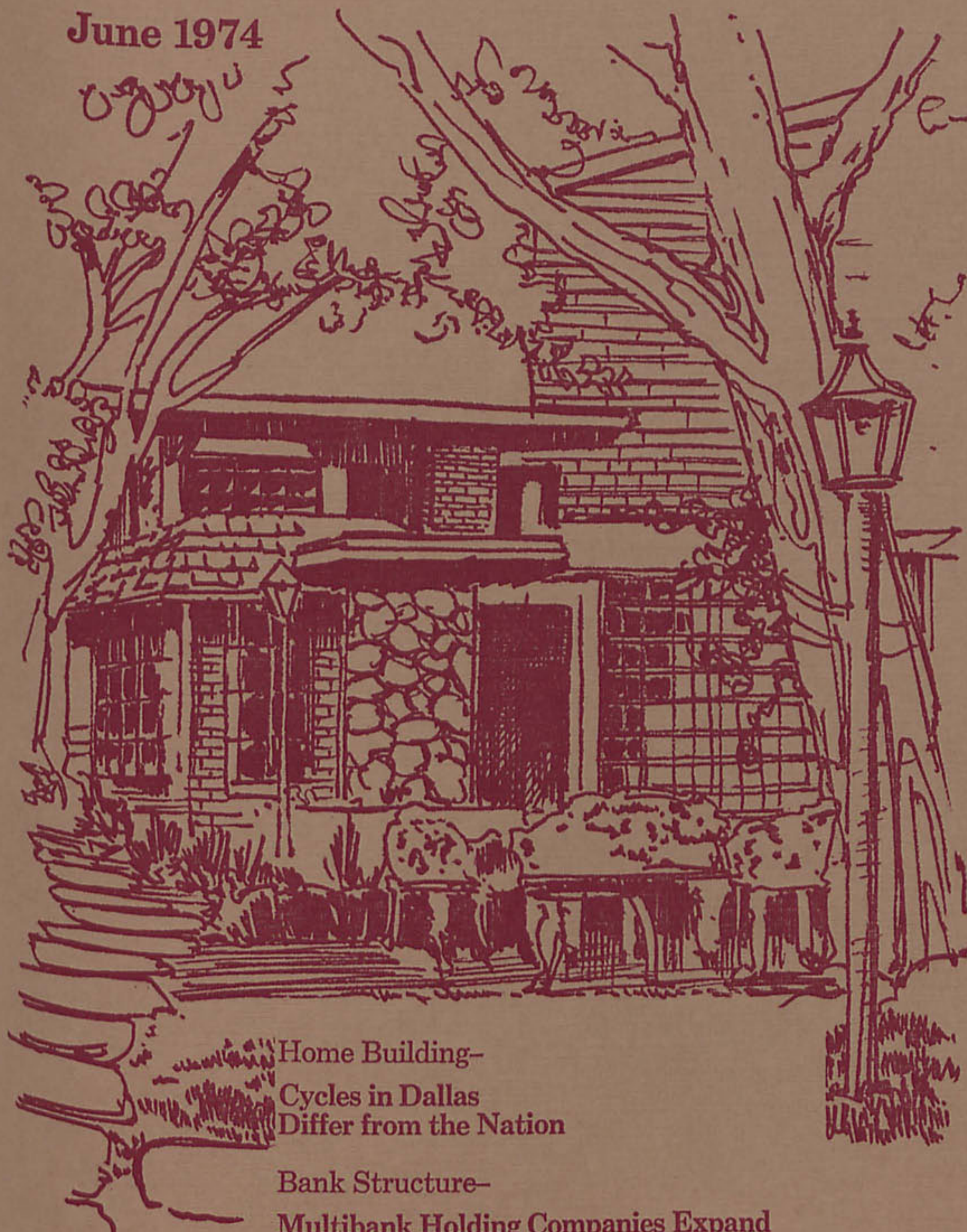
Federal Reserve Bank of Dallas

Business Review

June 1974



Home Building–

Cycles in Dallas Differ from the Nation

Bank Structure–

Multibank Holding Companies Expand With New Mexico's Economic Growth

Home Building–

Cycles in Dallas Differ from the Nation

New home construction has been one of the most volatile economic activities in the United States. Having gone through six complete cycles since World War II, residential construction is now in its seventh postwar decline. And in terms of number of housing starts, the current decline is the most severe.

Expansion and contraction in the number of homes constructed in Dallas County closely followed the national pattern in the two previous building cycles. But in the latest decline, construction began dropping off in Dallas long before it did in the nation as a whole. The effects of subsidized housing, price competition by apartment owners, and management of new home inventories by builders have resulted in a cyclical pattern in Dallas home building different from that of the nation at large.

Mortgage flows

Construction of new houses follows a cyclical movement somewhat different from changes in business activity overall. In postwar business cycles, the number of new housing units started has tended to decline in advance of the reduction in total national output. The recovery in construction has tended to precede the general upturn in business activity.

Conditions in mortgage markets are largely responsible for precipitating this pattern of activity. When overall economic activity is strongest, demand for credit increases relative to the supply, causing short-term interest rates to rise in money markets. Mortgage lenders typically cannot compete with the higher market yields, and they lose deposits as investors put their money into money market securities–a process called *disintermediation*. With growth in deposits slowing, or deposits even declining, mortgage lenders must cut back on new loans either by offering less liberal credit terms or by refusing loan applications altogether.

Conditions in mortgage markets are largely responsible for precipitating patterns of construction activity.

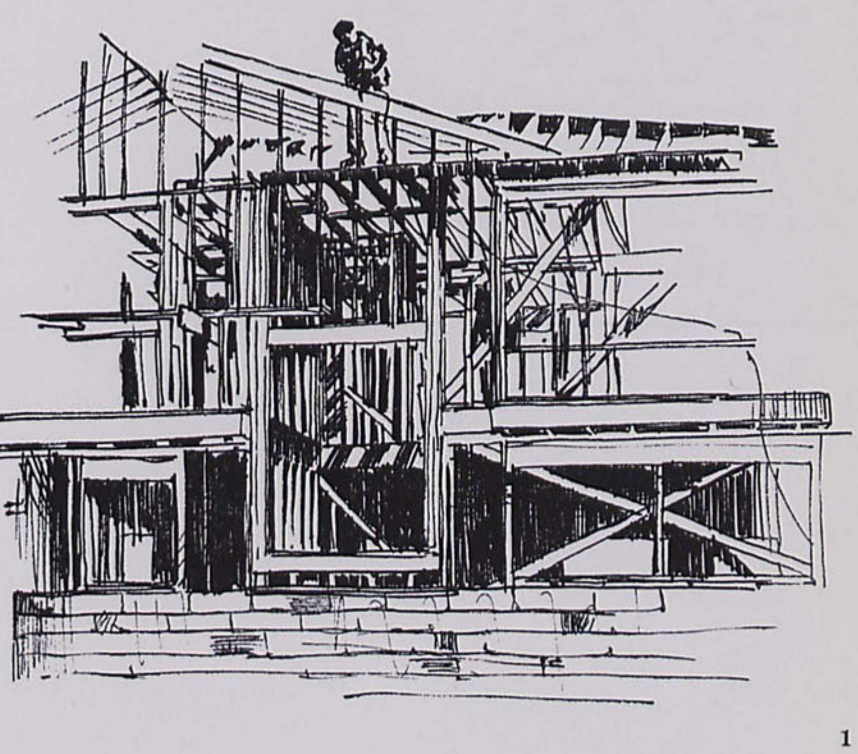
Because most families buying homes must finance the largest part of the purchase, home buying suffers when these conditions develop. Builders must eventually respond to the decline in sales by slowing starts on new homes.

When overall business activity slows, the process is reversed. Interest rates in money markets decline, and deposits at mortgage lending institutions expand. As mortgage funds become more available, families reenter the home market and builders respond by starting more home construction.

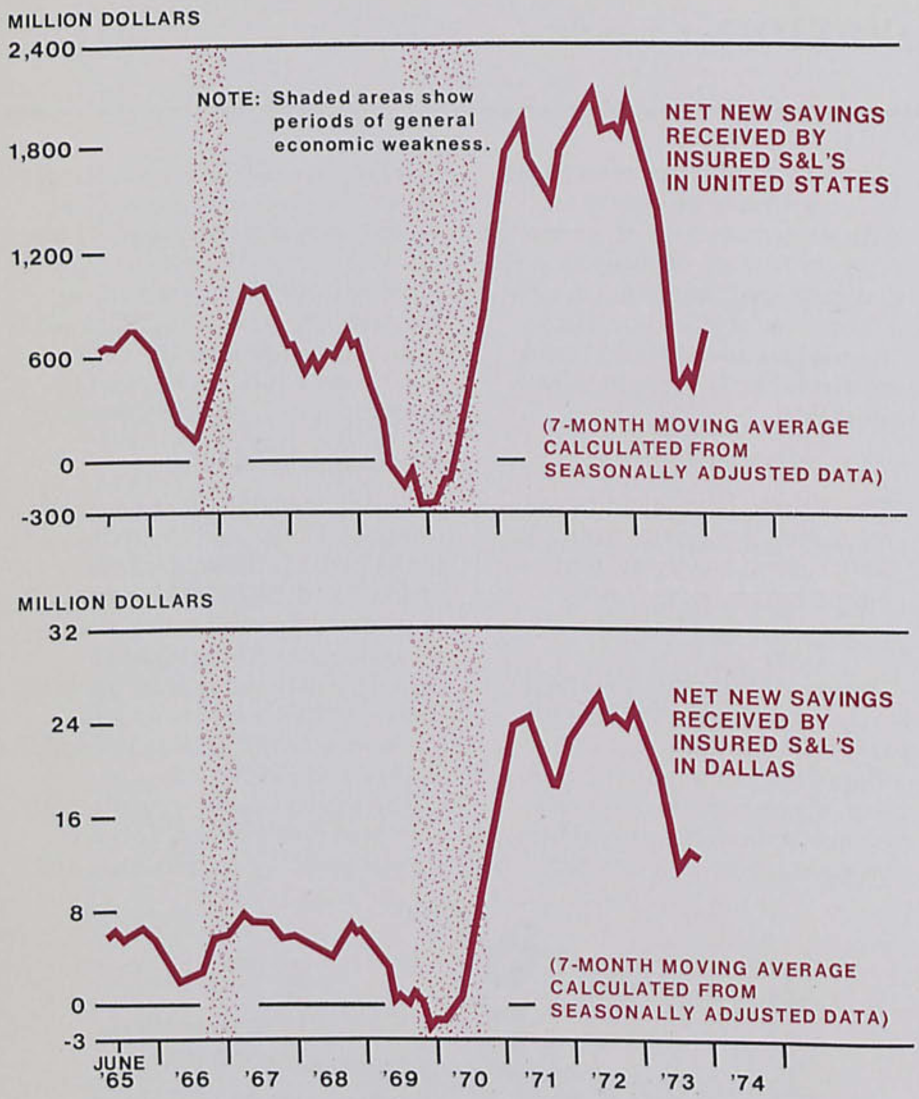
Downturns in building

This was the general sequence of events in Dallas and the nation in the home building declines of 1966-67 and 1969-70. Net new savings (the difference between new deposits and withdrawals) received by major mortgage lenders dropped rapidly before overall business activity became sluggish in 1966 and 1969.

The slower deposit growth made mortgage funds scarce. Interest rates charged by lenders rose, and



Reduced deposit inflows at mortgage lenders . . .



SOURCES: Federal Home Loan Bank Board
Federal Home Loan Bank of Little Rock
Federal Reserve Bank of Dallas

the time allotted for repayment was shortened. Both changes increased the average size of mortgage payments on new loans. At the same time, the portion of the selling price of homes that could be financed declined, requiring higher downpayments.

As these changes in credit conditions discouraged many prospective buyers from entering the housing market, fewer homes were built in Dallas and in the nation. From peak to trough in the 1966-67 decline, the number of single-family units authorized for construction (with seasonal and irregular fluctuations removed) fell 27 percent in Dallas County, compared with 29 percent nationwide.

In the decline of 1969-70, the percentage reductions in both markets were again similar, although not quite as close as in the 1966-67 period. The similarity in the pattern of new home construction, however, has not been carried through to the present period.

The similarity in the pattern of new home construction in Dallas and in the nation has not been carried through to the present period.

Until early 1973, favorable conditions in mortgage markets allowed a vigorous expansion in new home construction. In Dallas and the nation, new deposits had begun growing at mortgage lending institutions before the 1969-70 recession was over. With mortgage terms becoming more favorable for consumers, the average monthly payment on new conventional loans began leveling off. Downpayment requirements actually showed a declining trend from 1970 until early 1973.

By early 1973, lending institutions were again losing deposits and construction of homes began to fall. In Dallas County, the slowdown was even more pronounced. But what was extraordinary was that the Dallas decline began 15 months earlier than the nation's.

Special factors in Dallas

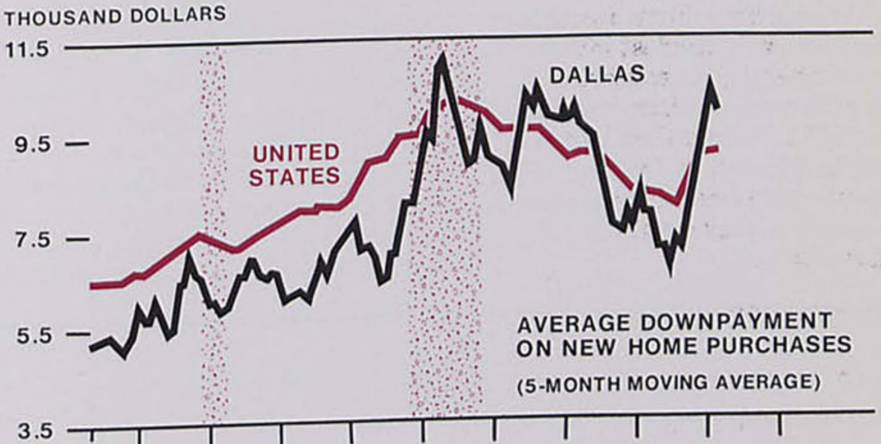
Several factors other than conditions in mortgage markets contributed to the earlier decline in residential construction in Dallas County. One was the situation in the market for apartments. New apartments were added rapidly in the 1960's as the population of Dallas County expanded. But by the 1970's, more units had been built than could be readily absorbed. In January 1972, the vacancy rate had risen to 18 percent, compared with 8 percent for the nation at large.

Rents in Dallas throughout 1972 and 1973 compared favorably with the cost of new homeownership.

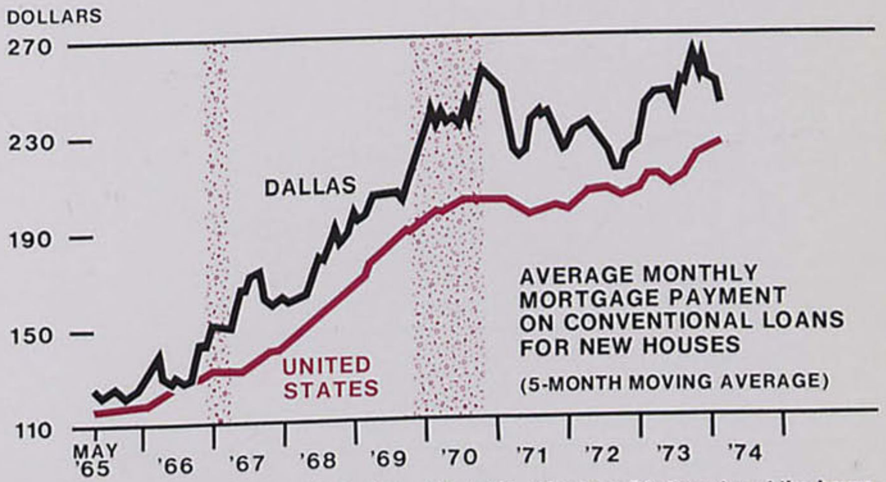
To attract tenants, some landlords even lowered rents. And as a result, rents in Dallas throughout 1972 and 1973 compared favorably with the cost of new homeownership. In late 1972, for example, a year's rent for a typical family of four cost only 55 percent as much as the average annual payment on a new conventional mortgage loan. At the same time, rent cost 65 percent as much as homeownership for the average U.S. family. The comparatively low rents in Dallas County had a significant impact on the number of new homes purchased by budget-minded families, helping to reduce the number of new homes built in 1972 and 1973.

Another factor adding to the early downturn in Dallas housing was implementation of the Housing and Urban Development Act of

... make buying a home more expensive ...



NOTE: Calculated as $P(1 - Lv)$, where P is the price of the house and Lv is the loan-to-value ratio for conventional loans.



NOTE: Calculated as $[P \times Lv \times R(1 + R)^T] \div [(1 + R)^T - 1]$, where P is the price of the house, Lv is the loan-to-value ratio, R is the contract rate of interest, and T is the length of the loan.

SOURCES: Federal Home Loan Bank Board
Federal Reserve Bank of Dallas

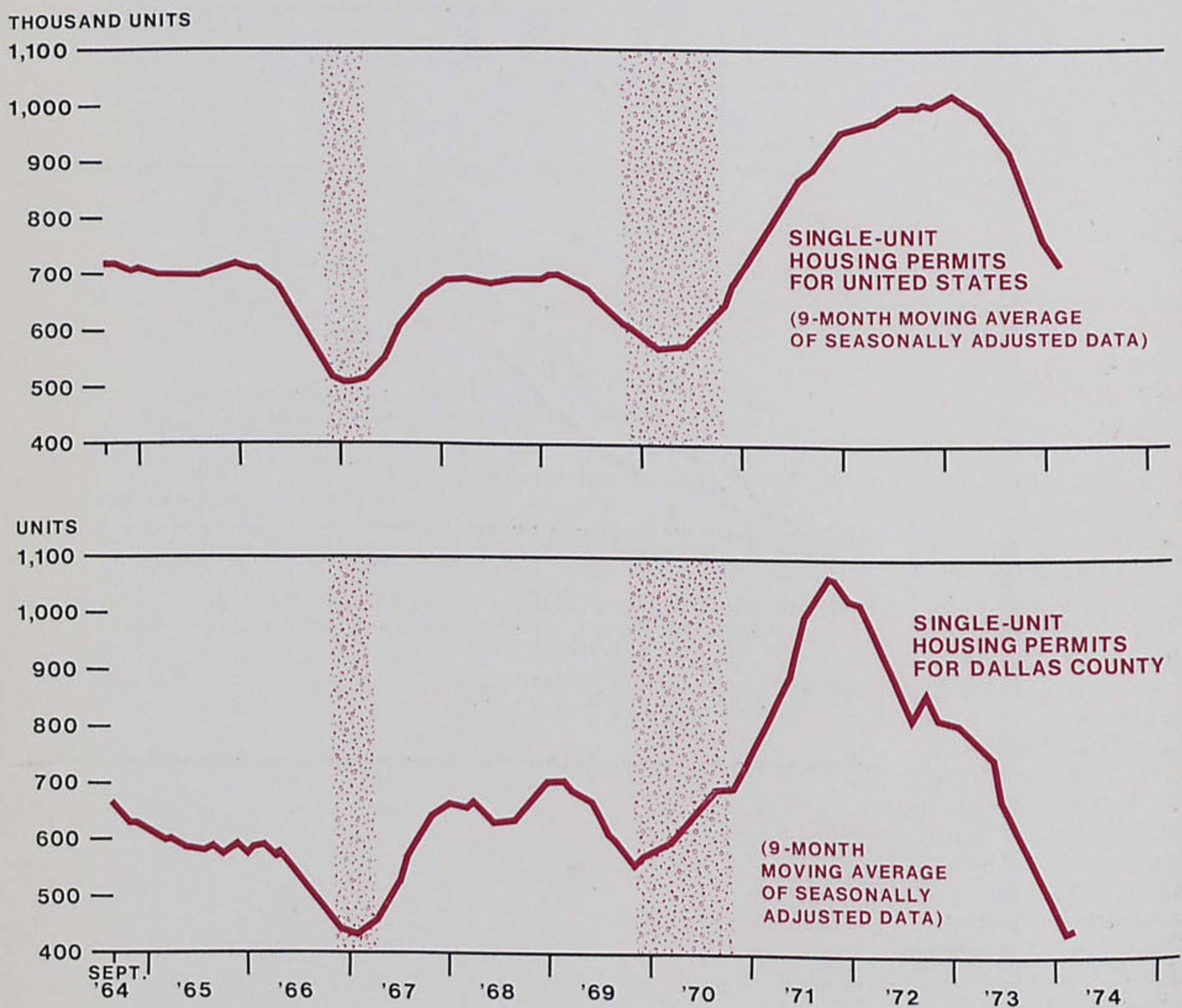
1968. Under Section 235 of that act, interest subsidies were established to promote homeownership by families with modest incomes. The number of homes started under the program increased rapidly until 1971 and then began to dwindle. Finally, in January 1973, a moratorium was imposed on new commitments for construction under this act.

Nationwide, the number of Section 235 starts on one- to four-unit structures declined 37 percent from 1971 to 1972. But in Dallas County, the number was cut nearly in half. The drop was particularly significant in Dallas because of the large proportion of houses being built under this program.

In 1971, for example, housing built under this program accounted for 15 percent of the starts on single-family units in the nation. But in Dallas, the proportion was 38 percent. In 1972, the proportion in Dallas was still 25 percent, compared with only 8 percent nationwide. So, as the number of subsidized houses declined, the effect was more pronounced in Dallas.

The reaction of home builders to changes in market conditions

. . . and result in fewer new homes



SOURCES: U.S. Department of Commerce
M/PF Research, Inc., Dallas, Texas
Federal Reserve Bank of Dallas

has also played an important part in distinguishing the recent pattern of building activity in Dallas.

Home building is generally categorized as an atomistic industry comprised of many small, independent producers. In Dallas, however, builders tend to be developers as well as contractors, and their operations are often on a large scale.

Large builders, with more specialization in their organizations, are better able to keep abreast of changes in their market areas. And knowledge of present and prospective market conditions allows them greater control over the accumulation of unsold homes built on speculation. Although reliable information on earlier periods is hard to obtain, Dallas builders were definitely more successful in holding down home inventories in 1973 than builders nationwide.[1]

Dallas builders were more successful in holding down home inventories in 1973 than builders nationwide.

The inventory of houses under construction or completed but unoccupied declined in Dallas County in each of the last three quarters of 1973, bringing the decline for the year to about 23 percent. By contrast, the nation's inventory increased 5 percent over that period, and it was not until the last quarter of 1973 that builders nationwide began to reduce inventories.

This difference alone goes far in accounting for the pace of construction in 1973 continuing faster in the nation than in Dallas County, even though sales were falling in both markets. And in combination with the declining number of subsidized housing starts and the high apartment vacancy rate in Dallas, it accounts for the early and sustained drop in local home construction.

–William R. McDonough

1. Data on housing inventories in Dallas were supplied by M/PF Research, Inc., Dallas, Texas.

New member banks

The Peoples National Bank of San Antonio, San Antonio, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business April 29, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $300,000, surplus of $300,000, and undivided profits of $150,000. The officers are: Bob G. Shirey, President; Robert B. McGivney, Jr., Vice President; and Zygmund A. Pruski, Cashier.

The Pan American National Bank of Dallas, Dallas, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business May 2, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $450,000, surplus of $150,000, and undivided profits of $150,000. The officers are: Dr. Robert Romero, Chairman of the Board; Lance E. Golmon, President and Chief Executive Officer; Roscoe L. Eoff, Vice President and Cashier; and O. C. Bevill, Assistant Cashier.

The Meadowbrook National Bank, Fort Worth, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business May 20, 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: Derry B. Fulks, President, and Tommie C. Jenkins, Cashier.

Multibank Holding Companies Expand With New Mexico's Economic Growth

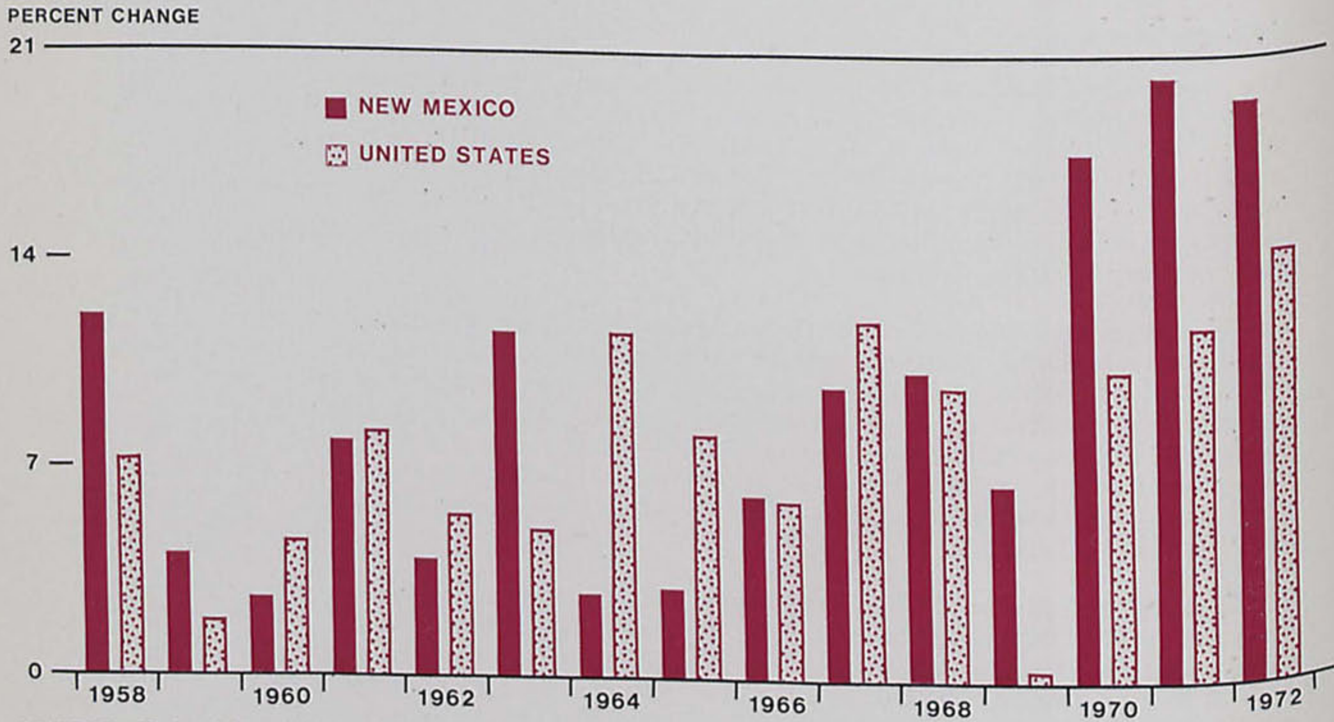
The nation's financial structure has changed dramatically in recent years with the rapid growth in multibank holding companies. Expansion of these companies in such rapidly growing unit-banking states as Texas, Florida, and Missouri is well known. But the multibank holding company movement has also had a substantial impact on the banking systems in other states.

New Mexico, for example, has undergone a marked change in its banking system–and with the formation of only a few holding companies. The state had only one multibank holding company when the movement began taking hold in the late 1960's, and that company had only five subsidiary banks. By 1973, there were still only four multibank holding companies in New Mexico, along with 23 subsidiary banks. But where the state's one multibank holding company had controlled little more than a seventh of the deposits in the state in 1967, the four holding companies operating statewide in 1973 controlled more than half the deposits.

As in other states where multibank holding companies have been spreading, New Mexico offers two important ingredients conducive to such expansion–restrictions on branch banking and a growing economic base. Branching in New Mexico is allowed only into adjoining counties or counties within 100 miles of the main bank. Even this limited branching is prohibited if there are already banks operating in those counties.

The spread of holding companies in New Mexico is also noteworthy because expansion of the economy

Recent growth in bank deposits in New Mexico has been well above the national average



SOURCES: Federal Deposit Insurance Corporation
Federal Reserve Bulletin

really began picking up only a few years before holding companies started extending their operations across the state. Economic progress in New Mexico was hampered throughout most of the 1960's by the narrowness of the economic base and some setbacks in primary areas of employment.

Bank deposits in New Mexico doubled from 1967 to 1973, helping stimulate the holding company movement.

Despite such setbacks, income growth in New Mexico began improving in the late 1960's. Gains in income contributed to more rapid growth of bank deposits. Deposits doubled from 1967 to 1973, helping stimulate the holding company movement in that state. Now, growth in holding companies could, in turn, contribute to the state's economic development.

Holding companies

The only company in New Mexico that significantly predates the multibank holding company movement is Western Bancorporation. Headquartered in Los Angeles, this company holds five subsidiary banks in New Mexico that, together, control close to 14 percent of the bank deposits in the state. Included in these five banks is New Mexico's third largest bank.

The company acquired its New Mexico subsidiaries before federal laws governing bank holding companies were changed in 1956 to discourage any further spread of holding company arrangements involving more than one bank. Even when the Bank Holding Company Act was later amended–leading to the rapid expansion of multibank holding companies nationwide–Western Bancorporation was prevented from further expansion in New Mexico by the prohibition of acquisitions across state lines.

The other three holding companies sprang up in rapid succession as economic conditions in New Mexico began improving toward the end of the 1960's. Bank Securities was approved as a multibank holding company in 1969, First New Mexico Bankshare Corporation in 1970, and New Mexico Bancorporation in 1971.

Bank Securities, which headquarters in Alamogordo, started with four banks, acquired two more in 1970, and took on another two in 1972. These eight banks, which include the fourth largest bank in the state, control nearly 9 percent of the deposits.

The largest multibank holding company in the state is First New Mexico Bankshare Corporation, which operates out of Albuquerque. Formed with five subsidiaries, including the largest bank in the state, it acquired a sixth bank in 1972. Two more banks have since been approved for acquisition, and the company now controls more than a fourth of the bank deposits in New Mexico.

The four holding companies operating statewide in 1973 controlled more than half the deposits.

New Mexico Bancorporation, headquartered at Santa Fe, has two subsidiary banks, one of which is the fifth largest bank in the state. Together, these subsidiaries account for a little over 3 percent of the deposits in the state.

The economic base

The proliferation of multibank holding companies in New Mexico–a development that has resulted in roughly a third of the banking offices in the state being subsidiary banks–both affects and is affected by the economic base of the state. Some basic changes, in fact, were going on in New Mexico in the years before multibank holding companies were being formed.

A sparsely populated state with a narrow economic base, New Mexico has depended heavily on a few main sources of income. Tourism, for example, is a major industry in New Mexico. Nearly a third of the earnings in the state come from either services or trade–both of which fluctuate seasonally with tourist traffic. Substantial effort

BANK HOLDING COMPANIES IN NEW MEXICO, DECEMBER 31, 1972

	Subsidiary banks			
			Percent of total in state	
	Number	Deposits (Million dollars)	Banks	Deposits
Multibank holding companies	23	$1,118.0	31.9%	50.8%
First New Mexico Bankshare Corporation (Albuquerque)[1]	8	556.4	11.1	25.3
Western Bancorporation (Los Angeles, California)	5	299.8	6.9	13.6
Bank Securities, Inc. (Alamogordo)	8	189.4	11.1	8.6
New Mexico Bancorporation, Inc. (Santa Fe)	2	72.3	2.8	3.3
One-bank holding companies	6	437.0	8.3	19.8

1. Figures include Clovis National Bank, Clovis, and Grant County Bank, Silver City, which were acquired in 1973.
NOTE: Details may not add to totals because of rounding.
SOURCES: Board of Governors, Federal Reserve System
Federal Deposit Insurance Corporation

has been made in recent years to expand tourist facilities in New Mexico and otherwise encourage visitors to extend their trips to the state. Part of this effort, however, has been made to compensate for cutbacks in other areas of activity.

Efforts to broaden the economic base of New Mexico were being made even before the formation of holding companies could be seen as a movement.

Government spending was sharply curtailed in the 1960's. In New Mexico, where some 22 percent of the civilian workers are in federal jobs, business activity was slowed markedly. There were also severe reductions in mining in the late 1960's. Oil and gas production dropped as output from aging fields declined and major exploration efforts were concentrated abroad. Results of these developments were markedly slower increases in income and population.

Efforts to broaden the economic base of New Mexico were already being made, however, even before the formation of holding companies could be seen as a movement. About the time Bank Securities was being organized at Alamogordo, new light industries were beginning to appear in the Upper Rio Grande Valley, especially around Albuquerque. These plants, along with federal programs to help with the income problems of Indians, encouraged further expansion–as, of course, has the more recent resurgence of mining and petroleum activity–and income has responded accordingly.

In fact, growth in total income in New Mexico has kept up with that in the nation. In recent years, the increase has been well above the national average. Personal income in the state rose nearly a third in 1957-62 and nearly a third again in 1962-67. Brought to a total advance of 77 percent for the ten-year period, this was roughly the same as the advance for the nation as a whole. Moreover, the five years from 1967 to 1972 saw personal incomes in New Mexico rise an average of 57 percent–compared with 49 percent for the nation.

This rise in income after about 1967 has been reflected, in turn, in a faster expansion in bank deposits. In the five-year period 1957-62, deposits in New Mexico expanded about in line with those in the nation, while in the 1962-67 period, nationwide deposits increased slightly more rapidly than deposits in New Mexico. But in 1967-72, the expansion in New Mexico was more than twice as fast as in the nation as a whole.

In 1967-72, deposits in New Mexico expanded more than twice as fast as in the nation.

While the increase in bank deposits reflected advances in personal income, the sharp jump in deposits after about 1967 may also have reflected some of the changing financial conditions in New Mexico. New Mexico banks have pursued more aggressive lending policies in recent years. The loan-to-deposit ratio in the state has risen noticeably since 1967. From 1962 to 1967, it remained essentially unchanged at 56 percent. In 1972, although still less than the national average, the ratio was close to 60 percent. Moreover, the ratio of cash assets to deposits has

BANKING IN NEW MEXICO AND SELECTED UNIT-BANKING STATES

(Banking statistics for December 31, 1972)

Item	New Mexico	Colorado	Wisconsin	Florida	Texas
Deposits (Thousand dollars)					
Demand	$980,450	$3,094,857	$4,743,545	$9,965,871	$18,693,803
Time	1,220,172	2,882,076	7,357,776	9,747,966	16,003,684
Total	$2,200,622	$5,976,933	$12,101,321	$19,713,837	$34,697,487
Total loans (Thousand dollars)	$1,310,181	$3,880,323	$7,580,948	$10,074,054	$20,125,107
Loan-to-deposit ratio	59.5%	64.9%	62.7%	51.1%	58.0%
Population, 1970	1,016,000	2,207,259	4,417,731	6,789,443	11,196,730
Percent change from 1960	6.8%	25.8%	11.8%	37.1%	16.9%
Number of banks and branches	217	330	917	641	1,238
Population per banking office	4,682	6,689	4,818	10,592	9,044
Deposits, per capita					
Demand	$965	$1,402	$1,074	$1,468	$1,670
Time	1,201	1,306	1,666	1,436	1,429
Total	$2,166	$2,708	$2,739	$2,904	$3,099

SOURCES: Board of Governors, Federal Reserve System
Comptroller of the Currency
Federal Deposit Insurance Corporation
U.S. Bureau of the Census

fallen since 1967, further contributing to deposit growth.

But the structure of banking in New Mexico has also been changing rapidly. By 1970, the multibank holding company movement was well underway in that state.

Effects on banking

Although the growth in holding companies coincided with other significant changes in New Mexico banking practices, the movement itself has apparently also been significant. While bank deposits have increased statewide, for example, they have increased faster at banks affiliated with multibank holding companies. At the end of 1972, banks that had been holding company subsidiaries for at least two years reported average deposits that had more than doubled over the previous five years. By contrast, unaffiliated banks had increased their deposits an average of only 87 percent.

While bank deposits have increased statewide, they have increased faster at banks affiliated with multibank holding companies.

Most subsidiary banks pursued more expansive policies in several areas. Analysis of selected operating ratios for December 1972 shows that of the 72 banks in New Mexico, subsidiary banks, on average, held more of their assets in the form of loans–especially business and instalment loans. As a result, they averaged more interest income than independent banks, which usually held a larger proportion of their assets in cash items.

Relative to their total assets, the net income of subsidiary banks was not too different from that of

independent banks. But as compared with operating incomes, their operating expenses were somewhat less. This difference could be due to management efficiencies that allowed subsidiaries to operate with lower wage and salary costs relative to total assets. Subsidiary banks, however, paid more interest on deposits relative to total assets.

It is not clear that these differences result from affiliation with holding companies. It could be that holding companies most often acquire banks that already have the characteristics of subsidiary banks, such as faster deposit growth, higher loan-to-deposit ratios, and lower operating costs relative to total income.

But changes in the performance of banks resulting from holding company affiliation cannot be detected from their balance sheets alone. Examination of the performance of bank holding companies in New Mexico was based, therefore, on a method similar to that used in two previous Federal Reserve System studies.[1] Addressed to the performance of multibank holding company subsidiaries all across the nation, both of the earlier studies compared operating ratios at banks before and after they were acquired by holding companies. Eighteen ratios were calculated to allow comparisons in the composition of portfolios, capital, prices charged for banking services, expenses, and profitability. To isolate the effects of acquisition on a bank's operation, subsidiaries were paired with independent banks of roughly comparable size in the same markets.

When the current study was conducted, there were only 72 banks in New Mexico. Since many of those that were holding company subsidiaries had just recently been acquired, only ten banks were suitable for pairing. Both large and small banks were included.

Differences in the ratios were then compared to see if the performance of banks acquired by holding companies had changed since their acquisition. The final variables–derived by subtracting the value for each paired bank from the value for the subsidiary bank–were compared for changes.

Like subsidiary banks nationwide, those in New Mexico tended to shift out of cash into loans, especially instalment loans.

The extent of the differences in performance of affiliated and unaffiliated banks was rather moderate. Examination of subsidiary banks shows, in fact, very little difference in performance–despite their much faster growth in deposits.

Net incomes of these banks changed little after acquisition, although their operating expenses

1. Robert J. Lawrence, *The Performance of Bank Holding Companies*, Board of Governors of the Federal Reserve System, June 1967, and Samuel H. Talley, *The Effect of Holding Company Acquisitions on Bank Performance*, Board of Governors, February 1972

tended to decline as a percentage of total assets. And like subsidiary banks nationwide, they tended to shift out of cash into loans, especially instalment loans. In contrast to the situation nationwide, however, banks acquired by multibank holding companies in New Mexico did not shift their investments away from Government securities and into municipal securities.

Outlook

Weak growth in population and the still narrow economic base have combined to place constraints on the development of financial resources in New Mexico, as they probably will for some time to come. But as an important source of oil and gas–and a potentially important source of coal and electricity–New Mexico could become the scene of rapid economic development.

The same considerations that brighten prospects for the development of its energy resources could dim prospects for the state's important tourist industry. With the possibility for continued gasoline shortages and reduced recreational travel, earnings from trade and services could decline.

A shift in the patterns of development that would help offset a slowing in tourist traffic by expanding energy industries and attracting new industries based on energy would call for solid financial backing. Although this study shows relatively little evidence that banks in New Mexico performed a great deal differently after they were acquired by holding companies, there was some tendency to devote more funds to loans. Also, the ability of subsidiary banks to support higher lending limits allows them to make larger business loans, helping keep larger loans within the state. These banks, moreover, have shown noticeable deposit growth in recent years–and apparently banks in general are becoming more aggressive in using their funds. All these considerations suggest that recent changes in the structure of the New Mexico banking system are likely to allow greater financial support for economic development.

–Carla M. Warberg

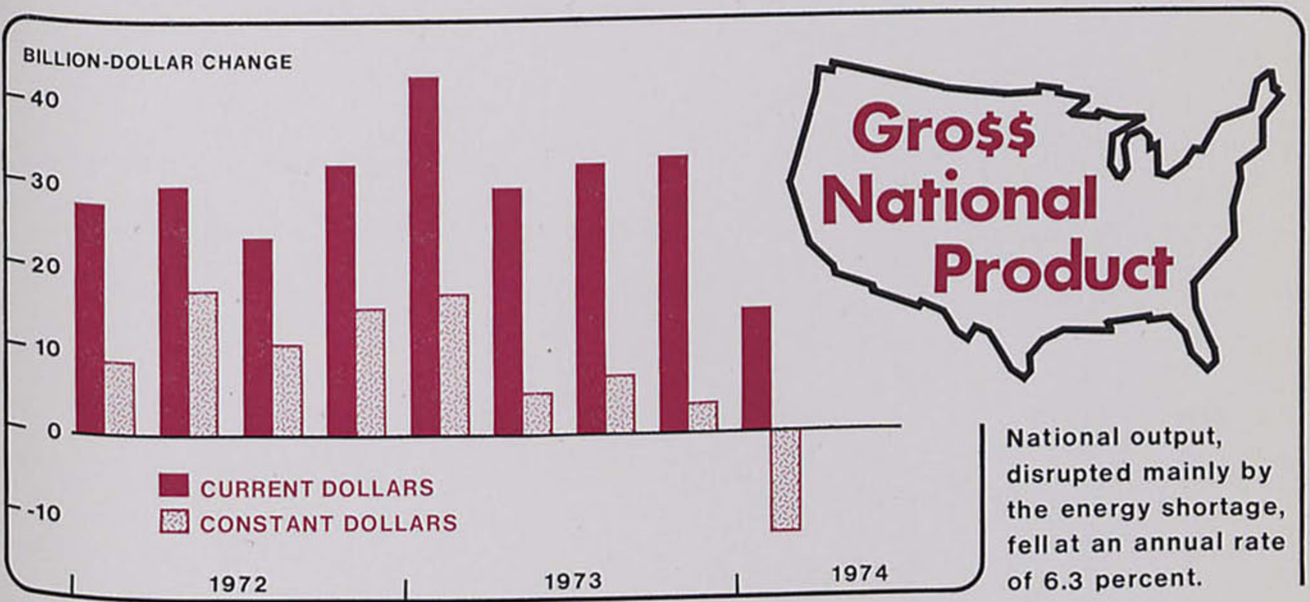
New par banks

The First State Bank of Sierra County, Truth or Consequences, New Mexico, an insured nonmember bank located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, April 22, 1974. The officers are: Travis L. Waller, President, and Morris Slavens, Cashier.

The First Bank of Rowlett, Rowlett, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, April 26, 1974. The officers are: Fred A. Lawing, President, and Larry Crenshaw, Cashier.

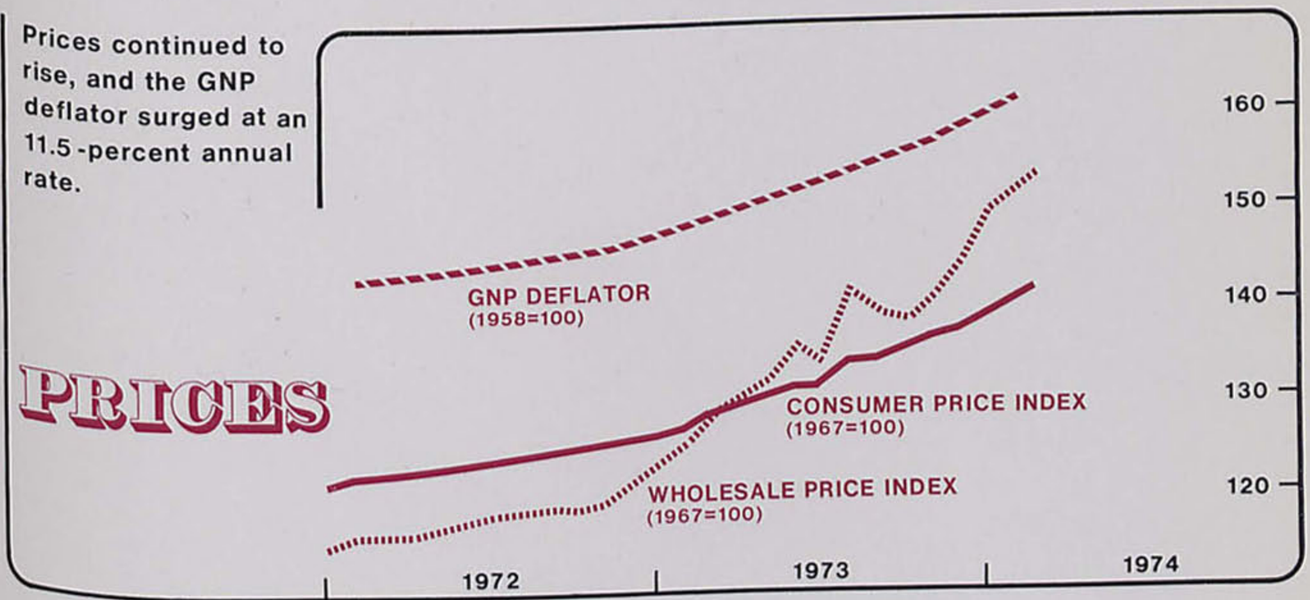
The Texoma Bank, Kingston, Oklahoma, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, May 6, 1974. The officers are: C. Wayne Griffin, President; Mac Harden Villines, Vice President; and Billie Sue Klepper, Cashier.

Economy Slows in First Quarter



National output, disrupted mainly by the energy shortage, fell at an annual rate of 6.3 percent.

Prices continued to rise, and the GNP deflator surged at an 11.5-percent annual rate.



SOURCES: U.S. Department of Commerce
U.S. Department of Labor

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

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June 1974

Statistical Supplement to the Business Review

Total loans and investments at weekly reporting banks in the Eleventh District rose sharply again in the four weeks ended May 15. The rise continued to center mainly in commercial and industrial loans. The strongest demand for business loans still came from oil companies, which apparently drew further on their lines of credit at area banks to finance expanded operations.

Demand for real estate loans was about in line with seasonal expectations, but lending to consumers remained considerably weaker than usual. With uncertainties over inflation and employment, the weakness in consumer loans possibly reflected consumer reluctance to increase debt.

Recent high market rates of interest apparently influenced many depositors to reduce their balances at District banks so funds could be placed in investment outlets offering higher yields. With deposits down, banks relied more than usual on purchases in the Federal funds market to finance the increase in business loans and somewhat larger than usual increase in investments.

In contrast to an overall weakening in consumer demand, new car sales in Texas turned up sharply in April—the first monthly advance since last October. Seasonally adjusted registrations of new automobiles were 34 percent higher than in March. Despite the gain, however, sales remained below the April 1973 level. Registrations were off 5 percent from a year earlier, and dealers suggested further recovery in auto sales was being hampered by tight credit conditions.

Reflecting the weakness in consumer demand, seasonally adjusted department store sales in the Eleventh District were off 2 percent from mid-April to mid-May. The decline was counter to the upward trend since last fall, and retailers reported weakness in all categories of sales. Because of rising prices, unit sales fell faster than dollar sales. Moreover, some department store executives in the Dallas area expressed particular concern that even with the recent opening of several major suburban stores, total sales would continue to decline.

The labor market in the five southwestern states softened in April. Nonagricultural employment fell, after remaining unchanged in March. The downturn was attributed to widespread declines in the number of jobholders in nonmanufacturing—particularly construction—and in nondurable manufacturing. Consequently, joblessness was up sharply. The number of unemployed workers rose 2.8 percent and the unemployment rate reached 4.7 percent. April was the second consecutive month the jobless rate had increased.

Industrial output in Texas was essentially unchanged in April, continuing the sluggish growth pattern of the past six months. Manufacturing was up slightly, led by a 4-percent increase in textile mill production. The gain in textile output was stimulated by an influx of orders from apparel retailers. Textile manufacturers, however, report production still hindered by shortages of petroleum-based fabrics.

Petroleum refining was over 2 percent higher than in March, but petroleum mining was fractionally lower. Production of natural gas rose modestly for the third consecutive month, roughly matching the increase in gas consumption. Distribution of electricity, however, fell nearly 3 percent as customers possibly responded to widespread rate increases by limiting energy use.

Although crude oil production in Texas was down slightly, exploration is such that the spring slump usually characterizing drilling in Texas was virtually eliminated this year. In April, the daily average number of rotary rigs drilling in Texas was 468—40 percent more than a year before. In the week ended May 20, the average reached 499 rigs.

By the end of April, the number of wildcat oil discoveries completed in Texas since the first of the year reached 85—compared with 69 a year earlier. Gas discoveries totaled 129—seven more than in the first four months of 1973.

Although the outlook is for shortages of crews, rigs, and pipe to constrain drilling in Texas throughout the rest of the year, the number of new wells likely will increase as the year progresses and the industry tries to slow the drop in reserves. Last year, the state's oil reserves fell 3 percent.

Most of the Eleventh District benefited from at least some rain in April, and moisture conditions in eastern parts of the District were reported excellent on May 1. Much of the five-state area, however, had received less than half the precipitation normal for that time of year. As a result, conditions in an area extending from West Texas through large parts of New Mexico and Arizona reached a moderate drouth stage by May 1.

(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	May 15, 1974	Apr. 17, 1974	May 16, 1973
Federal funds sold and securities purchased under agreements to resell	1,311,149	1,831,055	884,844
Other loans and discounts, gross	10,166,471	10,106,811	9,521,909
Commercial and industrial loans	4,510,536	4,439,868	4,278,698
Agricultural loans, excluding CCC certificates of interest	273,490	283,047	267,782
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	1,264	1,400	319
Other securities	48,014	57,785	59,673
Other loans for purchasing or carrying:			
U.S. Government securities	3,789	3,976	5,022
Other securities	448,710	451,517	517,306
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	156,615	145,517	195,161
Other	760,703	802,305	646,348
Real estate loans	1,497,064	1,478,644	1,349,048
Loans to domestic commercial banks	45,512	45,214	28,293
Loans to foreign banks	72,370	65,488	56,937
Consumer instalment loans	1,039,665	1,048,388	1,016,762
Loans to foreign governments, official institutions, central banks, and international institutions	17	17	500
Other loans	1,308,722	1,283,645	1,100,060
Total investments	4,240,139	4,195,086	3,986,616
Total U.S. Government securities	1,002,433	1,031,502	937,549
Treasury bills	162,003	161,506	153,862
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	118,490	147,745	135,379
1 year to 5 years	539,345	532,108	483,770
After 5 years	182,595	190,143	164,538
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	176,326	151,494	209,474
All other	2,776,992	2,735,782	2,596,331
Other bonds, corporate stocks, and securities:			
Certificates representing participations in federal agency loans	44,661	13,009	8,581
All other (including corporate stocks)	239,727	263,209	234,681
Cash items in process of collection	1,612,389	1,582,579	1,642,442
Reserves with Federal Reserve Bank	882,057	852,506	950,398
Currency and coin	126,894	129,959	114,555
Balances with banks in the United States	479,415	556,372	412,354
Balances with banks in foreign countries	31,175	15,822	13,829
Other assets (including investments in subsidiaries not consolidated)	827,840	794,110	769,466
TOTAL ASSETS	19,677,529	20,064,300	18,296,413

LIABILITIES	May 15, 1974	Apr. 17, 1974	May 16, 1973
Total deposits	14,527,139	14,811,049	13,735,688
Total demand deposits	7,165,416	7,448,813	7,189,142
Individuals, partnerships, and corporations	5,139,838	5,370,228	4,881,046
States and political subdivisions	543,154	429,641	747,736
U.S. Government	118,145	192,143	151,905
Banks in the United States	1,181,800	1,271,325	1,234,395
Foreign:			
Governments, official institutions, central banks, and international institutions	3,103	2,364	2,343
Commercial banks	62,877	51,571	42,789
Certified and officers' checks, etc.	116,499	131,541	128,928
Total time and savings deposits	7,361,723	7,362,236	6,546,546
Individuals, partnerships, and corporations:			
Savings deposits	1,158,548	1,161,240	1,184,317
Other time deposits	4,070,666	4,058,769	3,529,476
States and political subdivisions	2,017,680	2,039,249	1,699,739
U.S. Government (including postal savings)	7,989	6,800	28,814
Banks in the United States	80,538	82,686	91,480
Foreign:			
Governments, official institutions, central banks, and international institutions	12,162	13,192	12,600
Commercial banks	14,140	300	120
Federal funds purchased and securities sold under agreements to repurchase	2,898,337	3,135,017	2,411,525
Other liabilities for borrowed money	198,434	178,259	245,432
Other liabilities	535,908	435,541	549,564
Reserves on loans	173,771	179,123	160,967
Reserves on securities	24,288	24,259	13,970
Total capital accounts	1,319,652	1,301,052	1,179,267
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	19,677,529	20,064,300	18,296,413

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	Apr. 24, 1974	Mar. 27, 1974	Apr. 25, 1973
ASSETS			
Loans and discounts, gross	20,465	20,985	18,357
U.S. Government obligations	2,301	2,320	2,444
Other securities	6,592	6,531	6,015
Reserves with Federal Reserve Bank	1,856	1,727	1,390
Cash in vault	363	361	334
Balances with banks in the United States	1,286	1,395	1,217
Balances with banks in foreign countries[e]	23	20	14
Cash items in process of collection	1,614	1,732	1,606
Other assets[e]	1,621	1,587	1,373
TOTAL ASSETS[e]	36,121	36,658	32,750
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,643	1,672	1,548
Other demand deposits	11,937	12,109	11,466
Time deposits	15,116	15,168	13,302
Total deposits	28,696	28,949	26,316
Borrowings	3,543	3,826	3,011
Other liabilities[e]	1,351	1,377	1,174
Total capital accounts[e]	2,531	2,506	2,249
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	36,121	36,658	32,750

e—Estimated

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
1972: April	12,470	8,696	314	10,938	2,640
1973: 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
1974: January	14,384	10,276	302	14,533	2,900
February	13,949	10,082	264	14,919	2,909
March	13,933	10,150	260	15,126	2,958
April	13,984	10,289	236	15,143	2,975

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 May 1, 1974	4 weeks ended Apr. 3, 1974	4 weeks ended May 2, 1973
Total reserves held	2,017,914	2,001,302	1,767,926
With Federal Reserve Bank	1,693,850	1,684,164	1,478,645
Currency and coin	324,064	317,138	289,281
Required reserves	2,013,092	1,998,421	1,759,252
Excess reserves	4,822	2,881	8,674
Borrowings	114,280	76,858	124,547
Free reserves	−109,458	−73,977	−115,873

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

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

	DEBITS TO DEMAND DEPOSIT ACCOUNTS[1]				DEMAND DEPOSITS[1]			
		Percent change				Annual rate of turnover		
		April 1974 from						
Standard metropolitan statistical area	Apr. 1974 (Annual-rate basis)	Mar. 1974	Apr. 1973	4 months, 1974 from 1973	Apr. 30, 1974	Apr. 1974	Mar. 1974	Apr. 1973
ARIZONA: Tucson	$15,266,212	−3%	25%	32%	$375,779	40.6	42.7	36.0
LOUISIANA: Monroe	5,638,033	5	15	13	127,166	44.1	43.3	40.5
Shreveport	19,268,550	0	29	20	399,519	51.1	56.6	46.9
NEW MEXICO: Roswell[2]	1,281,821	−11	16	27	54,887	23.1	25.7	24.0
TEXAS: Abilene	3,934,058	2	35	35	154,388	25.4	24.7	21.8
Amarillo	11,768,946	−3	30	27	253,836	46.8	49.3	41.7
Austin	20,063,386	18	37	36	371,570	51.7	37.1	33.3
Beaumont-Port Arthur-Orange	10,975,382	11	41	34	315,201	34.6	31.6	27.4
Brownsville-Harlingen-San Benito	3,840,266	2	18	24	134,291	29.8	30.4	27.7
Bryan-College Station	1,909,411	13	45	28	62,910	30.7	27.2	23.0
Corpus Christi	11,947,019	−2	34	47	295,990	40.9	41.2	31.9
Corsicana[2]	719,713	3	13	14	43,232	17.0	16.6	15.7
Dallas	257,411,513	0	46	45	3,183,197	81.9	83.7	59.7
El Paso	13,890,215	−1	27	29	306,176	43.7	44.1	34.9
Fort Worth	39,717,738	−5	26	24	892,736	44.2	47.4	36.1
Galveston-Texas City	3,980,050	0	12	12	137,913	28.7	29.1	27.5
Houston	216,004,246	2	35	30	3,710,806	58.8	58.6	47.9
Killeen-Temple	2,910,043	21	13	13	122,957	24.1	20.5	22.5
Laredo	1,778,347	2	32	33	66,318	27.2	27.2	22.8
Lubbock	10,257,959	−23	33	58	257,120	40.3	53.0	36.0
McAllen-Pharr-Edinburg	4,005,205	3	20	24	159,309	25.5	24.7	20.1
Midland	3,235,824	−3	35	35	203,552	16.2	17.2	15.1
Odessa	2,656,262	−4	17	28	116,305	23.3	24.9	23.3
San Angelo	2,647,847	1	42	35	95,260	27.8	28.0	21.3
San Antonio	30,520,013	5	17	16	908,574	34.0	32.6	29.0
Sherman-Denison	1,725,734	10	30	13	86,791	20.0	18.4	16.5
Texarkana (Texas-Arkansas)	2,164,430	1	10	9	95,613	22.8	22.7	21.6
Tyler	3,553,778	5	22	8	140,470	25.3	24.8	22.9
Waco	5,152,716	−3	17	14	162,613	32.3	33.5	28.8
Wichita Falls	4,707,146	−7	43	41	168,759	28.3	31.0	23.4
Total—30 centers	$712,931,863	1%	36%	34%	$13,403,238	53.6	54.0	42.4

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	May 22, 1974	Apr. 24, 1974	May 23, 1973
Total gold certificate reserves	264,629	815,043	350,529
Loans to member banks	179,683	88,310	48,060
Other loans	0	0	0
Federal agency obligations	119,527	94,738	56,911
U.S. Government securities	3,500,214	3,324,814	3,409,457
Total earning assets	3,799,424	3,507,862	3,514,428
Member bank reserve deposits	1,557,918	1,855,810	1,490,531
Federal reserve notes in actual circulation	2,467,527	2,461,874	2,280,501

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

				January—April	
Area and type	Apr. 1974	Mar. 1974	Feb. 1974	1974	1973r
FIVE SOUTHWESTERN STATES[1]					
Residential building	982	987	776	3,583	3,816
Nonresidential building	419	406	358	1,474	1,929
Nonbuilding construction	371	402	300	1,386	1,329
UNITED STATES	192	179	118	723	559
Residential building	8,929	7,911	6,610	29,242	30,895
Nonresidential building	3,924	3,374	2,678	12,206	15,546
Nonbuilding construction	2,842	2,752	2,260	10,091	9,904
	2,163	1,785	1,672	6,945	5,446

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.

BUILDING PERMITS

	NUMBER		VALUATION (Dollar amounts in thousands)				
					Percent change		
					Apr. 1974 from		
Area	Apr. 1974	4 mos. 1974	Apr. 1974	3 mos. 1974	Mar. 1974	Apr. 1973	4 months, 1974 from 1973
ARIZONA							
Tucson	584	2,006	$6,422	$31,221	−33%	−60%	−55%
LOUISIANA							
Monroe-West Monroe	66	247	1,090	6,456	−63	−50	−20
Shreveport	640	1,880	11,120	33,395	12	168	−12
TEXAS							
Abilene	80	317	1,363	4,563	−5	2	−58
Amarillo	482	1,040	4,451	20,728	−44	−20	11
Austin	541	1,781	18,721	81,869	−39	−22	−10
Beaumont	236	775	14,764	22,597	423	623	130
Brownsville	129	460	1,103	11,410	−65	−71	2
Corpus Christi	298	1,016	2,995	13,899	17	33	−40
Dallas	1,619	5,428	35,963	112,462	6	58	0
Denison	28	78	91	669	−17	20	−43
El Paso	479	1,886	16,549	72,421	−53	−9	33
Fort Worth	419	1,464	33,023	79,208	6	199	63
Galveston	63	245	1,000	5,526	−39	−7	26
Houston	2,097	7,833	64,502	233,733	36	16	−14
Laredo	34	121	178	980	−72	−62	−89
Lubbock	180	613	9,098	55,557	−15	0	71
Midland	110	296	1,367	15,622	−2	−4	170
Odessa	113	399	1,098	8,481	−25	−17	60
Port Arthur	80	272	183	882	−25	−23	−54
San Angelo	96	284	946	3,822	108	9	1
San Antonio	1,725	5,978	21,698	84,677	16	3	2
Sherman	40	131	712	1,815	36	−24	−25
Texarkana	69	283	621	2,167	−31	19	35
Waco	285	795	3,721	15,415	−51	124	−6
Wichita Falls	93	287	2,872	5,336	136	329	−21
Total—26 cities	10,586	35,915	$255,651	$924,911	−3%	21%	−2%

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	Apr. 1974	Mar. 1974	Apr. 1973r	Percent change from Mar. 1974	Percent change from Apr. 1973
FOUR SOUTHWESTERN STATES	6,475.7	6,500.1	6,637.4	−.4%	−2.4%
Louisiana	2,081.5	2,083.8	2,255.0	−.1	−7.7
New Mexico	263.0	263.1	279.7	.0	−6.0
Oklahoma	520.1	521.7	523.6	−.3	−.7
Texas	3,611.1	3,631.5	3,579.1	−.6	.9
Gulf Coast	708.9	704.6	711.6	.6	−.4
West Texas	1,893.1	1,908.7	1,818.8	−.8	4.1
East Texas (proper)	238.3	241.1	209.1	−1.2	14.0
Panhandle	58.9	60.2	61.4	−2.2	−4.1
Rest of state	711.9	716.9	778.2	−.7	−8.5
UNITED STATES	9,040.4	9,084.9	9,232.9	−.5%	−2.1%

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

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States[1]

(Seasonally adjusted)

Item	Thousands of persons Apr. 1974p	Mar. 1974	Apr. 1973r	Percent change Apr. 1974 from Mar. 1974	Apr. 1973
Civilian labor force	8,890.3	8,872.7	8,668.9	0.2%	2.6%
Total employment	8,473.3	8,467.1	8,289.2	.1	2.2
Total unemployment	417.1	405.6	379.7	2.8	9.8
Unemployment rate	4.7%	4.6%	4.4%	[2].1	[2].3
Total nonagricultural wage and salary employment	7,426.3	7,439.6	7,127.6	−.2	4.2
Manufacturing	1,289.5	1,291.8	1,249.8	−.2	3.2
Durable	724.2	722.4	695.3	.2	4.2
Nondurable	565.3	569.4	554.5	−.7	1.9
Nonmanufacturing	6,136.8	6,147.8	5,877.9	−.2	4.4
Mining	244.6	245.2	234.3	−.2	4.4
Construction	511.3	518.1	475.8	−1.3	7.5
Transportation and public utilities	507.2	508.0	486.2	−.2	4.3
Trade	1,775.9	1,782.1	1,710.2	−.3	3.8
Finance	408.9	410.0	387.7	−.3	5.5
Service	1,227.1	1,226.0	1,175.8	.1	4.4
Government	1,461.9	1,458.3	1,407.9	.2%	3.8%

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)

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	Apr. 1974p	Mar. 1974	Feb. 1974	Apr. 1973
TEXAS				
Total industrial production	138.1	138.0	135.9r	136.0
Manufacturing	143.6	143.1	141.8r	140.6
Durable	158.7	159.0	159.2	156.8
Nondurable	132.7	131.7	129.3r	128.9
Mining	120.8	120.7	117.4r	118.1
Utilities	153.4	156.3	151.4r	161.9
UNITED STATES				
Total industrial production	124.7	124.2	124.6r	124.1r
Manufacturing	124.7	124.2	124.2r	123.8r
Durable	121.1	120.0	119.6r	120.6r
Nondurable	130.2	130.5	131.0r	128.4r
Mining	110.8	111.2	110.5r	109.0r
Utilities	144.9	144.3	146.1r	148.7r

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

WINTER WHEAT PRODUCTION

(Thousand bushels)

Area	1974, indicated May 1	1973	1972
Arizona	17,010	15,120	11,390
Louisiana	800	396	690
New Mexico	5,275	8,526	4,335
Oklahoma	173,600	157,800	89,700
Texas	69,300	98,600	44,000
Total	265,985	280,442	150,115

SOURCE: U.S. Department of Agriculture

The drouth caused heavy losses of dryland wheat in the Texas Panhandle, and in early May, winter wheat production in states of the District was projected at 5 percent less than the 1973 crop. But at 266 million bushels, that would still be three-fourths more than the harvest in 1972.

Nationwide, increases in livestock production and expected increases in crop production brought a downturn in farm prices, which had reached record highs earlier in the year. Prices received by Texas farmers and ranchers dropped 6 percent in the month ended April 15, although they held 17 percent higher than a year earlier. Contributing to the decline were lower prices for wheat, hogs, cattle, grain sorghum, cotton, and eggs. In contrast to the fall in average farm prices in Texas, the index of prices paid by U.S. farmers and ranchers rose 2 percent to a level 16 percent higher than a year earlier.

A substantial decline in livestock prices has brought a marked slowing in growth of cash receipts from farm and ranch marketings in District states. First-quarter sales of livestock and livestock products were only slightly ahead of sales for the same quarter in 1973. Crop receipts were up sharply, however, due mainly to a gain in marketings. Crop and livestock receipts in the first three months of the year totaled just about $3 billion, compared with $2.1 billion in the first quarter of 1973.