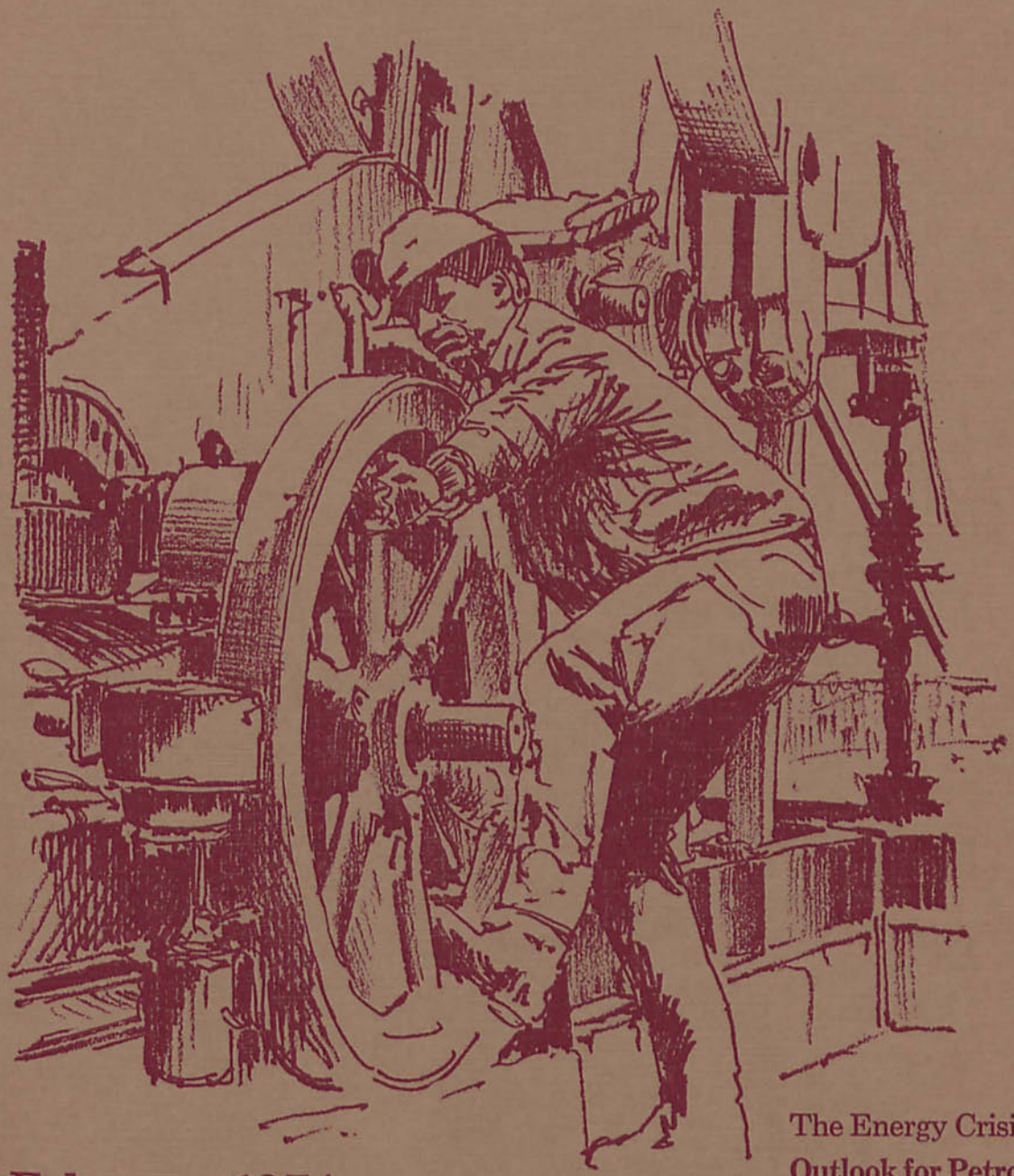
Federal Reserve Bank of Dallas

Business Review



The Energy Crisis–
Outlook for Petroleum
In the Southwest Mixed

February 1974

Outlook for Petroleum In the Southwest Mixed

The energy crisis could be especially significant to states of the Eleventh District. Users in these southwestern states have long been accustomed to plentiful supplies of oil and gas that sold at prices considerably less than in the nation as a whole. Moreover, a heavy portion of the region's industrial base is directly tied to oil and gas production.

Now, with imports sharply curtailed and the outlook for domestic production to increase only to a minor degree relative to demand, there is a sudden awareness that shortages and distribution disruptions may occur at least temporarily and that users in the Southwest will have to begin paying more for energy. The region's industrial future is bound to be affected.

Many industries will face problems. And there could be problems for some segments of the petroleum industry itself. Refinery runs, for example, have been sharply cut in response to the drop in imports of crude oil. Crude buyers in producing states of the Southwest report trouble finding enough domestic crude to keep refineries going. Immediate prospects for increasing the domestic supply of crude oil are dim. Demand for crude has been rising at least 6 percent a year, and production in Texas fields, for example, has been falling about 3 percent a year.

As reserves dwindle, it is less likely that the Texas Railroad Commission will relax some of its conservation requirements in an effort to boost production. On the contrary, some of the commission's staff sees preservation of the state's reserves as more crucial than ever. Since, under Texas law, the commission is viewed primarily as a conservation agency, it may have no choice but to insist that reserves be stretched out as long as possible.

With fuel prices rising, the outlook is for renewed efforts to discover and develop new reserves. And higher fuel prices will mean more income in the Eleventh District from oil and gas production. Both aspects of the change brighten prospects in the Southwest. Also, with more wells being drilled, there should be a sustained boom for the oil field equipment and supply industries that abound in southwestern states.

Coupled to the District's oil and gas production, however, are large concentrations of industries based on cheap energy and the ready availability of petroleum feedstocks. As oil and gas prices rise, these industries face possible setbacks that could take years to overcome. The outlook for petrochemicals is especially uncertain.

Just how important any setback in processing could be for District industry is suggested by the assignment of weights to the Texas industrial production index prepared by the Federal Reserve Bank of Dallas. About half the weight used in compiling this index is assigned to the petroleum producing and processing industries. Of that, close to half–about 20 percent of the total–is assigned to processing.

Source of shortage

The loss of spare capacity that brought such significant changes in the outlook for the petroleum industry in the Southwest was due to a number of developments both here and abroad. One important factor, however, has been the absence of any unified energy policy in this country until recently. But several public policies, all independently arrived at, combined to bring about the same effect–to provide an abundance of comparatively inexpensive fuel.

Under such an unstated but, nevertheless, national policy, producers and consumers benefited in the beginning. After huge new petroleum reserves were found overseas in the 1950's, a quota system was imposed on imports to prevent a possibly massive inflow of low-priced crude from abroad.

Unlike most protective policies, the system was devised to promote national security, recognizing that an unchecked flow of cheap foreign oil would create a dependence on imports that might not always be available. This system, along with the prorationing system devised by producing states, accounted for the spare capacity in the Southwest.

Because of their enormous reserves, the District states had already prorationed production to stabilize markets and, thereby, avoid wasteful pumping. As demand for energy rose, the rise in domestic prices was held back by increasing state production allocations and by allowing more foreign oil into the country. Americans had not merely stable oil prices but, in constant dollars, gradually declining prices.

The abundance of oil was reinforced by enormous reserves in the natural gas market. Until pipelines were laid nationwide, there was no need to encourage exploration for natural gas. And even long after

pipelines opened a national market for gas and demand soared, little effort was made to find new gas because of the abundance of gas reserves discovered earlier in the search for oil in the District. This backlog of reserves helped further in keeping energy prices low.

Regulation of natural gas developed independently of policies governing crude production. But the aim was the same–to keep energy prices down. As demand for natural gas rose, controls were imposed to regulate the price of gas sold interstate. And as regulation of gas prices took its place in a national policy, artificially low gas prices contributed to a slackening in exploration, and natural gas supplies tightened.

Developments in oil production impacted similarly on the Southwest. The self-imposed restraints on output postponed income into the future, making it harder for producers to finance their operations. As regulation of natural gas prices curtailed exploration, so eventually did prorationing of oil production.

Moreover, drilling costs rose. Producers were caught in a cost-price bind that finally brought a decline in the Southwest's multi-million-dollar exploration industry.

Petroleum in the Southwest

The immediate problem is due, of course, to the interruption of imports from the Middle East. But the growing sense of crisis that has gripped consumers has been due to developments that have been building for many years.

The nation's energy requirements have doubled since 1950. And until the recent cut in imports, they were expected to double again by 1985. But domestic energy supplies have become tight with the loss of spare capacity for the production of petroleum.

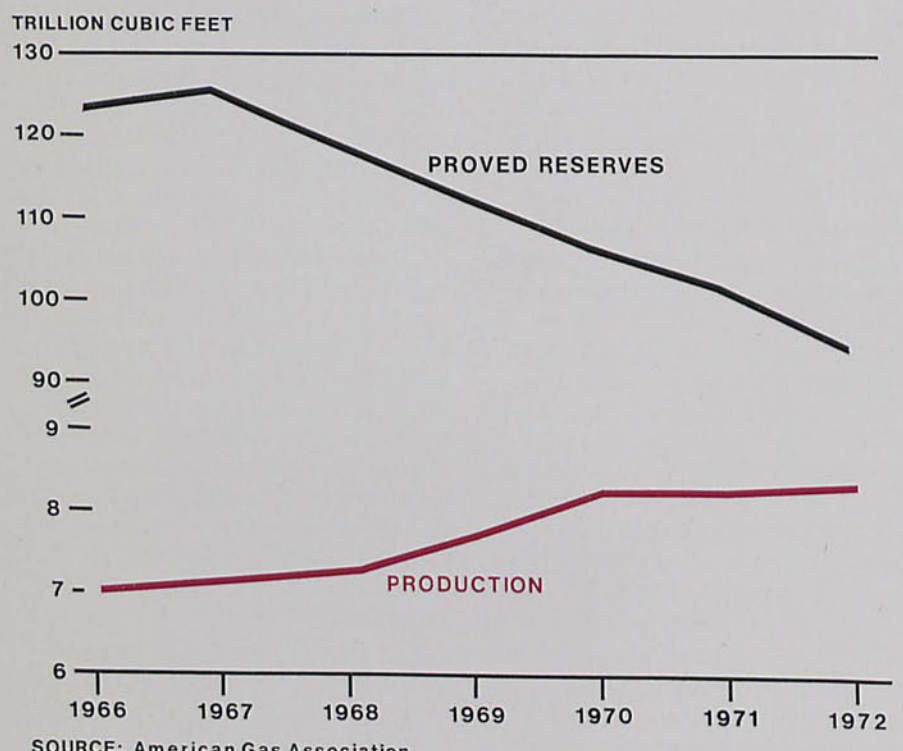
Most of this capacity has been in southwestern states. These states have long dominated domestic oil and gas production, as they are apt to do for years to come. Excluding undeveloped reserves in Alaska, they account for some 73 percent of the nation's proved crude oil reserves and about 85 percent of its natural gas reserves.

Only Alaska is in a class with the Southwest as a potential producer of petroleum. Although enormous reserves have been discovered on its North Slope, it will still be years before Alaska can bring these reserves into production. And even then, it will be hard to transport Alaskan oil to the Atlantic Seaboard, now served mainly by states in the Eleventh District.

Of the five District states, only Arizona is not a major producer of petroleum. Texas and Louisiana are the nation's leading producer states. Texas alone produces more than a third of all domestic oil and gas. Of the record $8 billion in minerals produced in this state in 1973, some 93 percent was petroleum. In Louisiana, where petroleum accounted for a similarly high proportion of the output, mineral production reached well over $5 billion that year. Oklahoma is the fourth most important producer state, and New Mexico is sixth.

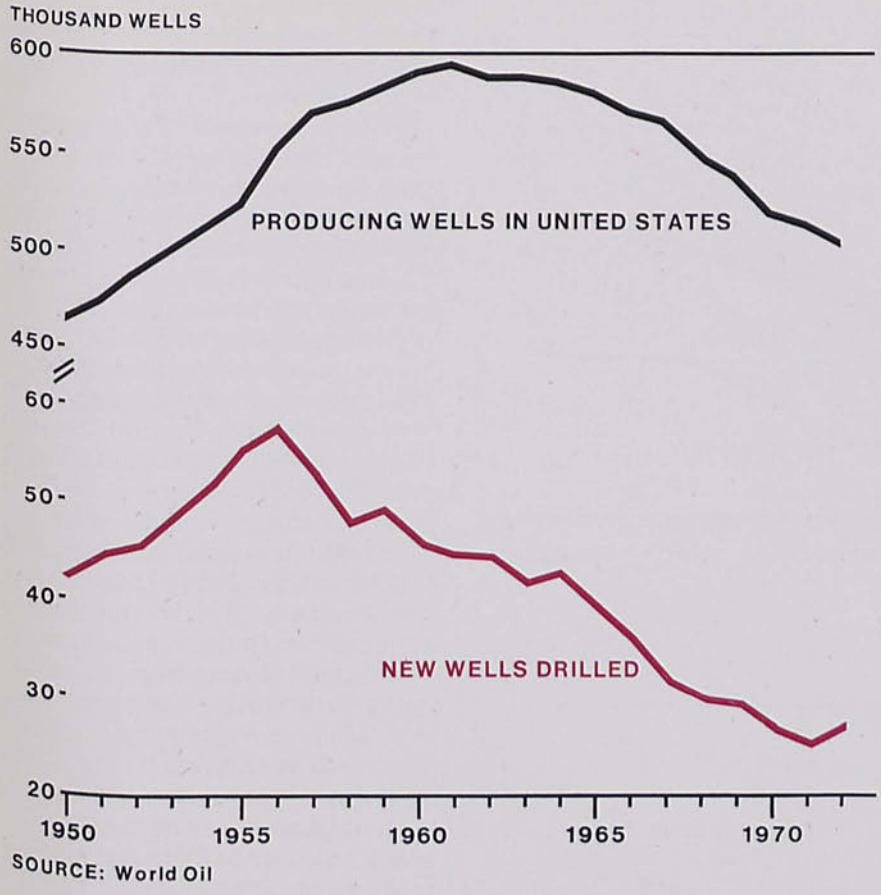
Without dramatic new discoveries–possibly offshore–production in these states is probably close to its crest, however. Even with an increase in exploration, production in the Southwest is expected to

Natural gas reserves in Texas decline, limiting further increases in production



SOURCE: American Gas Association

With decline in exploration, number of producing oil wells falls



SOURCE: World Oil

decline in the years immediately ahead. In Texas, for example, the flow of oil is expected to drop from about 3.5 million barrels a day in 1972 to 2.5 million in 1985 without significant new discoveries.

The output of natural gas in Texas has already reached a point where it is backed by reserves that could last only about ten years. That is the reserve-to-production ratio generally believed the minimum needed for year-round deliveries. And as the reserve base has declined, there have already been interruptions in deliveries of Texas gas.

With recent increases in oil and gas prices–and probably more to come–the value of production in the Southwest will very likely hold up for many years, protecting the region's economy from any marked declines in oil-based revenues. Meanwhile, higher prices have spurred drilling.

Nationwide, 5.6 percent more wells were drilled in 1972 than in 1971. Much of this increase was in the Southwest. In Texas alone, 8.5 percent more wells were drilled and 5.4 percent more wildcat wells were sunk in search of new reserves.

While this increase still leaves the number of wells drilled far short of the peak reached in the midfifties, it marks a decided turnaround from the downtrend of the past decade. By 1971, the number of wells drilled in the United States had dropped to the lowest level in the post-World War II period.

Although any further increases in drilling could be limited by other factors–such as the availability of risk capital and capable oil field workers–the availability of equipment is also a constraint. And this constraint, in itself, helps improve the outlook for business activity in the Eleventh District, especially in Texas. A major producer of oil field equipment, Texas built oil field machinery valued at $606.5 million in 1971.

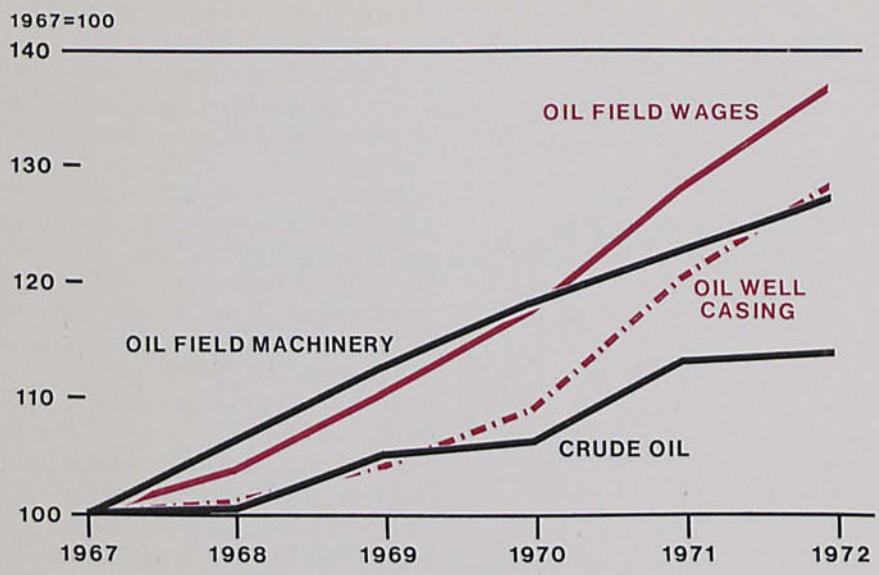
Construction of offshore rigs has been going full tilt in Texas for some time, and there are enough backorders to keep Texas yards busy for years. Altogether, some 25 offshore rigs and drilling ships are under construction in Texas and Louisiana. With the upturn in onshore drilling, construction of land rigs has also increased.

Closely connected to the production of petroleum in the Southwest is the nation's heaviest concentration of refineries and petrochemical plants. Prospects for the region's petroleum processing industries are–for the long run–totally different from the outlook for its oil and gas production. If long-run supplies of feedstocks tighten, growth of these industries is clearly threatened.

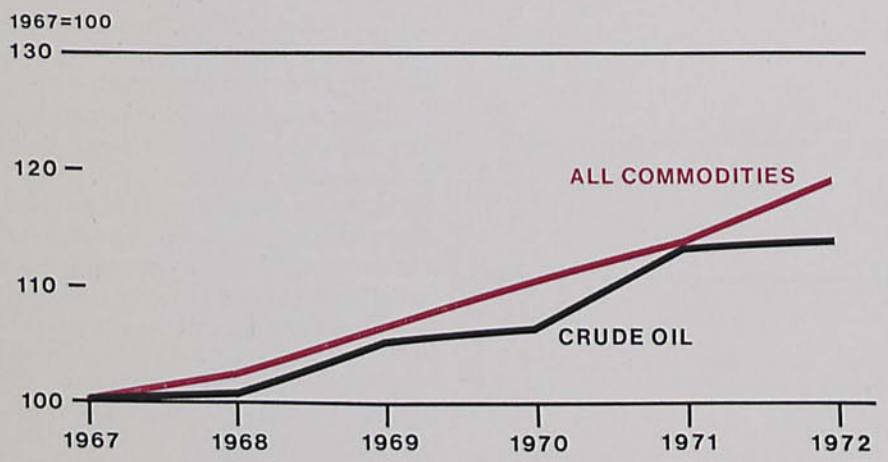
Refineries and petrochemical plants are important enough to the economy of the Southwest that any slowing in the growth of petroleum processing could have a significant impact on the region and the nation. Fully 40 percent of both the nation's refining capacity and its petrochemical capacity is along the coast of Texas and Louisiana–producing, for example, 80 percent of the country's synthetic rubber.

In Texas alone, more than 100,000 workers were employed in petroleum processing plants in

Crude prices in the past increased less than drilling costs . . .



. . . and stayed below other wholesale prices



SOURCE: Independent Petroleum Association of America

1972. Payrolls of these plants totaled about $1 billion that year.

Products of Texas refineries were worth $7.3 billion in 1971. That represented more than $1.5 billion in value added by refineries–or some 10 percent of the value added by all the state's manufacturing plants. Chemicals and allied products accounted for about 20 percent of the value added by manufacturing in the state that year. More than 61,000 workers were employed in Texas chemical plants in 1973.

Outlook for processing . . .

There are both positive and negative factors at work shaping prospects for petroleum processing in the Southwest. On the positive side, continued demand for petroleum products provides the most persuasive contention that the outlook for the processing industries is still bright.

With fuel supplies tight, refineries had been operating close to capacity when the Arabs put an embargo on crude from the Middle East. Thus, even when Middle Eastern oil is available again, more refineries will have to be built.

Refiners budgeted nearly $1.2 billion on capital equipment in 1973, and more may be spent this year, much of it in the Southwest. Producers of chemicals and allied products budgeted close to $4.3 billion on capital equipment in 1973 before the Arab embargo, and they were expected to invest a similar amount in 1974. This includes large sums for pollution abatement.

With petroleum reserves declining in the Southwest and processing plants becoming increasingly dependent on imports for feedstocks, it might be expected that most of this future construction would be closer to principal markets–as, for example, in the Northeast. Concern over the environment in such areas continues, however–despite the energy crisis. This concern has prevented construction of refineries and petrochemical plants and of the superports needed to accommodate tankers large enough to help offset some of the rising cost of imports.

There is a very good chance of a superport being built near New Orleans. And indications are that the next of these new facilities will most likely be built in Texas. Houston and Galveston want to build superports, and other Texas Gulf Coast ports would also like to have facilities to receive supertankers. Were such superports to be built in the District, prospects for the region's refining expansion would be boosted.

Much of the addition to refining capacity so far has come through the expansion and modernization of existing plants. And as the Texas and Louisiana Gulf Coast already has more refineries than any other region, the Southwest is likely to continue to see this type of construction. Texas, for example, has 40 big oil refineries. Together, they can process some 3.5 million barrels of crude a day, accounting for roughly a fourth of the nation's refining capacity.

All these factors favoring plant expansion in the Southwest relate primarily to refineries and their dependence on crude oil. But without a basic change in inputs to petrochemical production in this country, the declining availability of natural gas in the Southwest could hamper growth in the region's petrochemical industry.

. . . may not be bright

Petrochemical plants in the Eleventh District were built originally to make use of the byproducts of petroleum refining. But very early in the development of the petrochemical industry, plants in Texas and Louisiana began making use of the cheap gas and gas byproducts available from fields nearby. As a result, they have long been dependent largely on cheap gas and the gaseous liquids produced along with it.

With gas reserves in the Southwest so much larger than the demands on them, prices were low. They were low enough, in fact, for distant residential markets to bear the heavy costs of transmission. And gas-consuming plants along the Gulf Coast came to dominate the nation's chemical industry, boosting the United States to world leadership in petrochemicals.

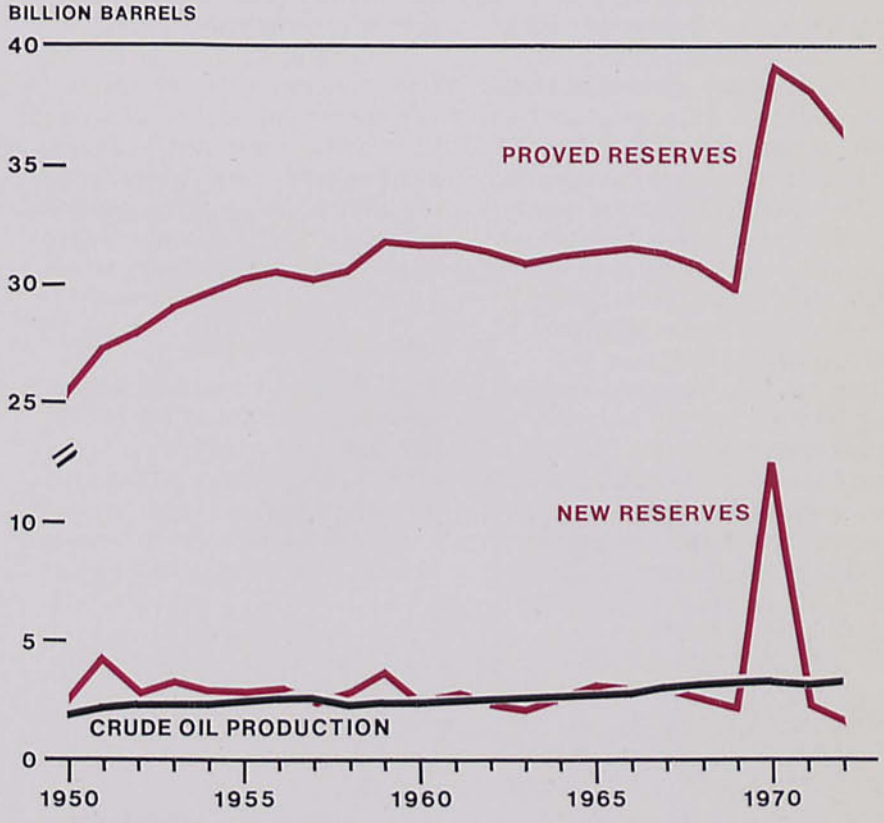
In the process, however, the petrochemical industry became the nation's largest single industrial user of natural gas and natural gas liquids. In recent years, it has consumed about a third of the natural gas liquids produced in this country and about half the natural gas used by all industries.

But as regulation continued to hold down prices–even after reserves became less plentiful–no effort was made to discourage use of natural gas. And without price increases, there was little incentive for further exploration. The result was a steady deterioration in reserves and, eventually, in the supply of natural gas.

Now, gas prices are up sharply. To get the fuel and feedstock they need to expand operations, petrochemical plants not only have to pay much higher prices, they must also face the possibility of other users bidding away their supplies.

Most petrochemical companies have been protected from increases in gas prices by long-term contracts that give them comparatively low-priced gas. But companies that respond to the rise in demand for petrochemicals by expanding their facilities–and, therefore, have to negotiate for additional gas supplies–could be caught in a pinch between the prices they have to pay for more inputs and the prices markets will bear for their output. New contracts for natural gas call

Production exceeds additions to U.S. crude reserves, despite dramatic discoveries in Alaska



SOURCE: American Petroleum Institute

for prices 3 or 3½ times more than just a few years ago. Prices of natural gas liquids are also up sharply.

Even companies with contracts that provide favorably priced inputs face the risk of interruptions in the flow of gas. The possibility that the Government might begin allocating gas to industry during periods of peak demand makes the availability of gas as a feedstock uncertain, adding to the risks companies must take in expanding their petrochemical plants. Because these plants are so expensive to build, they must be operated continuously to spread out their high fixed overhead.

Nor can the industry escape the gas shortage by drawing more heavily on natural gas liquids. With gas becoming scarce, changes in regulatory policies are also allowing prices of gas liquids to rise. And the industry faces new competition for the supplies that are available.

Synthetic gas producers and even some utility companies that once dealt primarily in natural gas have become interested in buying gas liquids to convert into gas that can be sold directly to end-users as fuel. If such interest continues, these companies could help bid up prices still further, putting these hydrocarbons beyond the reach of petrochemical producers.

Imports hold out few possibilities. Natural gas can be transported from overseas only as a supercooled liquid–which makes it too expensive for uses other than in meeting peak fuel demand and possibly home consumption.

New plants could be based on feedstocks from crude refining. Plants in Europe make extensive use of refinery products. But because oil refineries in this country were built for a different output mix, use of feedstocks derived from crude would require extensive modification of both refineries and petrochemical plants. The changeover would be enormously expensive and could be accomplished only over several years.

The shortage of natural gas is also threatening to boost another important cost of plant operations, further undermining the locational advantages of the chemical industry on the Gulf Coast. The chemical industry consumes large amounts of energy. About 40 percent of the electricity used by Texas industry, for example, is consumed at chemical plants. And most of this comes from generating plants burning natural gas.

With the cost of gas as a boiler fuel going up, power companies in Texas are planning to make more use of other fuels, such as lignite, and to switch to nuclear generating plants. Either move, however, will make electricity more expensive than users have been accustomed to in the Southwest.

Importance of prices

With the rapid increases in demand for energy and the falloff in drilling, problems were bound to develop in time. Many geologists believe there are still large amounts of oil and gas reserves to be found in the United States and, as fuel prices rise, abundant alternatives in coal and shale oil.

With the change in the nation's energy supply situation, policies have changed. Steps were being taken, even before the current crisis, to encourage the search for new reserves. Prices of gas sold interstate were allowed to rise. Import policies and spare capacity combined to hold back rises in oil prices for a while, as later did price controls. But now, domestic crude prices have been allowed to rise.

For domestic supplies to hold imports to a level the country can afford, wellhead prices will probably have to continue rising sharply over the next few years. With the Arab embargo and the jarring increases in world crude prices, domestic prices have already reached levels thought impossible just a few months ago.

These recent rapid changes will have a decided effect on states of the Southwest. Such sharply rising prices will go far not only in offsetting the effects of gradually declining production but also in extending production by stimulating recovery efforts and exploration for new fields.

But prospects for higher oil and gas prices do nothing to improve the outlook for the region's petrochemical industry. Based on inexpensive gas and gas byproducts, this industry does not have the possibilities for relief that can be held out to refineries. And lack of growth in petrochemicals could be important to the nation as a whole. For one thing, petrochemi-

cals are basic inputs to almost all industries. For another, petrochemicals have been a source of strength to the nation's balance of payments.

This country is the world's largest chemical producer. Its exports of chemicals for 1973 were at more than twice the value of its chemical imports–over $5.6 billion, compared with imports of about $2.4 billion. The U.S. share of world exports has been declining, however, and the surplus in chemical trade could be endangered.

Much of this trade advantage has been due to superior technology. But much of it has also been due to the availability of inexpensive energy and feedstocks. As these cost advantages slip, technical superiority becomes less important–and even this advantage could be lost.

With plenty of money for investment in plants and an overabundance of cheap oil and gas, producer countries in North Africa and the Middle East could become formidable competitors in chemicals. Saudi Arabia, for example, usually flares about 3.5 trillion cubic feet of natural gas a year. That is roughly 16 percent of total U.S. consumption. And in the Middle East, oil generally costs no more than 20 cents a barrel to produce. Some production costs are reputed to run as little as 5 cents. Countries with such cheap feedstocks could undersell any other chemical producer in the world.

–Stephen L. Gardner

New member banks

The Dallas/Fort Worth Airport National Bank, Irving, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business January 3, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $500,000, surplus of $500,000, and undivided profits of $250,000. The officers are: Ronald G. Steinhart, Chairman of the Board; A. E. "Al" Goode, President; Jon J. Collins, Assistant Vice President; and Jerry W. Corley, Cashier.

The Kingwood Commerce Bank, N. A., Humble, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business January 7, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $400,000, surplus of $400,000, and undivided profits of $200,000. The officers are: William S. Pebworth, Jr., Chairman of the Board; Terry Tuggle, President; and Robert A. Thompson, Vice President and Cashier.

New par banks

The Addison State Bank, Addison, 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, January 2, 1974. The officers are: William F. Stevens, President, and Mrs. Sue Coleman, Cashier.

The Forest Hill State Bank, Forest Hill, 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, January 7, 1974. The officers are: Michael C. Stinson, President, and Robert R. Cleveland, Vice President and Cashier.

The New Ulm State Bank, New Ulm, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on January 7, 1974. The officers are: Winston B. Harris, Chairman of the Board and President; Lew Ellyn Gross, Executive Vice President; Charles W. Mewis, Executive Vice President; Gilbert Glaeser, Vice President; Mrs. Violet Buechmann, Assistant Vice President; Jack Schultz, Cashier; and Mrs. Beatrice Rinn, Assistant Cashier.

The Bank of Vernon, Vernon, 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, January 21, 1974. The officers are: J. W. Munson, President, and Brian Hooper, Vice President and Cashier.

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

Federal Reserve Bank of Dallas
February 1974

Statistical Supplement to the Business Review

Total credit at weekly reporting banks in the Eleventh District rose moderately in the five weeks ended January 23, reflecting greater than usual increases in both total loans and investments. With a decline in total deposits, the growth in bank credit was financed mainly by sizable net purchases of Federal funds.

Although real estate loans rose significantly, most of the gain reflected the reclassification of some sizable loans by one large District bank that shifted funds out of commercial and industrial loans into real estate loans. After adjustment for the reclassification, real estate loans still rose slightly more than usual, probably because rising inventories of unsold homes may have increased interim financing needs of builders.

Adjusted business loans still declined contraseasonally, reflecting the slowdown in economic activity. Moreover, inventory accumulation by many industries apparently has been restricted due to shortages of fuel, materials, and parts. Consumer loans were also weak, probably curbed by employment cutbacks and the slowdown in economic activity.

On balance, banks added to their security holdings over the five weeks. Although holdings of Government issues rose less than usual, holdings of municipal securities increased more than usual. With their fairly high rate of return and tax-exempt status, municipal securities have been an especially attractive investment.

Total deposits declined moderately, with an especially sharp drop in demand deposits. Every major type of depositor except foreign commercial banks made net withdrawals from their checking accounts. Time and savings deposits rose markedly, however, mainly reflecting a sizable increase in the volume of large CD's outstanding. District banks moderately reduced their borrowings in the Eurodollar and commercial paper markets.

The seasonally adjusted Texas industrial production index fell about 2 percent in December, the second consecutive month of decline. The petroleum industry remained the major contributor to the reduced output. Crude petroleum mining fell almost 3 percent, and petroleum refining was down 10 percent due to shortages of crude oil and widespread shutdowns for maintenance and repair.

In contrast with the November decline, the drop in industrial activity was not confined to petroleum-related industries, and total manufacturing decreased faster than a month before. After growing at progressively slower rates the previous two months, durable goods manufacturing–the most sensitive cyclical component of the index–fell for the first month since July.

Seasonally adjusted total employment in the five southwestern states was virtually unchanged in December. This followed only a slight increase in the previous month and was the first month since June that employment failed to grow. Total unemployment was up nearly 5 percent, and the unemployment rate rose to 3.9 percent from 3.7 percent a month earlier.

Seasonally adjusted department store sales in the Eleventh District increased 4.5 percent from mid-December to mid-January, the third consecutive four-week gain. The rate of increase represented the largest monthly advance since department store sales turned upward in mid-October.

Seasonally adjusted new car registrations in the four largest metropolitan counties of Texas–Bexar, Dallas, Harris, and Tarrant–declined 1.4 percent in December. New car registrations have fallen in three of the past four months. The rate of decrease in December, however, was slower than in other recent months, and the drop in new car sales in Texas was less severe than the national decline. Registrations were off 15.6 percent in Tarrant County (Fort Worth), 6.6 percent in Bexar County (San Antonio), and 1.4 percent in Dallas County. Registrations were up 7.2 percent in Harris County (Houston). Cumulative registrations for 1973 were 8.3 percent greater than in 1972, reflecting strong sales early in the year.

Texas oil production in the last four months of 1973 was 4 million barrels less than in the same period in 1972, even though allowables continued at full effective production. Despite the loss in production, revenues increased as the price of crude oil rose. The state, for example, collected $8 million more in taxes on oil production during this period than in the last four months of 1972.

Cold weather in December and January slowed agricultural activities in states of the Eleventh District. Freezing temperatures damaged tender vegetables in Arizona and Texas, causing heavy losses to tomatoes and peppers. Citrus crops, however, received light damage.

(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Jan. 23, 1974	Dec. 19, 1973	Jan. 24, 1973
Federal funds sold and securities purchased under agreements to resell	1,760,991	1,722,914	1,016,549
Other loans and discounts, gross	9,851,187	9,807,100	8,772,762
Commercial and industrial loans	4,332,751	4,388,114	3,886,326
Agricultural loans, excluding CCC certificates of interest	298,396	298,511	245,389
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	473	473	1,329
Other securities	49,927	51,521	79,371
Other loans for purchasing or carrying:			
U.S. Government securities	4,638	4,474	7,119
Other securities	450,758	463,907	504,608
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	159,460	151,768	137,275
Other	746,390	714,758	685,990
Real estate loans	1,441,723	1,389,793	1,226,186
Loans to domestic commercial banks	32,078	33,951	21,579
Loans to foreign banks	54,222	53,470	13,799
Consumer instalment loans	1,051,699	1,054,133	966,303
Loans to foreign governments, official institutions, central banks, and international institutions	20	20	0
Other loans	1,228,652	1,202,207	997,488
Total investments	4,100,713	3,998,927	4,077,891
Total U.S. Government securities	966,458	950,182	1,096,331
Treasury bills	128,391	130,414	262,634
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	145,486	142,641	174,104
1 year to 5 years	522,678	516,911	461,349
After 5 years	169,903	160,216	198,244
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	125,255	155,839	258,203
All other	2,724,948	2,615,492	2,437,059
Other bonds, corporate stocks, and securities:			
Certificates representing participations in federal agency loans	22,699	18,484	13,603
All other (including corporate stocks)	261,353	258,930	272,695
Cash items in process of collection	1,486,679	1,609,807	1,453,649
Reserves with Federal Reserve Bank	1,247,878	1,123,376	912,442
Currency and coin	132,574	134,532	116,415
Balances with banks in the United States	518,914	463,113	387,693
Balances with banks in foreign countries	13,700	13,682	14,944
Other assets (including investments in subsidiaries not consolidated)	824,058	854,303	682,089
TOTAL ASSETS	19,936,694	19,727,754	17,434,434

LIABILITIES	Jan. 23, 1974	Dec. 19, 1973	Jan. 24, 1973
Total deposits	14,189,775	14,282,938	13,340,050
Total demand deposits	6,967,244	7,293,081	7,106,259
Individuals, partnerships, and corporations	5,007,405	5,208,000	4,960,061
States and political subdivisions	370,402	371,633	525,796
U.S. Government	157,700	234,117	248,491
Banks in the United States	1,262,950	1,305,228	1,211,951
Foreign:			
Governments, official institutions, central banks, and international institutions	4,213	5,916	3,815
Commercial banks	58,195	53,300	39,864
Certified and officers' checks, etc.	106,379	114,887	116,281
Total time and savings deposits	7,222,531	6,989,857	6,233,791
Individuals, partnerships, and corporations:			
Savings deposits	1,150,360	1,145,466	1,199,057
Other time deposits	4,021,572	3,867,451	3,220,098
States and political subdivisions	1,905,925	1,835,545	1,665,129
U.S. Government (including postal savings)	20,105	7,991	25,560
Banks in the United States	99,373	99,942	111,727
Foreign:			
Governments, official institutions, central banks, and international institutions	25,176	23,616	11,100
Commercial banks	20	320	1,120
Federal funds purchased and securities sold under agreements to repurchase	3,504,728	3,300,638	2,195,894
Other liabilities for borrowed money	272,203	174,965	109,763
Other liabilities	506,313	526,725	457,568
Reserves on loans	180,943	168,962	158,670
Reserves on securities	24,133	14,614	17,763
Total capital accounts	1,258,599	1,258,912	1,154,726
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	19,936,694	19,727,754	17,434,434

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	Dec. 26, 1973	Nov. 28, 1973	Dec. 27, 1972
ASSETS			
Loans and discounts, gross	20,185	19,461	17,475
U.S. Government obligations	2,247	2,239	2,439
Other securities	6,182	6,130	5,548
Reserves with Federal Reserve Bank	1,718	1,571	1,449
Cash in vault	371	377	358
Balances with banks in the United States	1,584	1,376	1,550
Balances with banks in foreign countries[e]	16	16	14
Cash items in process of collection	2,057	1,704	1,973
Other assets[e]	1,667	1,608	1,356
TOTAL ASSETS[e]	36,027	34,482	32,162
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,808	1,645	1,872
Other demand deposits	12,451	11,844	12,088
Time deposits	14,198	14,074	12,337
Total deposits	28,457	27,563	26,297
Borrowings	3,737	3,136	2,610
Other liabilities[e]	1,383	1,384	1,046
Total capital accounts[e]	2,450	2,399	2,209
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	36,027	34,482	32,162

e—Estimated

ANNUAL BANK DEBITS AND ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

(Dollar amounts in thousands)

Standard metropolitan statistical area	Debits to demand deposit accounts[1]			Demand deposits[1] Annual rate of turnover	
	1973	1972	Percent Increase	1973	1972
ARIZONA					
Tucson	$13,381,000	$9,741,062	37%	39.2	31.9
LOUISIANA					
Monroe	4,812,724	4,028,301	19	40.6	36.5
Shreveport	16,499,732	13,678,905	21	50.9	46.1
NEW MEXICO					
Roswell[2]	1,193,436	980,742	22	24.1	22.5
TEXAS					
Abilene	3,213,275	2,604,703	23	22.9	21.9
Amarillo	10,000,952	7,817,733	28	44.8	40.8
Austin	14,963,397	12,656,101	18	32.6	30.2
Beaumont-Port Arthur-Orange	8,316,362	6,939,177	20	28.9	25.4
Brownsville-Harlingen-San Benito	3,050,114	2,498,315	22	25.7	25.3
Bryan-College Station	1,547,002	1,318,613	17	26.7	25.5
Corpus Christi	8,589,377	7,441,802	15	29.8	27.5
Corsicana[2]	654,409	520,401	26	16.1	14.8
Dallas	197,574,811	152,822,521	29	67.0	55.8
El Paso	11,445,076	9,649,372	19	36.2	32.7
Fort Worth	33,014,836	28,917,336	14	38.5	36.8
Galveston-Texas City	3,648,538	3,158,256	16	28.0	25.3
Houston	169,172,326	139,541,680	21	50.3	45.0
Killeen-Temple	2,453,546	1,960,531	25	20.9	18.6
Laredo	1,491,476	1,168,892	28	24.4	23.4
Lubbock	8,056,031	5,513,042	46	36.2	29.2
McAllen-Pharr-Edinburg	3,312,284	2,528,065	31	20.3	18.2
Midland	2,681,734	2,252,220	19	16.2	14.8
Odessa	2,283,072	1,863,226	23	22.0	17.4
San Angelo	2,087,150	1,679,132	24	24.1	21.4
San Antonio	26,846,729	22,510,879	19	29.5	27.3
Sherman-Denison	1,513,521	1,274,549	19	18.2	17.1
Texarkana (Texas-Arkansas)	1,995,064	1,753,598	14	22.0	20.6
Tyler	3,115,190	2,933,259	6	24.5	25.1
Waco	4,537,034	3,929,629	15	29.0	27.3
Wichita Falls	3,508,658	2,951,249	19	23.7	22.3
Total—30 centers	$564,958,856	$456,633,291	24%	45.2	40.2

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

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]			
	Dec. 1973 (Annual-rate basis)	Percent change December 1973 from Nov. 1973	Dec. 1972	12 months, 1973 from 1972	Dec. 31, 1973	Annual rate of turnover Dec. 1973	Nov. 1973	Dec. 1972
ARIZONA: Tucson	$15,088,798	−6%	36%	37%	$354,665	43.7	46.5	37.5
LOUISIANA: Monroe	5,077,304	−3	16	19	117,847	42.6	43.1	40.0
Shreveport	16,625,042	−10	10	20	352,453	49.1	55.8	49.6
NEW MEXICO: Roswell[2]	1,112,326	−17	9	21	51,285	21.7	26.3	22.7
TEXAS: Abilene	3,575,015	−2	27	23	153,457	24.0	25.8	22.2
Amarillo	10,719,482	−6	28	28	250,097	45.6	50.7	40.8
Austin	16,606,742	1	37	19	425,147	38.5	37.8	27.1
Beaumont-Port Arthur-Orange	9,010,606	−7	29	20	306,765	30.3	33.3	25.2
Brownsville-Harlingen-San Benito	3,122,746	−10	22	22	120,940	26.0	28.5	24.2
Bryan-College Station	1,778,932	1	37	17	59,323	30.3	30.4	23.7
Corpus Christi	9,517,547	−2	19	15	298,282	32.7	34.3	28.2
Corsicana[2]	736,241	9	31	25	42,829	17.3	16.7	15.8
Dallas	216,014,652	−4	21	29	2,879,119	75.7	78.6	62.8
El Paso	12,203,971	−2	22	18	330,415	38.9	40.5	32.8
Fort Worth	37,529,160	6	30	14	866,879	43.7	41.1	35.2
Galveston-Texas City	4,335,991	18	33	15	136,558	32.6	28.8	26.3
Houston	188,138,784	−2	25	21	3,509,724	54.5	57.9	46.7
Kileen-Temple	2,746,553	9	32	25	118,270	23.1	21.6	18.6
Laredo	1,571,791	−12	32	27	63,186	25.2	28.4	21.8
Lubbock	9,870,884	6	81	46	251,771	41.4	42.6	27.9
McAllen-Pharr-Edinburg	3,465,830	−5	25	31	154,794	21.9	22.7	18.8
Midland	2,957,102	−7	26	19	194,857	16.2	19.0	14.8
Odessa	2,438,282	0	26	22	109,462	23.0	23.2	17.1
San Angelo	2,248,231	6	30	24	93,802	24.7	24.6	21.7
San Antonio	28,789,854	3	17	19	919,825	31.5	30.6	28.0
Sherman-Denison	1,509,578	−3	20	18	84,924	18.3	19.1	16.4
Texarkana (Texas-Arkansas)	1,971,366	−5	23	14	99,755	20.8	22.8	18.2
Tyler	3,172,052	−3	−13	5	135,975	25.0	26.9	30.5
Waco	4,422,721	4	14	15	158,527	28.1	27.2	25.7
Wichita Falls	4,254,247	14	34	19	155,705	27.7	24.6	23.8
Total—30 centers	$620,611,830	−2%	24%	23%	$12,796,638	49.4	51.4	42.1

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

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	Jan. 23, 1974	Dec. 19, 1973	Dec. 20, 1972
Total gold certificate reserves	515,254	658,072	211,268
Loans to member banks	157,230	51,630	191,155
Other loans	0	0	0
Federal agency obligations	87,430	77,710	51,019
U.S. Government securities	3,599,587	3,364,149	3,052,745
Total earning assets	4,359,501	3,475,489	3,294,919
Member bank reserve deposits	1,940,704	1,774,638	1,392,108
Federal Reserve notes in actual circulation	2,409,081	2,439,627	2,280,725

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	Dec. 1973p	Nov. 1973	Oct. 1973	Dec. 1972
TEXAS				
Total industrial production	139.6	142.5	141.7r	132.5
Manufacturing	143.9	147.3	147.7r	134.9
Durable	161.3	164.2	163.0	148.2
Nondurable	131.3	135.1	136.7r	125.3
Mining	121.9	124.1	121.2r	119.0
Utilities	168.1	167.3	163.6r	162.2
UNITED STATES				
Total industrial production	126.6	127.3	127.0	121.1r
Manufacturing	127.1	126.9	126.3r	120.4r
Durable	124.0	124.1	123.6r	116.3r
Nondurable	131.4	131.2	130.3r	126.2r
Mining	108.9	110.4	111.3r	108.2r
Utilities	144.5	153.5	156.2r	148.5r

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

DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	DEMAND DEPOSITS			TIME DEPOSITS	
	Total	Adjusted[1]	U.S. Government	Total	Savings
1971: December	11,981	8,388	266	10,273	2,509
1972: December	13,439	9,688	289	12,261	2,812
1973: January	13,636	9,802	317	12,501	2,815
February	13,270	9,516	379	12,811	2,817
March	13,203	9,454	395	13,038	2,848
April	13,237	9,550	331	13,249	2,855
May	13,136	9,502	341	13,336	2,859
June	13,218	9,551	279	13,374	2,884
July	13,259	9,567	261	13,396	2,868
August	12,941	9,492	172	13,507	2,857
September	13,039	9,442	208	13,618	2,854
October	13,289	9,461	239	13,795	2,863
November	13,455	9,816	167	13,953	2,871
December	14,008	10,086	244	14,154	2,883

1. Other than those of U.S. Government and domestic commercial banks, less cash items in process of collection

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Jan. 2, 1974	4 weeks ended Dec. 5, 1973	4 weeks ended Jan. 3, 1973
Total reserves held	1,899,091	1,874,271	1,712,981
With Federal Reserve Bank	1,567,849	1,558,273	1,411,830
Currency and coin	331,242	315,998	301,151
Required reserves	1,937,430	1,865,914	1,750,928
Excess reserves	−38,339	8,357	−37,947
Borrowings	43,071	53,797	81,986
Free reserves	−81,410	−45,440	−119,993

BUILDING PERMITS

Area	NUMBER		VALUATION (Dollar amounts in thousands)		Percent change		
					Dec. 1973 from		
	Dec. 1973	12 mos. 1973	Dec. 1973	12 mos. 1973	Nov. 1973	Dec. 1972	12 months, 1973 from 1972
ARIZONA							
Tucson	329	5,811	$3,882	$148,493	−27%	−64%	−13%
LOUISIANA							
Monroe-West Monroe	34	844	2,531	27,635	260	242	17
Shreveport	321	5,448	4,266	78,604	71	88	28
TEXAS							
Abilene	46	815	358	23,299	−46	−50	36
Amarillo	82	1,796	6,805	54,980	224	107	62
Austin	306	5,465	15,513	239,664	−31	−27	0
Beaumont	114	2,258	1,519	36,363	69	−69	20
Brownsville	81	1,162	3,411	41,271	−36	25	159
Corpus Christi	140	3,087	1,289	53,541	−48	−64	−12
Dallas	972	18,516	17,654	318,398	−39	−21	−17
Denison	26	316	199	3,859	848	126	−2
El Paso	353	5,851	8,299	170,528	43	−24	−1
Fort Worth	245	4,283	5,566	114,592	41	−36	23
Galveston	31	629	367	11,218	−50	−86	−26
Houston	1,417	29,215	41,334	680,867	−18	−49	2
Laredo	32	497	98	16,276	−84	−77	26
Lubbock	81	1,724	6,380	76,783	51	39	22
Midland	34	872	208	12,580	−80	−47	−28
Odessa	50	1,117	491	16,398	−40	−59	−32
Port Arthur	49	1,082	850	6,908	0	113	29
San Angelo	73	913	1,215	11,770	−28	112	37
San Antonio	1,042	19,778	8,102	223,888	−45	−45	0
Sherman	19	415	108	21,560	−99	−70	181
Texarkana	41	614	607	5,997	176	118	−14
Waco	93	2,331	736	36,080	−78	−89	−15
Wichita Falls	49	879	792	37,475	−12	−54	137
Total—26 cities	6,060	115,718	$132,580	$2,469,027	−25%	−36%	2%

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	Dec. 1973	Nov. 1973	Oct. 1973	January — December	
				1973	1972r
FIVE SOUTHWESTERN STATES[1]	871	1,011	1,132	11,902	11,322
Residential building	264	368	385	5,258	5,752
Nonresidential building	474	339	356	4,259	3,083
Nonbuilding construction	133	304	391	2,384	2,487
UNITED STATES	6,133	7,905	8,983	100,071	90,979
Residential building	2,341	3,299	3,673	46,246	44,975
Nonresidential building	2,210	2,655	2,758	31,761	27,021
Nonbuilding construction	1,581	1,951	2,552	22,064	18,983

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.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States[1]

(Seasonally adjusted)

Item	Thousands of persons			Percent change Dec. 1973 from	
	Dec. 1973p	Nov. 1973	Dec. 1972r	Nov. 1973	Dec. 1972
Civilian labor force	9,014.4	9,001.5	8,747.3	0.1%	3.1%
Total employment	8,664.9	8,668.0	8,413.3	.0	3.0
Total unemployment	349.5	333.5	334.0	4.8	4.6
Unemployment rate	3.9%	3.7%	3.8%	[2].2	[2].1
Total nonagricultural wage and salary employment	7,204.4	7,201.6	6,930.4	.0	4.0
Manufacturing	1,261.5	1,256.9	1,215.5	.4	3.8
Durable	711.7	710.9	672.6	.1	5.8
Nondurable	549.8	546.0	542.8	.7	1.3
Nonmanufacturing	5,942.9	5,944.7	5,714.9	.0	4.0
Mining	235.4	236.8	230.7	−.6	2.0
Construction	507.7	503.7	474.6	.8	7.0
Transportation and public utilities	488.3	488.5	470.4	.0	3.8
Trade	1,710.3	1,719.0	1,648.4	−.5	3.8
Finance	397.0	394.8	372.1	.6	6.7
Service	1,178.3	1,177.4	1,130.2	.1	4.3
Government	1,426.0	1,424.5	1,388.6	.1%	2.7%

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)

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	Dec. 1973	Nov. 1973	Dec. 1972r	Percent change from	
				Nov. 1973	Dec. 1972
FOUR SOUTHWESTERN STATES	6,512.0	6,551.3	6,793.2	−.6%	−4.1%
Louisiana	2,148.6	2,134.5	2,404.4	.7	−10.6
New Mexico	271.2	265.1	287.0	2.3	−5.5
Oklahoma	516.2	523.5	528.3	−1.4	−2.3
Texas	3,576.0	3,628.2	3,573.5	−1.4	.1
Gulf Coast	702.4	713.0	710.5	−1.5	−1.1
West Texas	1,858.0	1,882.2	1,812.7	−1.3	2.5
East Texas (proper)	239.2	243.0	250.4	−1.6	−4.5
Panhandle	59.6	60.4	58.9	−1.3	1.2
Rest of state	716.8	729.6	741.0	−1.8	−3.3
UNITED STATES	9,103.0	9,130.5	9,347.3	−.3%	−2.6%

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

Low temperatures and dry soils have hindered winter wheat development in the High Plains. And with dryland wheat conditions deteriorating, some stocker cattle have been moved off wheat pastures into feedlots. Although the adverse weather greatly increased supplemental feeding, most livestock remained in good condition.

The number of cattle and calves on feed in Texas and Arizona on January 1 was marginally below a year earlier. Marketings in the fourth quarter of 1973 were moderately higher than in the same period in 1972. But falling prices and sharply lower earnings discouraged cattle feeders, and placements into feedlots dropped below the year-earlier level.

In the month ended December 15, a moderate advance in average crop prices received by Texas farmers more than offset a decline in livestock prices. As a result, the index of prices received for all farm products increased marginally from a month earlier and was 42 percent higher than a year earlier. The index of prices paid by U.S. farmers also advanced slightly in the month ended December 15, primarily due to higher prices for feed, fuel, and fertilizer. The index was 17 percent higher than a year before.

Bolstered by higher prices and increased production, cash receipts from farm marketings in District states through November 1973 totaled $9.5 billion–a significant 39 percent higher than in the same period in 1972. Crop receipts advanced 70 percent to nearly $3.8 billion, and livestock receipts, at $5.7 billion, were up 24 percent.