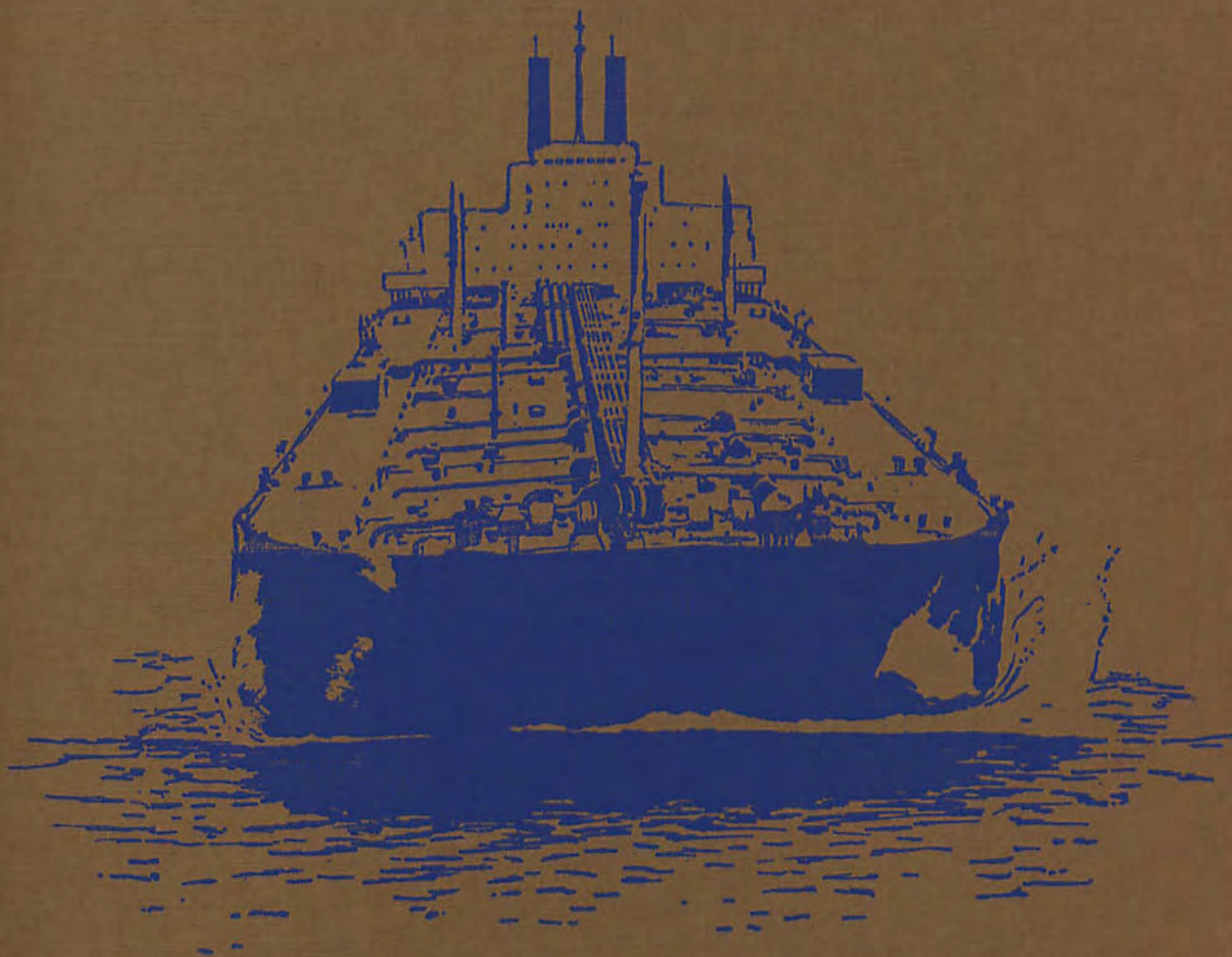


Federal Reserve Bank of Dallas

# Business Review

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**Oil Imports-**

**Two District States Bid for Superports**

**Bank Credit Cards-**

**District Banks Report Problems Getting Underway**

**December 1972**



## Two District States Bid for Superports

The nation is turning increasingly to imports as a means of bridging the gap between its growing fuel demands and its dwindling petroleum reserves. And as more oil is imported, the need for ports large enough to accommodate the most efficient tankers grows urgent.

The tankers—superships of more than 200,000 tons—are already available, moving crude from the Middle East to refineries in Europe and Japan. These ships, which have cut the cost of transporting crude to Ireland in half, will have to be used to hold down the cost of importing oil to this country. Otherwise, with a growing proportion of the nation's crude supply coming from abroad, prices could rise beyond what is now considered practical. But such ships are too big for any existing port facilities in the United States.

New ports must be built, or existing ports enlarged, to take advantage of the economies these ships offer. But selection of sites has become a complicated matter. Because of their high costs (construction can run into the billions),

only a few ports will be built—although, with the enormous volumes of oil they can handle, only a few will be needed.

Construction of a superport will take three to five years. Delays in starting will only aggravate the problems of an already short crude supply, increasing pressure for still higher oil prices.

Most areas are not suitable, either because dredging costs would be too much or because there is not enough open land available for the new construction that is sure to follow the opening of a superport. And many areas that might be suitable for superports do not want them.

Texas and Louisiana do. These two Eleventh District states are actively competing for the first superport on the Gulf Coast. Either could provide a suitable location, and both offer distinct advantages. Louisiana is planning its port at the mouth of the Mississippi. From there, crude can be distributed by barge to refineries as far inland as Illinois and Indiana. Texas, with the world's largest

concentration of processing plants along its coast, has pipelines feeding petroleum products to markets all along the East Coast. But Louisiana also has considerable processing capacity, and it, too, is tied into the nation's pipeline net.

Both states may have superports eventually. But because of its size, the huge investments it will represent, and the continued investments it will most likely attract—the first port on the Gulf will have decided advantages hard for the other to overcome.

### The need

The need for such ports is already abundantly clear. At the current discovery rate, domestic crude production will peak in the next two years at some 11 million barrels a day. After that, the domestic flow is expected to taper off. Even development of Alaska's North Slope will only slow the widening gap between supply and demand.

Meanwhile, consumption has been running 15 million barrels a day. Of that, roughly a third is supplied by imports. If daily con-

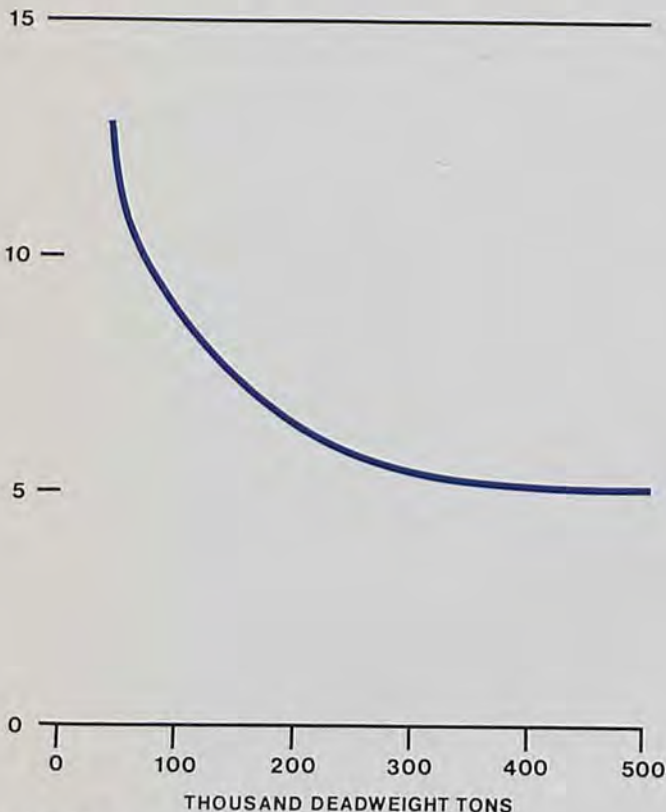
Modern supertankers are some 30 times larger than World War II Liberty ships





**Cost of transporting Middle East crude drops sharply with increase in size of ship**

DOLLARS



SOURCE: Business Week

**PROJECTED GROWTH IN WORLD TANKER FLEET**

Thousand deadweight tons	Number of vessels	
	1966	1983
10 to 20	1,184	1,337
20 to 40	889	456
40 to 60	467	317
60 to 80	202	429
80 to 100	86	760
100 to 125	29	397
125 to 150	5	48
150 to 200	2	224
200 to 300	0	371
400 to 600	0	45
Total	2,864	4,384

SOURCE: American Association of Port Authorities

sumption reaches the 26 million barrels expected by 1985, close to two-thirds of the nation's supply will be shipped from abroad.

With the increasing reliance on imports and the growing need to reduce transportation costs, the structure of the shipping and petroleum-processing industries will doubtlessly change. One of the biggest changes will be a further shift to large tankers. Unless U.S. ports participate in this shift, the changes could be fairly basic—such as a marked increase in the proportion of refined products shipped in from abroad.

Construction of superports in Canada or the Caribbean, for example, would lead almost in-

evitably to the installation of refineries nearby. These new plants would be highly effective in competing for U.S. markets. And as refiners in this country began losing their share of domestic markets to importers, petrochemical processors could begin falling short of feedstocks, opening the door to still further change.

**The ship**

Tankers now used in importing oil to the United States average about 47,000 tons. To ship a ton of crude on a vessel of that size from, say, the Persian Gulf to the Atlantic Seaboard costs about \$13. With a 100,000-ton ship, the cost drops to \$8.70. And with a

250,000-ton ship, it drops to \$5.70. With 500,000-ton ships (which may not be practical), the cost would fall to \$5.15.

Costs could eventually be reduced further by the introduction of tankers capable of carrying dry cargo on return trips. Combination dry-liquid bulk carriers have been designed to haul not only oil but also coal, ores, and other dry bulk commodities, such as grain. With profitable backhauls replacing non-revenue-producing ballast, transportation costs could be lowered and the burden of oil imports on the nation's balances of trade and payments lessened.

Meanwhile, large hulls are beginning to dominate tanker traffic.



Worldwide, only 19 vessels exceeded 100,000 tons in 1965. By the end of 1970, there were probably 275 tankers exceeding that tonnage. Many had reached 200,000 tons, and some had hit 300,000 tons. One of 477,000 tons was completed just this year. All told, there are 700 vessels too large to call at U.S. ports.

### The port

The biggest supertankers are more than 1,200 feet long—four times the length of a football field—and take a turning distance of 2.5 miles and roughly the same straight-line stopping distance. The most important consideration in building a port for these vessels, however, is not their length but their draft.

The draft of a supertanker can be as much as 90 feet. The average for tankers of 200,000 tons is more than 60 feet, meaning the berth for such a ship must have a depth of at least 70 feet. Only three ports in the United States can receive ships that large, and they are all on the West Coast—at Seattle, Los Angeles, and Long Beach. The deepest East Coast ports can take ships drawing only about 45 feet of water. That is the draft of a ship with a capacity of only about 80,000 tons.

In addition to deep water (or water that can be made deep enough with a minimum of dredging), superports take "super" investments. The cost of a superport at one East Coast location has been estimated at \$1.3 billion. The cost of any of these new ports will run into the hundreds of millions. Such massive outlays could be as restricting as water depths. They will certainly limit the number of ports built.

Anywhere on the Gulf Coast, water deep enough for supertankers lies some distance offshore, virtually excluding any consideration of onshore ports. An onshore installation on the Gulf would require

miles of dredging not only for new channels but also for huge turning basins. Such an undertaking is prohibited by both the additional construction costs and the problems of disposing of large masses of spoil.

But offshore terminals might have important advantages all their own. Construction of facilities to receive supertankers onshore would add tremendously to the congestion in most ports. And congestion, always to be avoided, could be especially serious in ports where these unwieldy giants had to be maneuvered at close quarters. The possibility of oil spills also poses a more serious threat at an onshore port—again, because of the size of supertankers. Serious as a spill might be offshore, the potential for damage would be less than for one onshore. But while the new ships are hard to handle and carry such large cargos that oil spills could cover large areas, use of these ships would actually reduce the risk of collisions and spills by reducing the number of oil-laden ships operating in an area.

Onshore or off, strict precautions will have to be taken to ensure the safe operation of superports. Hurricanes, for example, pose a special threat on the East Coast and Gulf Coast. Facilities on either coast will have to withstand high seas and hurricane-force winds.

An offshore superport would be designed for the transshipment of oil from tankers by pipeline or barge to refineries or tank farms (storage areas) ashore. Refineries could even be great distances from the port. Pipelines from a deep-water port near Galveston, for example, could connect with refineries as far away as Corpus Christi and the Beaumont-Port Arthur area. Proponents of a port at the mouth of the Mississippi expect crude to be moved even farther.

Proposed designs for offshore facilities include both floating and fixed pumping stations. The float-

ing types are single buoys supporting the fittings to a pipeline. Ships connect to the buoy, holding themselves in position with their engines, and pump their cargos ashore. The fixed types are either artificial islands or rigid platforms that allow ships actually to berth at sea while discharging their cargos. The monobuoys, which cost considerably less than fixed facilities, offer the additional advantage of allowing operations to continue in rougher weather.

In most areas under consideration, terminal facilities would have to be vastly expanded to support a new deepwater port. Additional cargo-handling equipment would be needed, especially barges. More tank farms and pipelines would be needed. And existing inland feeder rail, pipeline, and barge systems would probably have to be modified to speed up movement enough to handle the greater bulk tonnages.

### The location

Several factors will be taken into account in the location of superports. One of the most important will be physical limitations—water depth and the availability of land for the construction and expansion of facilities ashore. Another will be the proximity to refineries—or at least tie-in points to pipelines feeding refineries.

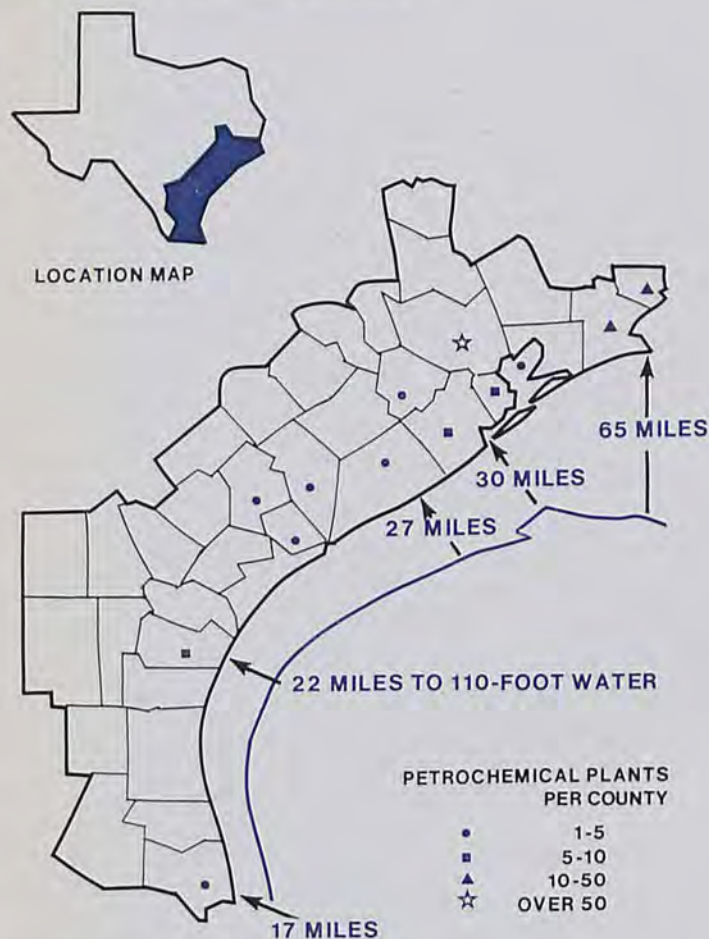
But there are also important noneconomic considerations to be taken into account. Population, for example, is much denser on the East Coast than on the Gulf Coast. There is strong opposition in some quarters on the East Coast to giving up large areas of land for the construction of more refineries.

### The choices

A superport will almost certainly be built eventually at one of the three West Coast ports already deep enough for supertankers. As the Alaskan oil fields develop and demand for petroleum continues to



**Superport to supply Texas plants  
must lie several miles offshore**



SOURCE: Texas A&M University

expand in western states, a deep-water facility will be needed on the West Coast. Construction of a superport on the West Coast, however, will not affect construction of other ports. The western states, isolated from other areas of petroleum production and consumption by the Rockies and simple distance, are considered a market essentially separate from the rest of the country.

Only three locations on the East Coast are considered feasible for deepwater ports. They are Machiasport, Maine; Montauk Point,

New York; and Delaware Bay. Of these, Delaware Bay has drawn the most attention. The first U.S. superport has been proposed for construction there.

The only water deep enough for supertankers along the Gulf Coast lies a considerable distance offshore. But while the Gulf Coast has no feasible location for a deep-water port onshore, it has several prime candidates for offshore ports.

Texas and Louisiana have prepared thoughtful arguments why superports should be built off their coasts. Louisiana would like to see

a port about 12 miles off the mouth of the Mississippi. Several locations have been proposed off the Texas coast.

Much of the justification for a superport on the Gulf has been the heavy concentration of refining along this coast. Two-fifths of the nation's refining is on the Gulf Coast. And the Texas Gulf Coast has the world's heaviest concentration of refineries, petrochemical plants, and processors of aluminum, sulfur, and other chemicals.

But Gulf Coast states consume only about a sixth of the petroleum products used in this country—which raises the question of whether superports should be closer to consumer markets (where refineries could be built) or refining areas already in existence. Two-fifths of the domestic petroleum market is along the East Coast, where only an eighth of the refining capacity is located.

The question of refinery location and, therefore, the location of superports is further complicated by the rapid increase in demand for petroleum. Additional refining capacity will be needed, regardless of the source of crude stocks. Refineries are already running close to capacity. To meet the demand for petroleum products, the capacity equivalent of 58 new medium-size refineries will be needed by 1980.

However important the location of consumer markets may be, the location of superports will depend—at least partially—on the location of refineries. And so far, the interdependence of hydrocarbon processing plants has dictated that petroleum refineries and petrochemical plants cluster in the same areas—where byproducts from one operation can be used as feedstocks to another.

A superport on the Gulf would have ready access to existing refineries and pipelines. And assuming continuation of the long-standing tendency for processing plants to



cluster, new refining capacity will probably be added as needed.

### The benefits

The area building a superport, then, will benefit not only from construction and operation of the superport itself but also from further expansion of its refinery and pipeline industries. Louisiana may be a little ahead in competition for the first superport to be built on the Gulf. One of its most distinct advantages over Texas is its fairly firm decision on where it wants to locate a superport. But Texas, too, will no doubt decide soon. Although several Texas cities would like to see a superport built nearby, all are acutely aware that a deepwater port off their state is crucial to the continued growth of the state's petroleum and petrochemical industries.

By ensuring a continuous inflow of crude, a port off either state would provide incentives for increasing local refining capacity. Some estimates show refining capacity in Texas could double. The increase in Louisiana would probably be even more.

Without a port, the refining industry on the Gulf may well be forced eventually to build facilities nearer a source of crude. It is not tied to its plants on the Gulf Coast. This industry, in fact, could become fairly mobile. Most refining units have an operating life of only about five years. The industry could phase out its Gulf Coast refineries over a very few years merely by installing its new equipment elsewhere.

With a port, however, the refining industry would give either state a decided boost in further expansion of its petrochemical industry. Petrochemicals already account for a third of the industrial activity in Texas.

But costly and highly capital-intensive, these ports and their associated terminal facilities would

also eventually become transportation centers serving enormous areas. And new industrial complexes would almost certainly grow up around them. Some of these industries would probably support plants based on oil. Others emerging as the transportation net expanded would probably depend on imports of other raw materials.

—Edward L. McClelland



## District Banks Report Problems Getting Underway

Credit-card banking is fast becoming a major form of consumer financing in the Eleventh District. The amount of bank-card credit outstanding at banks in the District was nearly \$216 million in late 1971. That was 17 times more than the amount outstanding five years before—and most of the increase had come since the end of 1969.

Meanwhile, use of credit cards was also increasing relative to the total amount of consumer credit outstanding at banks in the District. Where bank cards accounted for only 0.4 percent of the credit outstanding to consumers at these banks in 1967, they accounted for 4.5 percent in late 1971.

One problem for banks taking up this new type of consumer lending has been the building of an adequate volume of business in a fairly short time. Several banks in the District tackled the problem with mass mailings of credit cards. And the result was many lost, stolen, and misused cards. Credit and fraud losses from this kind of entry into the credit-card business have continued to impair the profitability of their programs.

Another has been handling the volume of tickets involved in this new form of credit transaction. Mechanization has reduced the problem but left many banks with excess capacity that has only added to the fixed cost of their programs. And increases in personnel—often with little (or no) experience in credit-card programs—have further drained profits.

Also, with the growing emphasis on full-service banking, the costs and benefits of credit-card programs have been hard to determine. Depositors may take their business

to banks offering credit cards. But as cards provide a convenient form of credit—even cash advances—customers may hold down the balances carried in their checking accounts. Some of the increase in use of credit cards may come at the expense of other forms of bank consumer credit. And the convenience of cards may cut into bank sales of travelers' checks.

Allocations of costs add further to the difficulties of gauging the profitability of bank-card programs. No clear pattern for the assignment of costs for, say, advertising, facilities, and salaries has emerged. And as a result, comparisons of the profitability of programs are extremely hard to make—and sometimes misleading.

In an effort to analyze bank credit-card operations in the Southwest, the Federal Reserve Bank of Dallas undertook a voluntary survey of banks operating credit-card programs in the District. Since most banks had only recently started issuing credit cards, the information they could provide was limited. But while results of the survey are highly tentative, some inferences can be drawn.

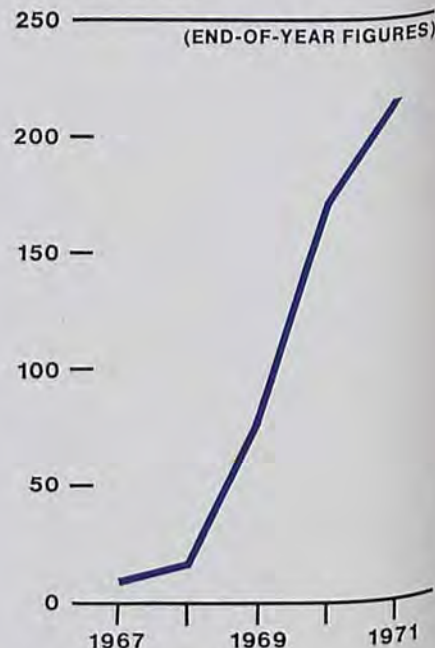
### Survey of the District

Of the 62 banks in the District with credit-card receivables at the end of 1971, 40 participated in the survey. All had at least \$100,000 in card credit outstanding, and 25 banks had outstanding balances of more than \$1 million. Six of these with outstandings in excess of \$10 million were classified as having large programs.

Participants included 26 banks affiliated with Interbank's Master

### Bank-card credit rises sharply at banks in the Eleventh District

MILLION DOLLARS



SOURCE: Federal Deposit Insurance Corporation



Charge program, 13 affiliated with the BankAmericard program, and one that carried its own credit card. All but three participating banks issued their own cards. And those three all had outstandings of less than \$1 million.

Although two banks had credit-card programs as early as 1951, nearly half the participants started their programs in 1969. Only five banks offered credit cards before 1968.

Nearly 60 percent of the banks participated in clearinghouse associations. Only about a fourth processed their own tickets. The remaining three-fourths used outside processors.

### Keys to profit

Information from reporting banks suggests that the key to profitability may lie in the interaction of three main factors—a suitable volume of credit-card business, increases in the efficiency of personnel and use of equipment, and reductions in credit losses.

The high costs of launching credit-card programs require that the business be built rapidly. Banks reporting profitable programs in 1971, for example, had generally increased their credit balances about twice as fast as those with unprofitable programs.

The problems of expanding to proper size, however, have not been easy to overcome. If the volume of business a bank handled did not expand rapidly, overhead costs continued to bear down on the profitability of its program. But if volume expanded too fast, credit losses and high delinquency rates tended to impact on potential profits.

Thus, the profitability of a program seems to depend largely on the success of management in solving perplexing and interrelated problems associated with program expansion. But much of this expertise comes only with experience in the program. That is a function of time—the maturity of a program.

### 1. Suitable volume

To establish a viable volume of accounts early in their programs, banks were often not very selective in the initial issuance of their cards. As a result, they later had to close out many accounts that proved unprofitable—either because collections were difficult or because the cards were not being used. More than three-fourths of the banks indicated they had reduced the number of their cards outstanding in the previous two years.

As banks have become more experienced with credit cards, they have also been more selective in issuing them. Where they approved, on average, more than 70 percent of the applications they received in 1970, they approved an average of 50 percent in 1971.

To this closer screening was added a tendency for the number of applications a bank received to begin dropping off after the first year, further hastening the decline in the number of cards outstanding.

Banks have also had to seek out merchants interested in accepting credit cards—an effort in which they have been fairly successful. Although some merchants have withdrawn from programs—usually

because they either went out of business or transferred their accounts to their regular bank once that institution began issuing credit cards—the number participating has continued to grow. On average, banks have added more than 400 new merchant accounts for every year of their credit-card operations.

Banks with large programs (outstanding balances of more than \$10 million) appeared generally more aggressive than those with small programs in establishing new merchant accounts. This impression, however, may be due to the fact that many of the smaller programs operate in smaller cities, where use of credit cards is often not as well established.

Banks entering the credit-card field in recent years have found entry conditions somewhat more favorable. With bank cards becoming more widely accepted, recent entrants have found merchants easier to sign. They have also been able to establish more customer accounts during their startup periods. And as with programs started earlier, they have been more selective in approving applications as their programs have matured.

With the growth in credit-card programs have come increases in retail sales and cash advances—an average increase of 6.2 percent in 1971 alone. Banks with newer programs showed faster gains in the amount of credit extended. And small programs, regardless of their maturity, increased their outstandings faster than large programs.

### 2. Credit losses

But as the amount of credit extended increased, so did credit losses. Total charge-offs were up nearly a half in 1971, accounting for about 2.5 percent of the outstandings under the bank-card programs surveyed and establishing another criterion for success in credit-card operations.



Although credit losses also rose at banks with profitable programs, they were less of a problem than at banks reporting net losses. Reflected in the difference were variations in the size of programs. But perhaps more important were variations in their maturity and resulting differences in management experience.

Banks with small programs increased their outstandings faster than those with large programs, but their credit losses were also greater. Banks with large programs did much better in terms of credit losses, holding charge-offs well below 2 percent of their total volume.

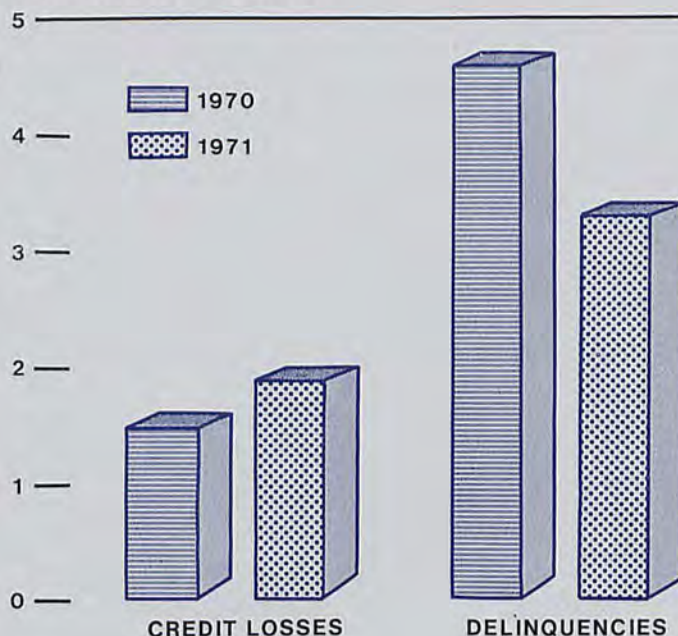
The same was true, however, for banks with more mature programs. Although newer programs showed rapid gains in the amount of credit they extended, their charge-offs also rose rapidly. In both 1970 and 1971, charge-offs were significantly greater proportions of the card credit outstanding for new entrants than for banks with more mature programs. Again, the difference reflects a tendency for banks starting in the credit-card business to be less selective in opening accounts.

But while credit losses have been rising—for profitable and unprofitable programs—delinquencies have been declining. In 1971, for example, the average volume of delinquencies fell nearly a fourth. Here too, the extent of improvement seems to depend mainly on the maturity of the program. On average, banks reach the high point in credit-card delinquencies about 18 months after starting their programs.

Most program managers expressed concern over their credit losses—especially those with rising losses. But if banks continue showing improvements in their delinquency rates—as the tighter screening of accounts would indicate they should—credit losses

**Credit losses rise as percentage of volume, but inroads made in curbing delinquencies**

PERCENT OF TOTAL VOLUME



could also decline, increasing profitability as programs mature.

### 3. Greater efficiencies

Taken as a whole, banks reported a rise in operating costs in 1971. But expenses actually fell relative to the total volume of bank-card credit outstanding. The number of employees working on bank-card programs, for example, increased nearly a tenth, and with wages rising even faster, payroll expenses charged to bank programs were up

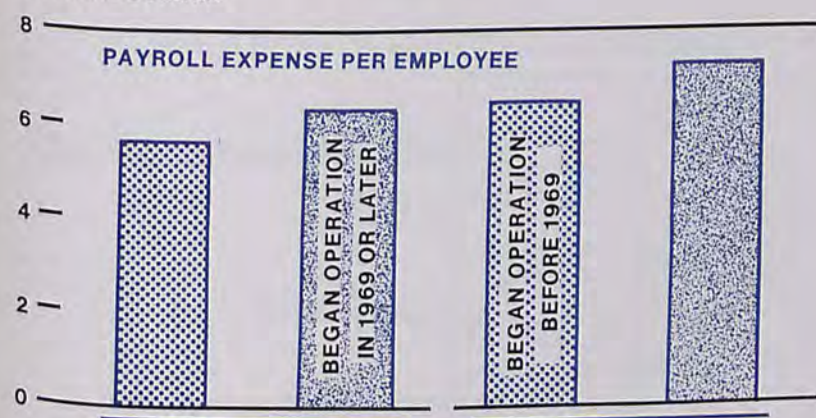
sharply from 1970. But both the dollar volume and the number of tickets an employee typically handled also increased substantially.

The unused capacity characteristic of new programs also held down profits. All banks, regardless of the maturity of their bank-card programs, reported that they could handle more tickets without adding staff or equipment. But in terms of equipment and facilities, banks with new programs reported greater excess capacity.

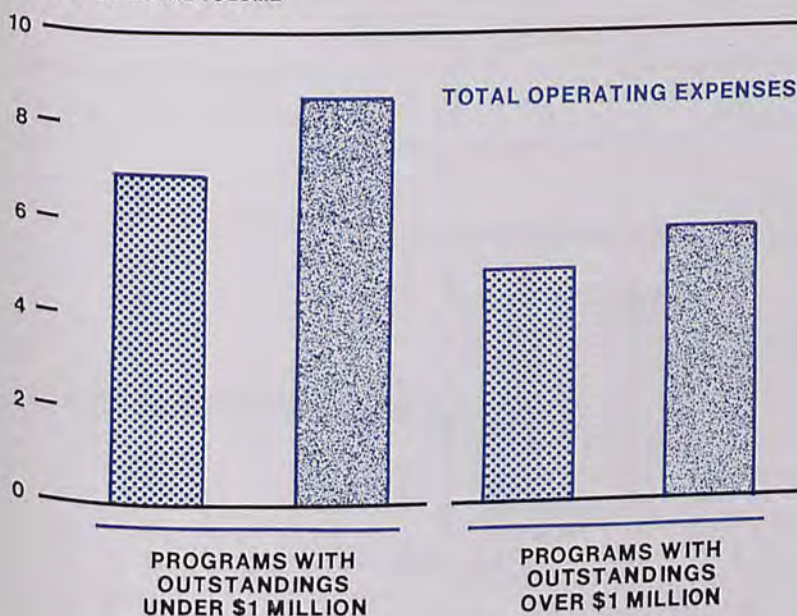


**More mature programs benefit  
from lower payroll and operating costs**

THOUSAND DOLLARS



PERCENT OF TOTAL VOLUME



The size of programs was important in achieving these efficiencies. Operating expenses of small programs rose, while costs of large programs declined. The net effect was substantially lower expenses, relative to total credit balances, for large programs.

**Outlook for profits**

Since banks calculate their profits differently, the formulation of an average profit level may be somewhat misleading. Most banks, however, showed an improvement in profits in 1971—if only by lowering losses. And most banks in the survey reported they expected profits to improve still more in the years ahead.

As already indicated, there are fairly sound reasons for banks to expect improvements in profits as their credit-card programs mature. Costs of programs are initially high, and returns low. The advertising needed to create a suitable volume of merchants and cardholders, for example, impacts heavily on expenses in the early stages of program development.

Although the total number of people working on bank-card programs was up in 1971, banks reporting profits on their programs had usually reduced their staffs. The result, since credit balances were rising, was a marked increase in the average amount of business each employee usually handled.

Also, estimates of program managers regarding the use of their facilities indicate that profitable programs probably had only about half as much unused capacity as unprofitable programs. In terms of equipment and facilities, banks with newer programs reported greater excess capacity.

On the whole, the credit-card business appears to be an area of substantial growth for full-service banks. And even though profits have not been impressive, the outlook is good—especially in urban





# Federal Reserve Bank of Dallas

December 1972

## Statistical Supplement to the Business Review

Total bank credit at weekly reporting banks in the Eleventh District rose sharply in the four weeks ended November 22. Accommodated by sizable inflows of deposits, the rise in bank credit largely reflected a significant increase in loan demand.

With all types of borrowers using their bank credit lines more than usual, the increase in total loans was considerably more than in comparable periods of other recent years. Demand for business loans was especially strong.

Total investments increased slightly as banks added to their holdings of Treasury bills and other short-term Government instruments. Holdings of municipal obligations and longer-term Government issues declined somewhat.

Demand deposits declined slightly. Total deposits, nevertheless, rose rapidly, primarily as a result of a sharp increase in large CD's outstanding. Banks made a moderate reduction in their net borrowings from nondeposit sources—particularly in the commercial paper market.

Agricultural production in the states of the Eleventh District continues well ahead of a year before. As the year draws to a close, production of some crops has reached record proportions.

Based on conditions in early November, the cotton crop has been estimated at 6.1 million bales. Half again larger than in 1971, this would be the largest cotton crop since 1965. Although the rice crop may be slightly smaller than last year, production of grain sorghum will be up substantially.

Livestock production through September had shown little change

from a year before. Gains were reported in the production of fed cattle, broilers, and eggs. But these increases were largely offset by declines in the production of pork, wool, mohair, and turkeys.

Prices received by Texas farmers and ranchers increased slightly in the month ended October 15, reaching a level 15 percent higher than a year before. Prices of meat animals continued unseasonably strong, holding the index of livestock prices 20 percent higher than a year before. Crop prices averaged only 4 percent higher, although only hay, cotton, and cottonseed were not up from October 1971.

Receipts from farm and ranch marketings in states of the District totaled \$4.8 billion in the first nine months of the year. That was 15 percent more than for the same period in 1971 and nearly twice the gain reported for the nation. With this advance in receipts, net farm income for the five states is expected to be substantially more than the \$2.2 billion realized last year.

The seasonally adjusted Texas industrial production index eased slightly in October. After a sharp rise in September, the index slipped to 133.4 percent of its 1967 base, settling 9.5 percent above a year before. All industries showed advances over October 1971.

The month-to-month decline was due mainly to a sharp drop in utilities. With distribution of electricity off markedly, utilities fell 6.9 percent. Both manufacturing and mining showed slight increases in production, the increase in mining coming in spite of a small decline in the production of crude oil.

All industries manufacturing durable goods reported gains in

output. The largest were in the output of transportation equipment (3.2 percent) and primary metals (2.1 percent). Several industries producing nondurable goods reported declines. The largest were in petroleum refining (3.1 percent) and the production of chemicals and allied products (1.2 percent).

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio rose 42 percent in October to a level 14 percent above a year earlier. Cumulative registrations for the first ten months of the year were still 12 percent higher than for the same period of 1971.

Department store sales in the Eleventh District were 10 percent greater in the four weeks ended November 25 than in the corresponding period last year. Cumulative sales through that date were 11 percent more than in the comparable period a year before.

Seasonally adjusted total employment in the five southwestern states rose to a record high of 8.2 million in October—0.4 percent more than in September. But with the labor force also continuing to expand, the unemployment rate remained at 4.4 percent.

Almost all categories of nonfarm employment showed gains over both a month before and a year before. The only exception was government employment, which fell 0.9 percent from September but was still 2.8 percent higher than a year ago. The largest month-to-month gains were in construction (1.7 percent) and manufacturing of durable goods (1.3 percent).



# CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

## Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Nov. 22, 1972	Oct. 25, 1972	Nov. 24, 1971
Federal funds sold and securities purchased under agreements to resell.....	1,155,718	736,011	894,195
Other loans and discounts, gross.....	8,591,470	8,330,164	7,056,356
Commercial and industrial loans.....	3,745,310	3,672,596	3,229,393
Agricultural loans, excluding CCC certificates of interest.....	227,801	204,911	145,713
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	1,308	1,323	512
Other securities.....	92,924	78,716	51,652
Other loans for purchasing or carrying:			
U.S. Government securities.....	7,173	6,658	6,242
Other securities.....	468,999	455,406	420,762
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	153,431	145,310	115,274
Other.....	761,632	676,471	495,167
Real estate loans.....	1,158,942	1,130,216	898,303
Loans to domestic commercial banks.....	21,067	20,434	21,688
Loans to foreign banks.....	16,676	30,728	27,496
Consumer instalment loans.....	941,926	931,375	804,552
Loans to foreign governments, official institutions, central banks, and international institutions.....	0	0	0
Other loans.....	994,281	976,020	839,602
Total investments.....	3,713,575	3,706,754	3,188,037
Total U.S. Government securities.....	984,323	967,462	1,021,627
Treasury bills.....	177,797	141,695	78,618
Treasury certificates of indebtedness.....	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	140,954	126,522	150,058
1 year to 5 years.....	470,547	501,947	631,064
After 5 years.....	195,025	197,298	161,887
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills.....	210,995	210,595	66,896
All other.....	2,279,211	2,284,870	1,923,805
Other bonds, corporate stocks, and securities:			
Certificates representing participations in federal agency loans.....	14,832	14,973	17,976
All other (including corporate stocks).....	224,214	228,854	157,733
Cash items in process of collection.....	1,395,610	1,592,679	1,284,170
Reserves with Federal Reserve Bank.....	821,915	1,054,258	1,099,912
Currency and coin.....	99,929	114,042	86,775
Balances with banks in the United States.....	435,216	480,253	380,655
Balances with banks in foreign countries.....	11,777	12,868	10,726
Other assets (including investments in subsidiaries not consolidated).....	636,362	632,831	486,492
<b>TOTAL ASSETS.....</b>	<b>16,861,572</b>	<b>16,659,860</b>	<b>14,487,318</b>

LIABILITIES	Nov. 22, 1972	Oct. 25, 1972	Nov. 24, 1971
Total deposits.....	13,102,401	12,745,139	11,103,687
Total demand deposits.....	6,984,161	6,986,678	6,205,015
Individuals, partnerships, and corporations.....	4,930,000	4,976,566	4,362,001
States and political subdivisions.....	533,035	399,254	391,882
U.S. Government.....	147,995	129,453	81,722
Banks in the United States.....	1,230,063	1,342,919	1,261,965
Foreign:			
Governments, official institutions, central banks, and international institutions.....	3,753	2,675	2,800
Commercial banks.....	45,501	40,532	31,764
Certified and officers' checks, etc.....	93,814	95,279	72,881
Total time and savings deposits.....	6,118,240	5,758,461	4,898,672
Individuals, partnerships, and corporations:			
Savings deposits.....	1,201,429	1,199,654	1,077,273
Other time deposits.....	3,304,316	3,034,432	2,695,591
States and political subdivisions.....	1,461,580	1,385,663	1,042,674
U.S. Government (including postal savings).....	29,726	22,405	11,564
Banks in the United States.....	107,089	101,707	50,670
Foreign:			
Governments, official institutions, central banks, and international institutions.....	13,000	13,500	19,800
Commercial banks.....	1,100	1,100	1,100
Federal funds purchased and securities sold under agreements to repurchase.....	1,920,670	1,917,597	1,714,800
Other liabilities for borrowed money.....	85,731	229,332	42,051
Other liabilities.....	432,799	452,220	384,299
Reserves on loans.....	141,057	141,276	135,224
Reserves on securities.....	17,829	17,806	22,109
Total capital accounts.....	1,161,085	1,156,490	1,085,148
<b>TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....</b>	<b>16,861,572</b>	<b>16,659,860</b>	<b>14,487,318</b>

## CONDITION STATISTICS OF ALL MEMBER BANKS

### Eleventh Federal Reserve District

(Million dollars)

Item	Oct. 25, 1972	Sept. 27, 1972	Oct. 27, 1971
<b>ASSETS</b>			
Loans and discounts, gross.....	16,154	16,182	13,497
U.S. Government obligations.....	2,328	2,326	2,337
Other securities.....	5,363	5,255	4,437
Reserves with Federal Reserve Bank.....	1,723	1,459	1,717
Cash in vault.....	326	313	298
Balances with banks in the United States.....	1,334	1,207	1,271
Balances with banks in foreign countries.....	15	15	14
Cash items in process of collection.....	1,888	1,655	1,668
Other assets.....	1,233	1,208	995
<b>TOTAL ASSETS.....</b>	<b>30,364</b>	<b>29,620</b>	<b>26,234</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,788	1,683	1,732
Other demand deposits.....	11,107	10,851	9,977
Time deposits.....	11,710	11,540	9,895
Total deposits.....	24,605	24,074	21,604
Borrowings.....	2,409	2,054	1,557
Other liabilities.....	1,191	1,501	1,168
Total capital accounts.....	2,159	1,991	1,905
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....</b>	<b>30,364</b>	<b>29,620</b>	<b>26,234</b>

e—Estimated

## RESERVE POSITIONS OF MEMBER BANKS

### Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Nov. 1, 1972	4 weeks ended Oct. 4, 1972	4 weeks ended Nov. 3, 1971
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	930,410	916,850	832,331
With Federal Reserve Bank.....	861,365	851,042	772,824
Currency and coin.....	69,045	65,808	59,507
Required reserves.....	927,000	936,978	822,485
Excess reserves.....	3,410	20,128	9,846
Borrowings.....	7,054	14,985	5,018
Free reserves.....	3,644	35,113	4,828
<b>COUNTRY BANKS</b>			
Total reserves held.....	1,021,486	1,001,006	898,337
With Federal Reserve Bank.....	807,232	785,549	696,857
Currency and coin.....	214,254	215,457	201,480
Required reserves.....	1,002,517	985,955	875,215
Excess reserves.....	18,969	15,051	23,122
Borrowings.....	14,390	2,220	3,978
Free reserves.....	4,579	12,831	19,144
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	1,951,896	1,917,856	1,730,668
With Federal Reserve Bank.....	1,668,597	1,636,591	1,469,681
Currency and coin.....	283,299	281,265	260,987
Required reserves.....	1,929,517	1,922,933	1,697,700
Excess reserves.....	22,379	5,077	32,968
Borrowings.....	21,444	17,205	8,996
Free reserves.....	935	22,282	23,972

## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	Nov. 22, 1972	Oct. 25, 1972	Nov. 24, 1971
Total gold certificate reserves.....	302,317	253,152	501,083
Discounts for member banks.....	13,075	156,944	3,700
Other discounts and advances.....	0	0	0
U.S. Government securities.....	3,169,044	3,268,104	3,184,146
Total earning assets.....	3,182,119	3,425,048	3,187,846
Member bank reserve deposits.....	1,384,976	1,723,166	1,726,269
Federal Reserve notes in actual circulation.....	2,221,198	2,195,733	2,087,609



# 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 <sup>1</sup>					DEMAND DEPOSITS <sup>1</sup>			
	October 1972 (Annual-rate basis)	Percent change			October 31, 1972	Annual rate of turnover			
		October 1972 from		10 months, 1972 from 1971		October 1972	September 1972	October 1971	
		September 1972	October 1971						
ARIZONA: Tucson . . . . .	\$9,610,044	—5%	27%	27%	\$320,592	30.9	32.6	25.7	
LOUISIANA: Monroe . . . . .	4,272,780	2	32	20	119,990	35.9	36.1	32.2	
Shreveport . . . . .	14,472,792	—3	25	17	321,847	46.6	50.4	42.4	
NEW MEXICO: Roswell <sup>2</sup> . . . . .	993,132	10	2	0	43,871	22.8	20.9	22.9	
TEXAS: Abilene . . . . .	2,744,172	3	20	13	119,445	22.8	22.0	20.9	
Amarillo . . . . .	9,318,144	13	41	20	204,745	45.9	42.6	39.2	
Austin . . . . .	13,130,004	0	18	17	427,570	30.8	31.3	30.5	
Beaumont-Port Arthur-Orange . . . . .	7,238,316	8	15	4	285,110	26.1	25.2	24.3	
Brownsville-Harlingen-San Benito . . . . .	2,505,948	0	19	21	102,339	24.5	24.4	23.7	
Bryan-College Station . . . . .	1,534,834	15	32	24	53,750	29.1	25.8	24.6	
Corpus Christi . . . . .	7,885,980	9	21	16	258,395	30.2	27.0	24.7	
Corsicana <sup>2</sup> . . . . .	530,736	4	24	5	36,413	14.7	14.3	13.3	
Dallas . . . . .	153,003,240	—1	17	11	2,920,690	54.4	55.9	55.1	
El Paso . . . . .	9,959,280	—1	21	15	324,746	31.4	33.4	31.1	
Fort Worth . . . . .	29,590,464	6	26	8	807,718	37.2	35.9	32.9	
Galveston-Texas City . . . . .	3,782,532	23	36	3	128,878	28.8	23.8	24.0	
Houston . . . . .	144,099,492	3	26	21	3,224,860	45.3	45.5	41.1	
Laredo . . . . .	1,230,192	—3	35	13	52,772	23.7	24.7	21.4	
Lubbock . . . . .	5,941,812	10	29	10	188,818	31.9	28.3	25.7	
McAllen-Pharr-Edinburg . . . . .	2,787,348	13	55	34	148,397	19.8	18.2	16.0	
Midland . . . . .	2,454,192	14	14	7	150,954	16.1	14.4	14.9	
Odessa . . . . .	1,878,660	0	11	10	112,190	17.4	17.7	17.9	
San Angelo . . . . .	1,832,532	10	35	15	79,236	23.2	21.3	19.1	
San Antonio . . . . .	22,821,492	0	16	8	883,302	26.6	27.6	27.2	
Sherman-Denison . . . . .	1,312,380	7	19	10	79,183	17.0	16.3	15.7	
Texarkana (Texas-Arkansas) . . . . .	1,710,552	—2	17	14	86,100	20.2	21.2	18.9	
Tyler . . . . .	3,333,876	6	34	18	121,702	28.0	27.3	23.5	
Waco . . . . .	3,949,200	2	16	16	150,755	27.2	26.7	25.6	
Wichita Falls . . . . .	3,078,372	3	14	13	134,295	23.0	22.7	21.7	
Total—29 centers . . . . .	\$467,002,498	2%	22%	15%	\$11,888,663	40.1	40.4	37.8	

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

## VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	October 1972	September 1972	August 1972	January—October	
				1972	1971r
FIVE SOUTHWESTERN STATES <sup>1</sup> .....	864	960	1,149	9,744	7,619
Residential building.....	478	526	635	4,982	3,766
Nonresidential building.....	242	266	246	2,589	2,345
Nonbuilding construction.....	145	169	268	2,174	1,507
UNITED STATES.....	8,225	8,197	8,875	77,889	67,543
Residential building.....	4,298	4,135	4,671	38,704	28,771
Nonresidential building.....	2,384	2,378	2,458	22,771	21,533
Nonbuilding construction.....	1,544	1,684	1,746	16,415	17,239

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

## BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)						
	NUMBER		Percent change				
	October 1972	10 mos. 1972	October 1972 from		10 months, 1972 from 1971	Sept. 1972	Oct. 1971
			October 1972	10 mos. 1972			
ARIZONA							
Tucson.....	541	7,202	\$8,323	\$149,555	—24%	—1%	94%
LOUISIANA							
Monroe-West							
Monroe.....	62	948	794	22,216	—75	—10	39
Shreveport.....	438	4,690	4,182	50,356	8	—41	—36
TEXAS							
Abilene.....	67	704	891	14,788	66	16	38
Amarillo.....	148	1,692	5,281	29,039	234	16	—1
Austin.....	535	5,554	14,949	208,071	—40	—23	33
Beaumont.....	221	2,117	1,249	24,282	—73	—21	45
Brownsville.....	115	1,063	1,275	12,112	64	175	36
Corpus Christi.....	379	3,970	4,079	53,635	3	5	—3
Dallas.....	1,552	16,776	17,084	327,771	—8	7	27
Denison.....	34	332	172	2,616	6	—17	1
El Paso.....	580	5,821	15,533	150,954	16	136	52
Fort Worth.....	416	4,228	10,980	78,585	3	125	—24
Galveston.....	78	751	1,686	11,691	—8	1	13
Houston.....	3,306	35,943	50,815	533,421	42	15	1
Laredo.....	49	524	80	12,245	—96	—87	80
Lubbock.....	211	1,921	4,632	51,424	—49	85	5
Midland.....	76	938	492	16,504	39	—88	33
Odessa.....	72	895	207	21,787	—78	—80	200
Port Arthur.....	83	910	194	4,808	—32	39	—13
San Angelo.....	79	700	610	7,314	—28	77	—23
San Antonio.....	1,377	15,039	18,750	195,825	—4	65	87
Sherman.....	31	449	288	6,464	—71	203	36
Texarkana.....	97	579	273	6,221	—48	62	—11
Waco.....	194	2,162	3,647	32,569	20	112	53
Wichita Falls.....	63	806	1,303	13,263	126	207	—25
Total—26 cities.....	10,804	116,714	\$167,769	\$2,037,516	—3%	18%	20%

## 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
1970: October...	10,684	4,860	5,824	8,317	3,305	5,012
1971: October...	11,562	5,246	6,316	9,977	3,819	6,158
1972: May.....	12,268	5,652	6,616	11,075	4,262	6,813
June.....	12,320	5,689	6,631	11,233	4,365	6,939
July.....	12,468	5,708	6,760	11,304	4,473	6,968
August.....	12,420	5,608	6,812	11,441	4,468	7,024
September.....	12,619	5,722	6,897	11,492	4,526	7,092
October.....	12,866	5,791	7,075	11,618		



## DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	October 1972	September 1972	October 1971r	Percent change from	
				September 1972	October 1971
<b>FOUR SOUTHWESTERN STATES</b>					
Louisiana.....	7,020.0	7,043.5	6,603.6	-0.3%	6.3%
New Mexico.....	2,609.3	2,619.8	2,535.9	-4	2.9
Oklahoma.....	296.0	296.5	311.9	-2	-5.1
Texas.....	557.3	563.6	579.5	-1.1	-3.8
Gulf Coast.....	3,557.4	3,563.6	3,176.3	-2	12.0
West Texas.....	731.6	735.3	597.9	-5	22.4
East Texas (proper).....	1,738.5	1,731.4	1,605.6	.4	8.3
Panhandle.....	246.5	250.4	171.2	-1.6	44.0
Rest of state.....	66.6	66.9	69.0	-4	-3.5
UNITED STATES.....	774.2	779.6	732.6	-7	5.7
	9,603.5	9,624.9	9,225.3	-2%	4.1%

r—Revised

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

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967=100)

Area and type of index	October 1972p	September 1972	August 1972	October 1971
<b>TEXAS</b>				
Total industrial production.....	133.4	133.7	130.4r	121.8
Manufacturing.....	136.6	135.9	131.7r	124.5
Durable.....	146.3	143.9	142.2	134.6
Nondurable.....	129.6	130.2	124.1r	117.1
Mining.....	121.1	120.8	121.3r	109.6
Utilities.....	150.7	161.9	153.1	144.1
<b>UNITED STATES</b>				
Total industrial production.....	116.7	115.7	115.0r	106.8
Manufacturing.....	116.0	115.1	114.2r	106.1
Durable.....	110.6	109.4	108.4r	100.1
Nondurable.....	124.0	123.3	122.6r	114.7
Mining.....	109.2	109.2	107.4r	97.7
Utilities.....	144.6	143.0	144.1r	135.2

p—Preliminary

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

## LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States<sup>1</sup>

(Seasonally adjusted)

Item	Thousands of persons			Percent change Oct. 1972 from	
	October 1972p	September 1972	October 1971r	Sept. 1972	Oct. 1971
Civilian labor force.....	8,576.8	8,542.0	8,335.1	0.4%	2.9%
Total employment.....	8,202.5	8,170.5	7,934.5	.4	3.4
Total unemployment.....	374.3	371.4	400.6	.8	-6.6
Unemployment rate.....	4.4%	4.4%	4.8%	2.0	-4
Total nonagricultural wage and salary employment....	6,698.5	6,672.8	6,444.9	.4	3.9
Manufacturing.....	1,169.0	1,160.6	1,132.3	.7	3.2
Durable.....	639.4	631.3	613.7	1.3	4.2
Nondurable.....	529.6	529.2	518.6	.1	2.1
Nonmanufacturing.....	5,529.5	5,512.2	5,312.5	.3	4.1
Mining.....	227.4	226.5	226.4	.4	.4
Construction.....	449.7	442.1	414.5	1.7	8.5
Transportation and public utilities.....	458.5	455.9	444.5	.6	3.2
Trade.....	1,592.1	1,583.3	1,522.6	.6	4.6
Finance.....	359.3	356.8	340.6	.7	5.5
Service.....	1,086.3	1,078.7	1,044.2	.7	4.0
Government.....	1,356.3	1,368.9	1,319.6	-.9	2.8

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas

2. Actual change

p—Preliminary

r—Revised

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

SOURCES: State employment agencies  
Federal Reserve Bank of Dallas (seasonal adjustment)

## TOTAL OIL WELLS DRILLED

Area	Third quarter 1972	Second quarter 1972	Percent change	1972 cumulative	Percent change from 1971 cumulative
<b>FOUR SOUTHWESTERN STATES</b>					
Louisiana.....	1,586	1,697	-6.5%	5,085	2.5%
Offshore.....	232	226	2.7	714	-3.9
Onshore.....	60	50	20.0	174	-16.3
New Mexico.....	172	176	-2.3	540	.9
Oklahoma.....	144	123	17.1	411	25.7
Texas.....	278	235	18.3	818	-8.3
Offshore.....	932	1,113	-16.3	3,142	4.8
Onshore.....	0	1	-100.0	2	-
UNITED STATES.....	932	1,112	-16.2	3,140	4.7
	2,813	2,884	-2.5%	8,678	1.0%

SOURCE: American Petroleum Institute