace Program. For the past ten years, however, wheat exports have fluctuated nearly every year, largely in response to Government donation programs and concessional sales, which typically accounted for more than half the wheat exports. Recently, export demand has also been influenced by increased production overseas.

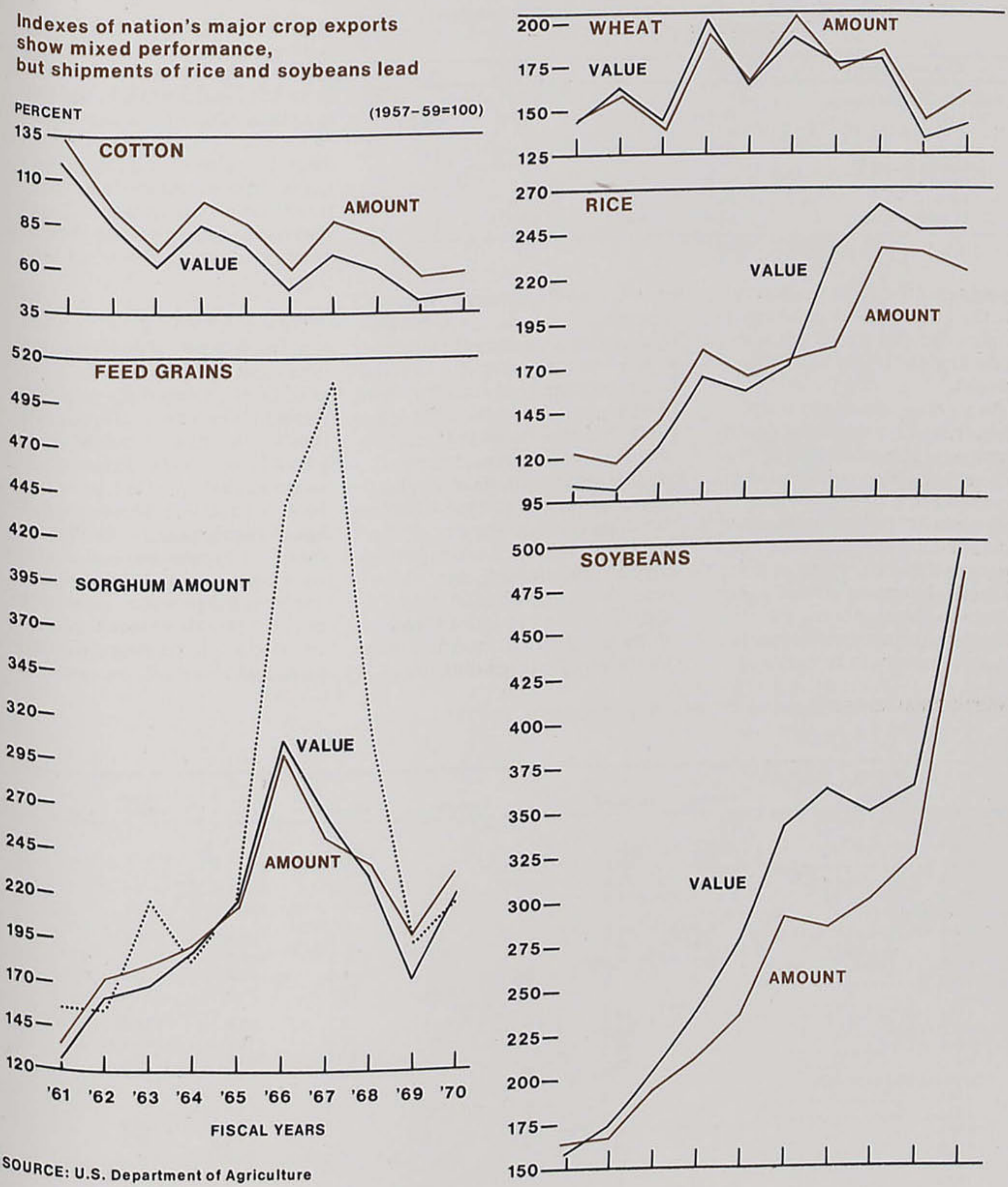
The nation has usually exported more than 60 percent of its rice crop. World supplies are almost always inadequate, creating a variety of foreign markets that are particularly important to Louisiana and Texas. Increases in rice shipments from these states have helped offset declines in their cotton shipments. Growth of rice

AGRICULTURAL EXPORTS–AS PERCENTAGE OF TOTAL FARM MARKETINGS IN SELECTED FISCAL YEARS

Area	1954	1960	1966	1970p
Arizona	12.7%	15.4%	11.0%	9.1%
Louisiana	19.6	19.9	20.4	25.7
New Mexico	8.3	9.5	8.7	5.5
Oklahoma	10.3	17.0	24.5	12.2
Texas	14.1	19.5	19.6	14.1
Eleventh District states	13.6	18.1	18.9	13.9
United States	9.5%	13.5%	17.0%	13.8%

p–Preliminary
SOURCE: U.S. Department of Agriculture

Indexes of nation's major crop exports show mixed performance, but shipments of rice and soybeans lead



SOURCE: U.S. Department of Agriculture

AGRICULTURAL EXPORTS–PERCENTAGE SHIPPED UNDER GOVERNMENT PROGRAMS IN SELECTED FISCAL YEARS

Area and commodity	1964	1966	1968	1970
Eleventh District states, all crops	27.5%	31.4%	33.0%	24.9%
United States				
All crops	25.8	24.2	25.4	14.7
Selected crops				
Cotton	20.7	26.2	36.8	32.9
Rice	38.7	27.2	40.4	42.7
Wheat	57.4	67.4	59.1	40.7

SOURCE: U.S. Department of Agriculture

exports could slow in the future, but the large number of foreign markets for rice would probably cause any decline to be fairly gradual.

As a group, exports of feed grains have also expanded rapidly. Shipments of oats and barley have slowed, but shipments of corn expanded to a level 2½ times greater in 1970 than the average for 1957-59. Last year, corn made up more than 80 percent of the nation's shipments of feed grains. Sorghum shipments have fluctuated year to year in response to relative changes in the price of corn. Generally, however, exports of sorghum have risen, reaching a volume last year more than twice as great as the average for 1957-59.

The comparatively small amount of corn grown in District states has prevented significant appreciation of the increase in export demand for this grain. Exports of sorghum increased rapidly in 1965-67 before declining again–as exports of wheat had done. This decline was particularly significant for Texas, which produces nearly half the nation's sorghum. The impact of these shifts has been softened, however, by the rapidly expanding use of sorghum grain in domestic cattle feeding.

The nation's exports of soybean have increased fivefold in the past ten years. Most of this increase wa in Louisiana, where from 1963 to 1969 the value of shipments increased more than 40 times. Shipments from Oklahoma and Texas also increased, expanding threefol from Oklahoma and fivefold from Texas.

The farmer's future

Exports will probably always be important to farmers of the Eleventh District, especially those producing major export crops. Just how important they will be depends largely on the future of world markets for District agricultural products–and these markets are changing rapidly. As more countries become self-sufficient in such basic commodities as wheat and rice, the potential for growth in these exports narrows. Meanwhile, changing consumption patterns and rising affluence overseas

AGRICULTURAL EXPORTS–VALUE OF MAJOR COMMODITIES SHIPPED

(Million dollars)

Commodity and fiscal year	Arizona	Louisiana	New Mexico	Oklahoma	Texas	Eleventh District states	United States
Cotton							
1964	$36.2	$29.5	$12.1	$14.1	$199.7	$291.6	$670.1
1966	19.7	14.7	6.2	9.2	101.1	150.9	385.8
1968	29.0	26.6	10.0	12.3	176.2	254.1	474.8
1970	22.5	16.9	5.8	10.1	101.4	156.7	352.4
Feed grains							
1964	5.1	.6	3.5	4.9	68.9	83.0	816.1
1966	10.8	1.4	5.4	8.1	138.9	164.6	1,351.2
1968	8.1	.3	5.5	6.2	118.6	138.7	1,000.3
1970	4.8	.6	3.9	5.6	79.7	94.6	995.3
Rice							
1964	—	52.3	—	—	57.1	109.4	217.1
1966	—	53.7	—	—	62.0	115.7	220.1
1968	—	83.5	—	—	98.0	181.5	339.2
1970	—	73.2	—	—	76.2	149.4	321.7
Soybeans and products							
1964	—	1.0	—	1.5	2.1	4.6	673.3
1966	—	14.2	—	2.2	2.2	18.6	936.9
1968	—	25.0	—	3.0	5.3	33.3	1,148.4
1970	—	41.7	—	4.5	10.3	56.5	1,127.7
Wheat							
1964	1.3	1.8	4.4	90.1	48.5	146.1	1,354.5
1966	1.3	1.3	5.1	138.8	75.1	221.6	1,273.4
1968	2.4	2.4	2.4	71.6	42.9	121.7	1,192.5
1970	2.8	.9	2.9	71.5	41.4	119.5	941.6

NOTE: Data were estimated by the Foreign Development and Trade Division of the USDA's Economic Research Service, using methodology defined in *Foreign Agricultural Trade of the United States*, October 1970, pages 34 and 36.
SOURCE: U.S. Department of Agriculture

create potential export demand for other commodities produced in the District, such as feed grains to support livestock feeding.

Conversion of potential demand into effective demand can be difficult. In the past, lack of rapid transportation and proper storage prevented the development of large markets for the many farm products that spoil quickly. But with the recent growth in airfreight and further advances in containerization, these technical limitations on foreign markets are being overcome. As a result, markets for specialty items of fruits and vegetables are expanding rapidly.

World markets for agricultural products are also subject to other externalities that have little to do with supply and demand. In addition to costs of transportation, these include, for example, tariffs, quotas, levies, international monetary conditions, and political changes in other countries. Producer groups, the Government, and exporters are working on these problems, and the experience of the past ten years indicates progress is being made.

Despite these difficulties, many of which are still to be overcome, foreign markets are expanding rapidly, offering farmers ever-greater opportunities as exporters. And farmers–of the nation and the District–have been unexcelled in producing the consistently high-quality products that are held at a premium abroad.

–Dale L. Stansbury

New par banks

The Security Bank and Trust Company, Inc., Dallas, 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 its opening date, April 30, 1971. The officers are: D. A. Kimmey, President; Alden Kimmey, Executive Vice President; Clark M. Miller, Cashier; and Dorothy Smith, Assistant Cashier.

The Burleson State Bank, Burleson, 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 its opening date, May 4, 1971. The officers are: Clyde A. Penry, Chairman of the Board; Bill G. Allen, President; and James A. Jenkins, Vice President and Cashier.

The Border City Bank, El Paso, Texas, an insured nonmember bank located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, May 25, 1971. The officers are: Travis C. Johnson, Chairman of the Board; Leroy W. Creek, President; James D. Abrams, Vice President (Inactive); and Howard D. Hudgeons, Cashier.

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

Federal Reserve Bank of Dallas
June 1971

Statistical Supplement to the Business Review

Total nonagricultural wage and salary employment in the five southwestern states continued its year-to-year advance in April, rising to a level 0.4 percent higher than in March and 0.2 percent higher than in April 1970. The advance was due to gains in nonmanufacturing employment, which rose 0.5 percent over a month before and 1.4 percent over a year before. Manufacturing employment was only slightly higher than the March level, continuing approximately 5 percent below a year earlier.

Significant gains were made in trade, finance, and service employment, all of which were up 0.9 percent in April. There were small month-to-month declines in employment in construction, down 0.2 percent, and transportation and public utilities, down 0.3 percent. Employment in mining and government was essentially unchanged.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio were 2 percent higher in April than in March. There were considerable differences in these four major markets, however. Registrations rose 25 percent in Houston but fell 10 percent in Dallas. Total registrations were 8 percent higher than in April 1970, and cumulative registrations through April were 10 percent higher than in the first four months of 1970.

Department store sales in the Eleventh District were 8 percent higher in the four weeks ended May 29 than in the corresponding period a year earlier. Cumulative sales through that date were 8 percent higher than a year before.

The seasonally adjusted Texas industrial production index fell slightly in April, following a marginal increase in March. At 180.8 percent of its 1957-59 base in April, the index was down 0.5 percent from March. At this level, it was only 1.2 percent higher than in April 1970.

The drop from March was centered in durable goods manufacturing. Output of durable goods fell 2.4 percent, while production of nondurable goods edged downward 0.5 percent. These declines were partially offset by a 1.1-percent increase in mining output. Output of utilities remained essentially unchanged.

In durable manufacturing, the sharpest drop was in the production of transportation equipment, which fell 6 percent to a level 21 percent below the output for April 1970. Production of electrical machinery also declined further in April, reaching a level 15 percent lower than a year earlier. In addition, production of lumber and wood products and of stone, clay, and glass products fell significantly from their March levels. In nondurable manufacturing, output of petroleum refining showed the sharpest decline, dropping 3.4 percent from the output in March. Of nondurable manufacturing industries, petroleum refining still showed the greatest year-to-year strength, however, with output 15 percent above the level for April 1970.

Although nondurable goods production edged downward in April, the total was still 6.1 percent higher than in April last year. Total durable goods production fell, however, to 90.7 percent of the level a year before.

Government-owned feed grain has been made available to eligible livestock producers in drouth areas of the Eleventh District at reduced prices to help them maintain basic breeding herds. Range conditions in May were far below normal in drouth areas that extended over most of the five-state area. Only in Louisiana were moisture conditions good, and some southern areas of that state were dry. In the most severe drouth areas, haying and grazing privileges were made available on nonirrigated land taken out of crop production under Government farm programs.

Wheat production in District states is expected to total 106 million bushels this year. At that level, the crop will be less than two-thirds the size of the 1970 crop and only slightly more than half the 1969 crop. At 28 million bushels, the crop projected for Texas would be about half the size of the 1970 crop. The 62 million bushels projected for Oklahoma would be off more than a third from last year's crop.

Cash receipts received by farmers and ranchers from farm marketings in District states were 5 percent higher in the first three months of this year than in the same quarter last year. A rise of 16 percent in crop receipts was only partially offset by a 1-percent decline in livestock receipts.

Credit at weekly reporting commercial banks in the Eleventh District rose contraseasonally in the five weeks ended May 26. The increase, accommodated mainly through a reduction in Federal funds sales, was broadly based. It included contraseasonal increases

(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	May 26, 1971	April 21, 1971	May 27, 1970
Federal funds sold and securities purchased under agreements to resell	565,545	528,808	496,025
Other loans and discounts, gross	6,785,257	6,740,806	5,917,150
Commercial and industrial loans	3,207,089	3,201,893	2,909,601
Agricultural loans, excluding CCC certificates of interest	121,771	119,310	109,783
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	540	500	500
Other securities	62,515	57,740	36,136
Other loans for purchasing or carrying:			
U.S. Government securities	5,226	3,819	1,089
Other securities	426,885	430,930	398,889
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	177,933	225,219	137,338
Other	496,460	478,471	343,355
Real estate loans	705,912	685,641	594,113
Loans to domestic commercial banks	16,747	15,992	11,174
Loans to foreign banks	19,896	13,019	9,772
Consumer instalment loans	755,866	742,179r	732,641
Loans to foreign governments, official institutions, central banks, and international institutions	0	0	175
Other loans	788,417	766,093r	632,584
Total investments	3,168,116	3,160,668	2,540,349
Total U.S. Government securities	1,020,987	997,780	875,727
Treasury bills	145,666	133,750	39,244
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	157,206	157,322	153,464
1 year to 5 years	539,771	530,231	598,247
After 5 years	178,344	176,477	84,772
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	72,319	91,983	7,151
All other	1,823,427	1,814,256	1,514,551
Other bonds, corporate stocks, and securities:			
Certificates representing participations in Federal agency loans	108,623	113,918	74,892
All other (including corporate stocks)	142,760	142,731	68,028
Cash items in process of collection	1,207,695	1,331,542	1,066,318
Reserves with Federal Reserve Bank	864,754	985,862	682,276
Currency and coin	91,305	89,824	86,944
Balances with banks in the United States	529,633	619,306	421,903
Balances with banks in foreign countries	8,430	7,971	5,975
Other assets (including investments in subsidiaries not consolidated)	463,716	458,038	513,732
TOTAL ASSETS	13,684,451	13,922,825	11,730,672

r — Revised

LIABILITIES	May 26, 1971	April 21, 1971	May 27, 1970
Total deposits	10,914,441	11,103,840	9,042,932
Total demand deposits	6,268,588	6,481,712	5,642,053
Individuals, partnerships, and corporations	4,299,058	4,276,024	3,932,895
States and political subdivisions	384,642	396,952	327,355
U.S. Government	188,057	238,720	129,307
Banks in the United States	1,282,324	1,420,256	1,151,453
Foreign:			
Governments, official institutions, central banks, and international institutions	2,719	2,768	3,654
Commercial banks	24,079	32,049	23,069
Certified and officers' checks, etc.	87,709	114,943	74,320
Total time and savings deposits	4,645,853	4,622,128	3,400,879
Individuals, partnerships, and corporations:			
Savings deposits	1,063,802	1,040,323	918,260
Other time deposits	2,455,709	2,387,416	1,679,164
States and political subdivisions	1,012,835	1,077,574	757,455
U.S. Government (including postal savings)	24,349	28,561	7,193
Banks in the United States	68,973	69,569	23,247
Foreign:			
Governments, official institutions, central banks, and international institutions	19,085	17,585	14,210
Commercial banks	1,100	1,100	1,350
Federal funds purchased and securities sold under agreements to repurchase	1,161,146	1,175,130	814,890
Other liabilities for borrowed money	72,738	70,318	270,622
Other liabilities	335,715	368,204	463,907
Reserves on loans	128,287	135,647	133,251
Reserves on securities	20,753	20,722	13,278
Total capital accounts	1,051,371	1,048,964	991,792
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	13,684,451	13,922,825	11,730,672

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended May 5, 1971	5 weeks ended Apr. 7, 1971	5 weeks ended May 6, 1970
RESERVE CITY BANKS			
Total reserves held	831,580	819,451	760,527
With Federal Reserve Bank	775,784	766,422	709,339
Currency and coin	55,796	53,029	51,188
Required reserves	830,437	828,022	754,176
Excess reserves	1,143	—8,571	6,351
Borrowings	0	0	50,627
Free reserves	1,143	—8,571	—44,276
COUNTRY BANKS			
Total reserves held	883,753	849,396	780,976
With Federal Reserve Bank	689,558	664,736	602,650
Currency and coin	194,195	184,660	178,326
Required reserves	855,712	835,063	764,382
Excess reserves	28,041	14,333	16,594
Borrowings	243	6	4,784
Free reserves	27,798	14,327	11,810
ALL MEMBER BANKS			
Total reserves held	1,715,333	1,668,847	1,541,503
With Federal Reserve Bank	1,465,342	1,431,158	1,311,989
Currency and coin	249,991	237,689	229,514
Required reserves	1,686,149	1,663,085	1,518,558
Excess reserves	29,184	5,762	22,945
Borrowings	243	6	55,411
Free reserves	28,941	5,756	—32,466

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	Apr. 28, 1971	Mar. 31, 1971	Apr. 29, 1970
ASSETS			
Loans and discounts, gross	13,086	13,119	11,589
U.S. Government obligations	2,307	2,359	2,026
Other securities	4,152	4,001	3,375
Reserves with Federal Reserve Bank	1,449	1,478	1,240
Cash in vault	285	256	264
Balances with banks in the United States	1,421	1,513	1,162
Balances with banks in foreign countries[e]	10	9	11
Cash items in process of collection	1,433	1,407	1,259
Other assets[e]	972	984	815
TOTAL ASSETS[e]	25,115	25,126	21,741
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,721	1,907	1,485
Other demand deposits	9,680	9,612	8,778
Time deposits	9,541	9,625	7,379
Total deposits	20,942	21,144	17,642
Borrowings	1,275	1,077	1,238
Other liabilities[e]	1,027	1,049	1,097
Total capital accounts[e]	1,871	1,856	1,764
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	25,115	25,126	21,741

e — Estimated

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	May 26, 1971	April 21, 1971	May 27, 1970
Total gold certificate reserves	329,974	517,698	259,887
Discounts for member banks	0	200	101,085
Other discounts and advances	0	0	5,040
U.S. Government securities	3,013,420	2,954,592	2,487,243
Total earning assets	3,013,420	2,954,792	2,593,368
Member bank reserve deposits	1,457,612	1,556,274	1,179,910
Federal Reserve notes in actual circulation	1,986,396	1,963,232	1,746,729

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

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS[1]				DEMAND DEPOSITS[1]			
		Percent change				Annual rate of turnover		
		April 1971 from						
	April 1971 (Annual-rate basis)	March 1971	April 1970	4 months, 1971 from 1970	April 30, 1971	April 1971	March 1971	April 1970
ARIZONA: Tucson	$ 7,507,008	2%	31%	23%	$ 263,647	28.7	29.4	25.1
LOUISIANA: Monroe	3,192,576	0	17	17	93,560	34.1	35.7	33.5
Shreveport	12,093,948	15	16	11	254,718	48.0	42.0	44.6
NEW MEXICO: Roswell[2]	1,016,112	9	4	1	39,206	25.9	24.4	25.6
TEXAS: Abilene	2,334,996	7	11	8	108,493	21.6	21.0	21.1
Amarillo	6,320,904	−4	13	7	168,227	38.0	39.7	35.5
Austin	10,141,032	1	20	15	396,490	26.7	29.2	26.4
Beaumont-Port Arthur-Orange	6,696,240	4	7	6	251,087	26.7	26.3	26.7
Brownsville-Harlingen-San Benito	2,198,244	0	13	15	82,705	26.1	25.9	26.0
Corpus Christi	6,153,360	−2	26	24	283,709	21.7	22.0	23.5
Corsicana[2]	557,340	−1	17	16	33,944	16.2	16.6	15.3
Dallas	133,708,296	2	14	12	2,358,477	57.4	57.0	55.3
El Paso	8,079,648	2	15	12	254,297	32.6	32.7	30.8
Fort Worth	26,181,996	−6	21	19	702,805	37.6	40.7	33.5
Galveston-Texas City	2,770,440	−8	5	6	110,620	25.4	27.3	24.6
Houston	113,301,696	7	11	11	2,661,616	43.1	40.4	41.6
Laredo	1,003,980	−7	6	12	42,757	23.3	25.0	24.0
Lubbock	5,233,572	5	17	13	170,191	31.3	30.1	29.3
McAllen-Pharr-Edinburg	1,979,484	3	14	12	109,541	18.4	18.3	17.7
Midland	2,070,492	−1	6	4	139,379	14.9	15.5	14.8
Odessa	1,642,968	−4	0	−2	94,449	17.4	18.2	20.8
San Angelo	1,537,608	−1	25	20	73,113	20.7	21.2	18.1
San Antonio	20,823,096	0	22	19	718,758	29.2	30.3	27.0
Sherman-Denison	1,184,808	0	5	5	69,197	17.3	17.7	17.5
Texarkana (Texas-Arkansas)	1,598,940	2	8	5	72,224	21.7	21.3	21.7
Tyler	2,389,836	4	9	7	100,085	23.6	22.9	24.2
Waco	3,389,304	1	7	6	126,508	26.1	26.7	27.8
Wichita Falls	2,656,224	10	20	13	119,361	21.7	19.5	19.0
Total—28 centers	$387,764,148	3%	14%	12%	$9,899,164	39.6	39.1	38.1

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

BUILDING PERMITS

Area	NUMBER		VALUATION (Dollar amounts in thousands)				
					Percent change		
					April 1971 from		4 months, 1971 from 1970
	April 1971	4 mos. 1971	April 1971	4 mos. 1971	Mar. 1971	Apr. 1970	
ARIZONA							
Tucson	645	3,270	$ 9,375	$ 31,582	8%	233%	89%
LOUISIANA							
Monroe-West Monroe	95	386	2,010	7,708	−23	19	36
Shreveport	603	2,176	5,246	17,412	−2	219	74
TEXAS							
Abilene	61	194	652	1,682	50	−17	−42
Amarillo	190	519	1,882	10,510	−14	−5	−47
Austin	613	2,050	13,429	52,738	7	44	60
Beaumont	168	613	1,053	3,857	−15	23	4
Brownsville	101	343	947	2,455	7	383	131
Corpus Christi	847	3,425	5,253	19,644	3	91	70
Dallas	2,160	7,551	21,417	94,231	−26	−14	−18
Denison	66	154	623	1,524	213	123	−8
El Paso	487	1,878	8,564	38,604	−16	13	12
Fort Worth	489	1,673	6,005	22,179	−11	−15	−18
Galveston	75	270	620	6,126	−79	−25	123
Houston	3,498	14,303	59,885	208,448	24	44	50
Laredo	42	187	657	2,884	110	80	78
Lubbock	358	986	12,387	28,992	61	45	57
Midland	92	272	3,660	5,287	433	952	347
Odessa	123	350	1,078	2,647	71	181	−25
Port Arthur	87	297	350	1,583	93	145	99
San Angelo	71	256	1,119	3,795	65	305	−16
San Antonio	1,393	5,608	15,375	40,704	26	64	24
Sherman	57	302	461	3,103	−58	−12	−36
Texarkana	37	151	2,450	4,644	757	55	16
Waco	364	1,009	5,760	9,886	218	59	−19
Wichita Falls	93	306	1,910	8,128	−56	4	109
Total—26 cities	12,815	48,529	$182,168	$630,353	10%	39%	23%

WINTER WHEAT PRODUCTION

(Thousand bushels)

Area	1971, indicated May 1	1970	1969
Arizona	10,890	10,350	4,526
Louisiana	851	957	874
New Mexico	4,232	5,520	4,293
Oklahoma	62,434	98,202	118,275
Texas	27,756	54,408	68,856
Total	106,163	169,437	196,824

SOURCE: U.S. Department of Agriculture

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: April	10,497	4,893	5,604	7,704	2,988	4,716
1970: April	10,497	4,819	5,678	7,328	2,634	4,694
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
March	11,219	5,117	6,102	9,548	3,788	5,760
April	11,555	5,274	6,281	9,575	3,736	5,839

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	April 1971	March 1971	February 1971	January—April 1971	January—April 1970
FIVE SOUTHWESTERN STATES[1]	864	720	584	2,719	2,741r
Residential building	400	399	275	1,304	901r
Nonresidential building	312	224	198	959	897r
Nonbuilding construction	153	97	112	455	944
UNITED STATES	7,743	6,386	4,993	23,476	22,541r
Residential building	3,168	2,729	1,818	9,369	7,276r
Nonresidential building	2,080	2,199	1,654	7,632	8,739r
Nonbuilding construction	2,495	1,458	1,521	6,475	6,527r

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons: April 1971p	Number of persons: March 1971	Number of persons: April 1970r	Percent change April 1971 from: Mar. 1971	Percent change April 1971 from: Apr. 1970
Total nonagricultural wage and salary workers	6,302,200	6,277,400	6,290,100	0.4%	0.2%
Manufacturing	1,114,000	1,113,200	1,174,400	.1	—5.2
Nonmanufacturing	5,188,200	5,164,200	5,115,700	.5	1.4
Mining	228,500	228,000	231,100	.2	—1.1
Construction	377,800	378,500	385,600	—.2	—2.0
Transportation and public utilities	447,100	448,600	443,600	—.3	.8
Trade	1,477,200	1,463,900	1,441,100	.9	2.5
Finance	327,200	324,400	317,900	.9	2.9
Service	1,017,700	1,008,500	1,000,000	.9	1.8
Government	1,312,700	1,312,300	1,296,400	.0%	1.3%

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

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	April 1971p	March 1971	February 1971	April 1970
TEXAS				
Total industrial production	180.8	181.7	180.1r	178.6
Manufacturing	198.9	201.4	199.1r	200.1r
Durable	196.2	201.0	200.7	216.3
Nondurable	200.7	201.7	198.0r	189.2
Mining	138.2	136.7	135.5r	133.2r
Utilities	273.3	273.3	275.8r	257.7r
UNITED STATES				
Total industrial production	166.0	165.5	165.2r	170.2
Manufacturing	163.7	163.5	163.1r	170.0r
Durable	157.7	157.7	157.6	168.4r
Nondurable	171.2	170.7	169.9r	171.9r
Mining	139.3	138.7	136.3r	133.9
Utilities	245.0	242.2	245.2r	233.8

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

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	April 1971	March 1971	April 1970r	Percent change from: March 1971	Percent change from: April 1970
FOUR SOUTHWESTERN STATES	7,206.2	7,156.8	6,784.2	0.7%	6.2%
Louisiana	2,717.1	2,676.0	2,393.8	1.5	13.5
New Mexico	337.0	338.0	361.9	—.3	—6.9
Oklahoma	616.0	604.2	622.8	2.0	—1.1
Texas	3,536.1	3,538.6	3,405.7	—.1	3.8
Gulf Coast	738.1	745.2	686.7	—1.0	7.5
West Texas	1,666.0	1,657.4	1,627.3	.5	2.4
East Texas (proper)	232.0	234.5	192.1	—1.1	20.8
Panhandle	72.0	71.6	80.3	.6	—10.3
Rest of state	828.0	829.9	819.3	—.2	1.1
UNITED STATES	9,913.6	9,862.5	9,587.2	.5%	3.4%

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

in business, consumer, real estate, and security loans.

Much of the improvement in loan demands from businesses and consumers could have stemmed from the recent pickup in sales of new automobiles. The continued growth in real estate loans reflected increased construction activity and comparatively low mortgage rates. Demands for security loans coincided with recent large marketings of securities.

Banks expanded their investment portfolios, mainly through the acquisition of Treasury bills. This contraseasonal increase probably reflected the participation of banks in recent Treasury financing operations. Bank holdings of other securities declined less than in comparable periods of other recent years.

Demand deposits declined less than normal for this time of year, and–despite a sharp reduction in large CD's outstanding–time and savings deposits registered a contraseasonal net inflow. As a result, the decline in total deposits was only about half as much as usual for this period. On balance, banks reduced their borrowings from nondeposit sources, particularly in the Eurodollar market.

The Texas oil allowable was reduced from 77.2 percent of maximum efficient production in May to 75.4 percent for June. Allowables in other producing states of the Eleventh District remained unchanged. The cut in Texas was the second in two months. Previously, the state's allowable had held steady for three months. Even at the new rate, however, the allowable is still significantly higher than last June, when it was 59 percent.

The reduction came in response to lower nominations for purchases of Texas crude. As the international flow of oil picks up again, spokesmen for the Texas Railroad Commission say they would like to see an easing off in the high rates that have recently strained production in Texas fields. A cushion in the capacity of these fields has long served to even out seasonal fluctuations in the nation's demand for crude.