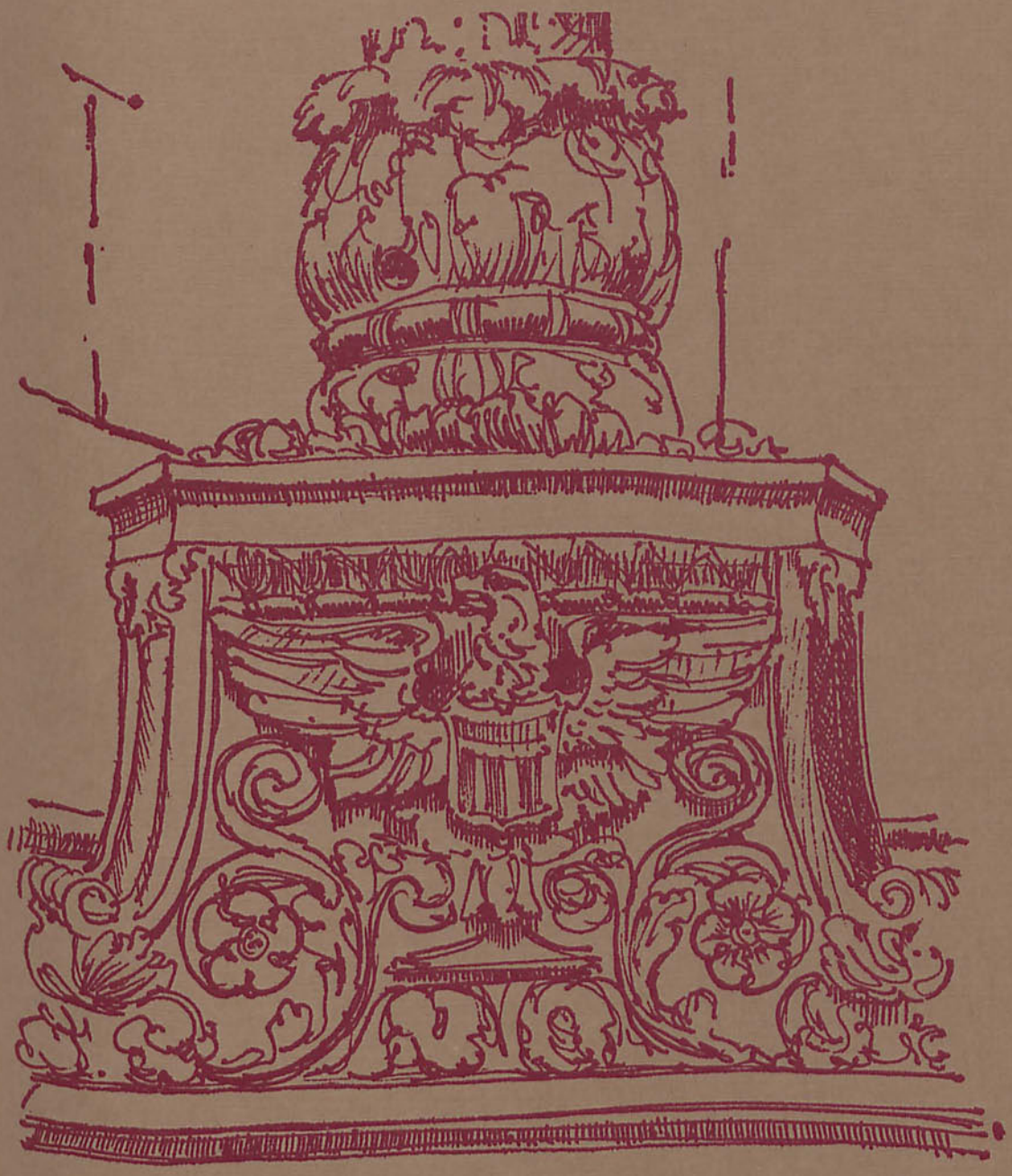
Federal Reserve Bank of Dallas

Business Review



Discount Window–
Member Bank Borrowing Soared In Eleventh District Last Year

July 1974

Member Bank Borrowing Soared In Eleventh District Last Year

Member bank borrowing in the Eleventh Federal Reserve District rose 580 percent in 1973–from less than $14 million in 1972 to nearly $95 million, the highest level in 20 years. With loan demand and interest rates rising during most of the year, banks in the District found loanable funds scarce and expensive to acquire. Some were "caught short" and turned to the Federal Reserve Bank for funds to help meet their reserve requirements. Others availed themselves of the new seasonal borrowing privilege.

One function of the Federal Reserve Bank of Dallas and its branches in El Paso, Houston, and San Antonio is to serve in a limited sense as a "banker's bank." The Bank serves as a lender of last resort when member banks in the Eleventh District need to borrow for certain purposes. But by no means do such borrowings constitute an endless source of funds to banks. Borrowing from Federal Reserve banks is a privilege of member banks but not one that lends itself to unlimited use.

Some reasons for the rise

Commercial banks face a continuing problem of coordinating sources and uses of funds. Changes in deposit flows and credit demands can never be fully predicted, and sometimes unexpected changes occur rapidly. When demand for bank credit is heavy–as it was throughout most of 1973–banks seek additional funds from a number of sources. These include the issuance of certificates of deposit, the sale of securities from portfolio, and borrowing in the Federal funds market, the Eurodollar market through foreign branches, and the commercial paper market through affiliated holding companies.

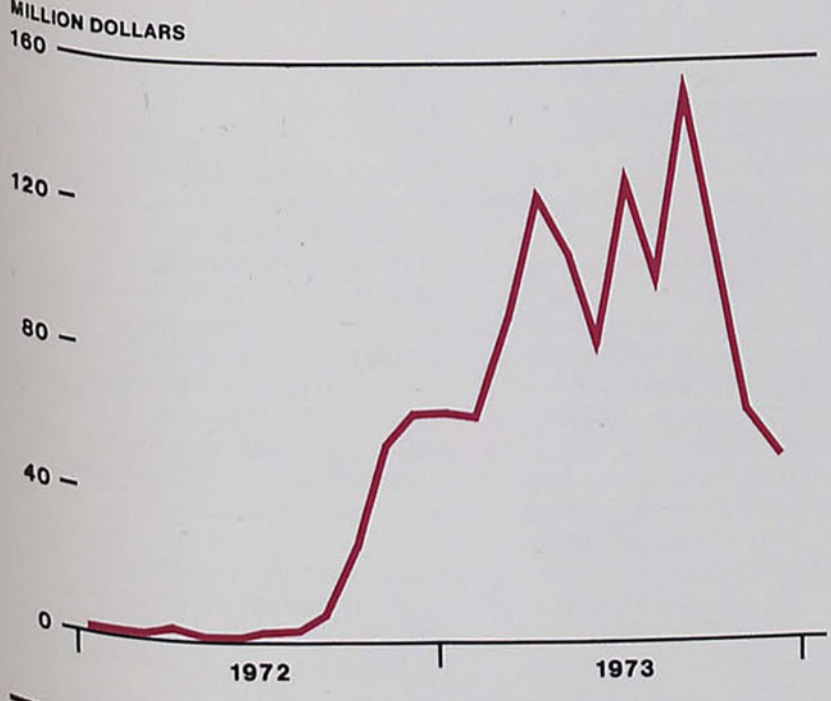
The rise in demand for funds in these markets usually increases their cost. As funds from market sources become more expensive relative to borrowing at the discount window, member bank borrowing at Federal Reserve banks usually increases.

The Federal funds rate, for example, was below the discount rate for the first half of 1972 but was above the discount rate during the rest of the year. The spread widened still more in 1973, making the discount window an increasingly attractive source of funds as the year progressed.

Daily average borrowing in the Eleventh District rose as the rate differential widened. In the early part of 1972, member bank borrowings were negligible. As the difference between the Federal funds rate and the discount rate became progressively larger, daily average borrowings rose substantially. And when the differential reached its high point of the year in September 1973, daily average borrowing was near its peak.

Increased borrowing by member banks depends, of course, on a number of factors and cannot be

Daily average member bank borrowings in the Eleventh District rise . . .



attributed solely to differences between the discount rate and market rates of interest. But rising market rates of interest indicate an increased scarcity of funds, and there are occasions when adequate funds are simply not available at quoted market rates. That is, even though there may be a nominal price existing in a market such as the Federal funds market, a sufficient volume of funds at that price may not be available. Such circumstances lead many banks to seek the funds they need from Federal Reserve banks.

Differences among banks . . .

The largest amounts of advances to banks in the District in 1973 were made by the Dallas and Houston offices. These two offices rank first and second, respectively, in terms of number of banks and amount of banking assets in the territories they serve. But as Houston is a rapidly growing area with rapid changes in banking and banking practices, the branch there had about twice the percentage increase in daily average borrowings from 1972 to 1973 that the Head Office had.

Because of their size, most small banks have no direct access to the national money markets, and the Federal Reserve Bank is one of the few places where they can borrow.

A total of 110 banks borrowed from the Federal Reserve Bank and its branches in 1973. Most of these borrowers were comparatively small banks, having less than $100 million in total deposits. But 31 were larger than that, and seven had deposits totaling more than $500 million.

That most of the banks borrowing at the Federal Reserve Bank were comparatively small is to be expected. There are far more small member banks in the District than large banks. Of the 626 member banks in the District last year, 581–or 93 percent–had deposits of less than $100 million at year-end.

Nevertheless, there are other reasons for small banks seeking out the discount window. Because of their size, most small banks have no direct access to the national money markets, where large transactions are the rule rather than the exception. As a consequence, the Federal Reserve Bank is one of the few places where small banks can borrow. Moreover, as many small banks serve agricultural communities, they have substantial seasonal variations in deposits and loan demand. The new seasonal borrowing privilege instituted in April 1973 was intended primarily to assist small banks facing seasonal variations arising from agricultural and other business credit needs.

The discount window

Borrowing from a Federal Reserve Bank is commonly referred to as borrowing at the *discount window*. When the Federal Reserve System was created in 1913, member bank borrowing was viewed as the principal tool of central bank policy. In fact, the proportion of total reserves injected in the nation's banking system through such borrowing never averaged less than 37 percent throughout the 1920's and reached a peak of more than 80 percent in 1921.

Open market operations gradually replaced borrowings as a way of supplying reserves to the banking system. Today, the volume of reserves supplied through the discount window is very small compared with reserves supplied through open market operations.

Initially, member bank borrowing from Federal Reserve banks was called *rediscounting*. The term had come into use in the early 1900's, when banks made loans principally by discounting customers' promissory notes. Banks earned their interest by giving borrowers less than the face value of their promissory notes–by *discounting* the notes.

When a commercial bank borrowed from the Federal Reserve Bank, the note offered as collateral was again discounted, or rediscounted. The loan made by the Federal Reserve Bank did not have to be paid off by the commercial bank until the original promissory note matured.

Today, commercial banks place little reliance on discounting as a means of making loans, and Federal Reserve banks no longer rediscount notes when they make loans to banks. Loans to banks through the discount window are simply dollar advances. Borrowing banks still have to put up collateral for a loan, but the maturity date of the borrowing is no longer linked with the maturity of the financial assets used as collateral.

Various types of financial investments, ranging from Government securities to certain types of customer notes, can serve as collateral for an advance at the discount win-

Although 79 small banks borrowed from the Federal Reserve Bank last year, that number was not large compared with the number of member banks with deposits of less than $100 million. In fact, less than 14 percent of the 581 member banks of that size borrowed at the discount window. The proportion of member banks exercising the borrowing privilege in 1973 increased with the size of bank category, reaching 78 percent for the largest banks.

The high proportion of large-bank borrowers at the discount window reflects a number of factors. Typically, depositors at large banks tend to be more sensitive to changes in interest rates than depositors at small banks and, therefore, more inclined to shift their funds to markets or instruments offering the highest rate of return. Such volatility contributes to the need for large banks to seek funds at the discount window.

MEMBER BANKS INDEBTED TO FEDERAL RESERVE BANK, 1973

Eleventh Federal Reserve District

(Number of banks, by deposit size)

Bank deposit size (Million dollars)	Weeks of indebtedness							All banks in category
	Up to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31 to 35	
Less than $100	18	28	23	7	1	1	1	79
$100 to $500	8	5	3	7	1	0	0	24
$500 or more	1	0	4	2	0	0	0	7
All size banks	27	33	30	16	2	1	1	110

Moreover, larger banks are more subject to sudden changes in loan demand, particularly by businesses. Many businesses raise funds either by drawing on their lines of credit at banks or by issuing commercial paper–depending on which is less expensive. As the relative cost of borrowing at banks and issuing commercial paper changes, banks have sudden and substantial shifts in demand for business loans. These shifts also contribute to the larger percentage of big banks borrowing from Federal Reserve banks.

. . . in liability management . . .

There are also some basic differences, however, in the way banks are managed. Large banks tend to rely more heavily on borrowing to meet loan commitments. By contrast, small banks rarely extend credit with funds acquired through borrowing in money markets and,

dow. The type of collateral a bank offers affects the rate of interest the Federal Reserve Bank will charge, but in practice, the spread between the maximum and minimum rate is only half of 1 percent.

The minimum rate at which banks can borrow is commonly referred to as the *discount rate*. The adequacy of this rate is reviewed periodically by the Board of Directors of each Federal Reserve Bank. If the directors decide that a change in the rate is in order, they recommend the change to the Board of Governors of the Federal Reserve System, which can either accept or reject the proposal.

The discount rate is held uniform throughout the Federal Reserve System–the only exception being during short periods when the rate is being changed. The discount rate is public knowledge, and it is not subject to change through bargaining by a member bank.

Member banks have an incentive to borrow at the discount window when the discount rate is below market rates of interest. Federal Reserve banks do not extend credit, however, so that banks can profit from the difference between the discount rate and market rates on alternative sources of funds. All Federal Reserve banks are guided in the administration of their discount windows by the following principle established in Federal Reserve Regulation A:

> Federal Reserve credit is available on a short-term basis to a member bank, under such rules as may be prescribed, to such extent as may be appropriate to assist such bank in meeting temporary requirements for funds or to cushion more persistent outflows of funds pending an orderly adjustment of the bank's assets and liabilities.

Federal Reserve banks also assist member banks that lack reasonably reliable access to national money markets in meeting longer-term seasonal needs for funds arising from expected changes in their deposits and loans. And Federal Reserve credit is available to assist member banks in unusual or emergency situations.

Daily average balances

Daily average figures are more useful than total dollar volume in the analysis of member bank borrowing at the discount window since required reserves of member banks are calculated on a daily average basis. The minimum time for which daily average borrowings are calculated is a *reserve period* of one week.

The daily average borrowing for a bank is arrived at by adding its outstanding borrowing each day of the reserve period and dividing by seven. For example, if a bank received a $10 million loan with a one-day maturity every morning for a week, its daily average borrowing that week would be $10 million–or the equivalent daily average borrowing of a bank that received a one-day advance of $70 million.

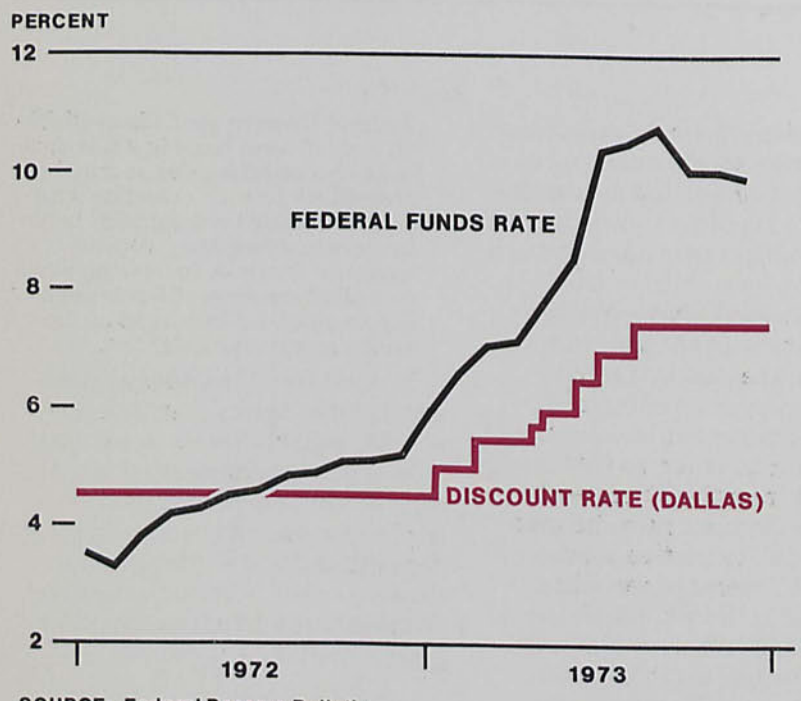
more often than not, have deposit funds to lend large banks through the Federal funds market.

This tendency of large banks toward liability management also carries over into reserve management. When large banks run short of funds relative to the demand for them, they tend to make up the deficiency through borrowing–sometimes from the Federal Reserve Bank. For example, daily average Federal funds borrowing for the seven large District banks combined was $192.5 million in 1973, while their daily average required reserves totaled $85.9 million. Daily average borrowings from the discount window for those banks were $7.6 million.

This reliance on borrowed funds stands in marked contrast to the more traditional asset-management approach taken at most small banks. Where large banks are apt to increase their borrowings to obtain needed funds, small banks are more apt to sell some liquid assets to cover the shortage.

There is another important reason for the lower proportion of small-bank borrowers. Historically, many small banks in the District have viewed borrowing from the Federal Reserve Bank as indicating some sort of shortcoming in managerial ability and, therefore, something to be avoided. But this view is changing, partly due to the high proportion of large member banks using the discount window.

. . . as market rates exceed the discount rate



SOURCE: Federal Reserve Bulletin

Where large banks are apt to increase their borrowings to obtain needed funds, small banks are more apt to sell some liquid assets to cover the shortage.

Not only do a greater proportion of large banks in the District tend to borrow from the Federal Reserve Bank, they also seem to stay indebted for longer periods. In 1973, most small banks that borrowed

MEMBER BANK BORROWING RELATIVE TO REQUIRED RESERVES, 1973

Eleventh Federal Reserve District

(Number of banks, by deposit size)

Bank deposit size (Million dollars) and borrowing period	Daily average borrowings as percent of daily average required reserves											
	Up to 5%	6% to 10%	11% to 15%	16% to 20%	21% to 25%	26% to 30%	31% to 35%	36% to 40%	41% to 45%	46% to 50%	51% or more	Total number
Less than $100												
First quarter	8	3	2	3	0	0	0	0	0	0	0	16
Second quarter	6	6	6	4	5	1	0	1	1	0	4	34
Third quarter	12	9	11	8	5	2	3	0	3	0	8	61
Fourth quarter	21	6	11	4	4	1	3	3	0	1	1	55
Total number	47	24	30	19	14	4	6	4	4	1	13	166
$100 to $500												
First quarter	4	2	2	0	0	0	1	0	0	0	0	9
Second quarter	4	4	4	1	1	2	0	0	0	0	0	16
Third quarter	4	4	2	2	4	0	1	0	0	0	1	18
Fourth quarter	5	5	5	0	0	0	1	0	0	0	0	16
Total number	17	15	13	3	5	2	3	0	0	0	1	59
$500 or more												
First quarter	1	2	3	0	1	0	0	0	0	0	0	7
Second quarter	0	1	2	0	1	0	0	0	0	0	0	4
Third quarter	1	1	4	1	0	0	0	0	0	0	0	7
Fourth quarter	0	4	1	1	0	0	0	0	0	0	0	6
Total number	2	8	10	2	2	0	0	0	0	0	0	24

were indebted ten weeks or less, as were the majority of medium-size banks. By contrast, all but one of the seven large banks were indebted for more than ten weeks.

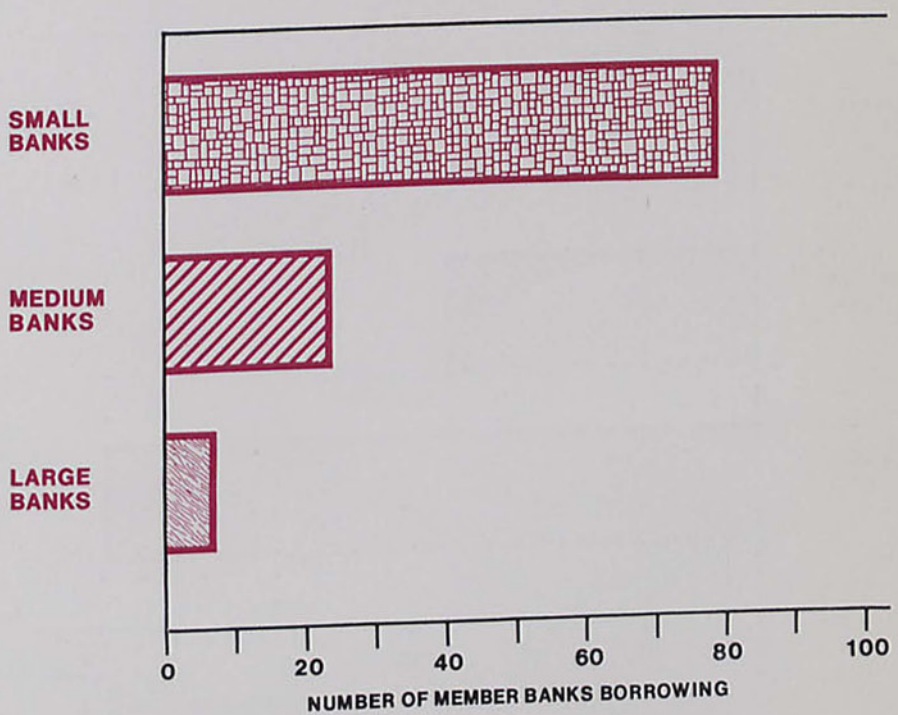
Large banks also accounted for most of the total volume of borrowing. Daily average borrowing of small banks was $16.6 million, compared with $25.3 million for medium-size banks and $52.9 million for large banks. Daily average borrowing of the seven large banks, in fact, accounted for close to 56 percent of total borrowings in 1973, compared with less than 27 percent for medium-size banks and under 18 percent for small banks.

As far as the volume of total borrowings in the District is concerned, then, small banks were of relatively minor importance. Loans to these smaller banks, however, were not matters of small importance to them.

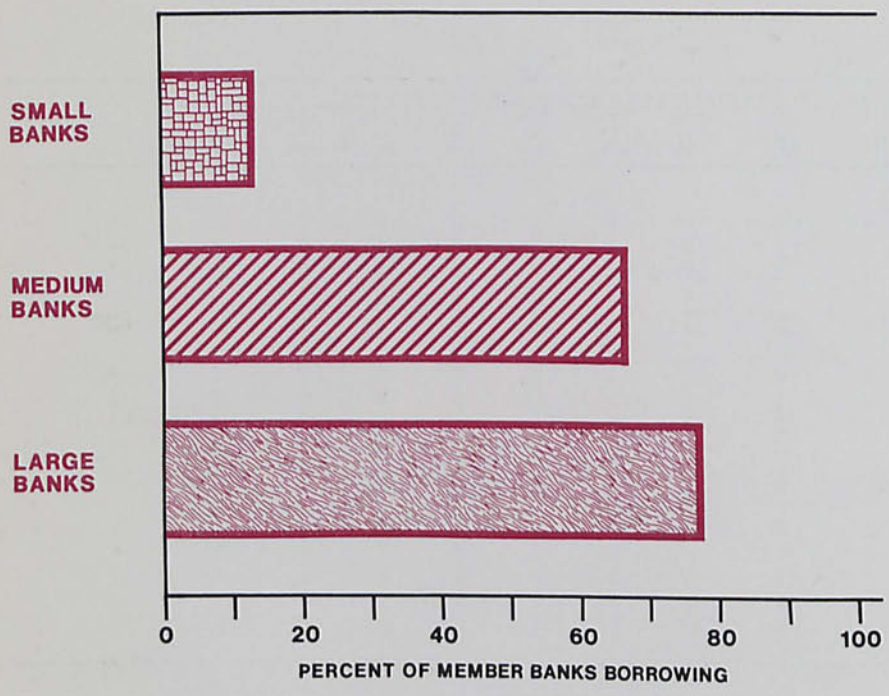
. . . in acquiring reserves . . .

One of the main reasons for borrowing from the Federal Reserve

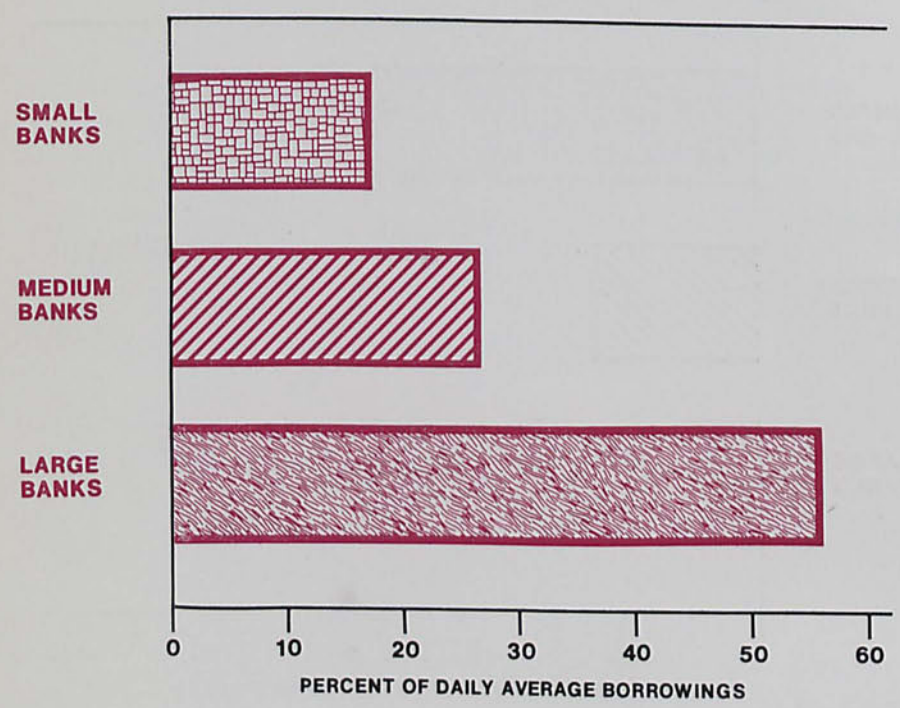
Although more small banks in the District borrowed at the discount window in 1973 . . .



. . . a greater proportion of large banks borrowed . . .



. . . and large banks accounted for most of the borrowings



Bank is to satisfy reserve requirements. Therefore, one measure of the importance of loans at the discount window to a borrowing bank is its borrowing relative to its required reserves.

The importance of discount window borrowing to a bank, in fact, seems to decline as the size of the bank increases. For example, small banks that borrowed used such funds 46 separate times to satisfy over 20 percent of their reserve requirements for one quarter. On 13 occasions, they satisfied more than half their requirements for a quarter with borrowings. By contrast, medium-size banks borrowed more than 20 percent of a quarter's required reserves 11 times and large banks used their borrowing privilege to that extent only twice.

The importance of discount window borrowing to a bank seems to decline as the size of the bank increases.

As the year progressed, borrowings as a percentage of required reserves increased, reaching a peak in the third quarter. More than a third of the small banks that used the discount window in the third quarter borrowed in excess of 20 percent of their required reserves. Eight banks borrowed more than half their required reserves that quarter. Similarly, six of the 18 medium-size banks that received advances in the third quarter borrowed more than a fifth of their required reserves.

It is rare for large banks to borrow more than a fifth of their required reserves at the discount window for an entire quarter. But even the large-bank borrowing was heaviest in the third quarter. Five of the seven large banks borrowed more than a tenth of their required reserves from the Federal Reserve

SEASONAL BORROWINGS OF MEMBER BANKS, 1973

Eleventh Federal Reserve District

Month	Daily average
April	$7,185,000
May	5,689,876
June	11,722,521
July	14,145,378
August	16,724,538
September	16,138,964
October	13,127,057
November	10,614,036
December	8,370,000

Bank. Only four had done so in the first quarter, and three in the second quarter. In the fourth quarter, only two borrowed to that extent.

. . . and in seasonal needs

Since April 1973, a new seasonal credit policy has made discount window borrowing available to member banks that do not have ready access to national money markets for meeting seasonal needs for funds arising from expected changes in their deposits and loans. (The nature of the seasonal borrowing privilege is discussed in the May 1973 *Business Review*.)

Much of the seasonal borrowing at the discount window in the Eleventh District–like such borrowing in several other Federal Reserve districts–is associated with agricultural needs for credit. Linked with planting and harvesting, flows of funds at agricultural banks are unevenly distributed over the year.

Farmers growing wheat, for example, incur about 60 percent of the total cost of their crops before the crops are even planted. These costs and the other costs that must be assumed before the wheat is marketed are financed by borrowing and by drawing down deposits. As a result, when agricultural loan demand at small rural banks is heaviest, deposits are usually declining in response to the same seasonal pressures. Generally, funds are flowing out of such areas in payment for agricultural inputs, like seed and fuel, and it will be several months before the flow is reversed by the harvesting of crops.

Much of the seasonal borrowing at the discount window in the Eleventh District is associated with agricultural needs for credit.

Lacking access to national money markets because of size, many small rural banks have difficulty in meeting such seasonal demand for funds. But for more than a year now, such banks have been able to accommodate seasonal credit demand with funds borrowed at the discount window.

The volume of borrowing resulting from this new policy was still comparatively small in the Eleventh District last year, accounting for only 9 percent of the total. Only 33 of the roughly 300 banks quali-

How the discount window helped a bank

An experience of one of the member banks in the Eleventh District illustrates how borrowing at the discount window can aid banks in adjusting to unforeseen circumstances. The bank was fairly small but important to the community it served. It had been serving the community well, financing a multitude of local projects, and had capable management. But the deposit structure of the bank was somewhat unusual–nearly half its deposits were held by the city government. When the city government suddenly decided to change banks, the withdrawal resulted in a drastic decline in the bank's deposits.

Faced with this loss of funds, the bank had only two alternatives–either borrow money or sell a large part of its financial assets. As it turned out, selling its assets was really not feasible. The market price of the assets was so low that the bank would have incurred huge losses by selling its securities rather than holding them to maturity. Borrowing, therefore, was the only practical recourse.

The Federal Reserve Bank of Dallas loaned the bank funds to cover the withdrawal, and the bank repaid the advance as its assets matured. In time, the volume of the bank's loans and investments fell to a level consistent with the bank's new deposit level.

This example is, admittedly, extreme. A bank need not face such problems before it can borrow from the Federal Reserve Bank. But the example clearly illustrates one of the useful services the discount window was established to provide.

fying for seasonal borrowing took advantage of this privilege. And only five of those 33 banks had deposits of more than $100 million.

This year, however, 316 member banks qualify for seasonal borrowing. And with increases in the prices of such agricultural inputs as fuel and fertilizer, seasonal borrowing in 1974 could easily exceed that of 1973. In fact, seasonal loans have already been extended to banks that did not borrow in 1973.

Concluding comments

Member bank borrowing in the Eleventh District was heavy in 1973. Most of the advances were made to large liability-management banks. These banks also led other banks in the number of weeks they were indebted.

But some small banks need to serve their local communities better, and a bank managing its portfolio in such a way as to ensure that it will never have to borrow is often following too stringent a policy with respect to local loans. With the new seasonal borrowing privilege, a larger share of member bank borrowing from the Federal Reserve Bank of Dallas could go to smaller banks in the years to come.

–Clifford L. Fry

New member bank

The Colonial National Bank, 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 June 10, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $240,000, surplus of $240,000, and undivided profits of $270,000. The officers are: Robert T. Huthnance, President; Eugene A. Wink, Jr., Vice President and Cashier; and Leighton E. Brown, Vice President.

New par banks

The Bank of St. Joseph & Trust Company, St. Joseph, Louisiana, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, and its branch at Waterproof, Louisiana, were added to the Par List on June 1, 1974. The officers are: William W. Watson, President, and Jack M. Grace, Jr., Cashier.

The North Texas Bank, Lewisville, 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, June 6, 1974. The officers are: Ted Mapes, President, and Gene Francis, Vice President.

The Heights Bank, Harker Heights, 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, June 17, 1974. The officers are: Roy J. Smith, President; W. L. Smith, Executive Vice President; and E. P. Hardaway, Cashier.

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Federal Reserve Bank of Dallas
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Federal Reserve Bank of Dallas
July 1974

Statistical Supplement to the Business Review

Total credit at weekly reporting banks in the Eleventh District continued to rise considerably more than usual in the four weeks ended June 12. Counter to recent trends, there was a sizable net inflow of deposits, and although loan demand remained strong, banks were able to make contraseasonal net additions to their holdings of municipal securities.

Real estate loans rose significantly more than usual, reflecting both price increases and slight gains in residential construction in the District. Most of the increase in loan demand, however, came from businesses. Some of this increased borrowing doubtlessly was due to rising prices and, therefore, higher costs of doing business. But it also appears that with capital markets weaker, some businesses may have turned to banks to meet their needs for funds.

Increases in loan demand have prompted banks to bid more aggressively for CD's in recent weeks, resulting in a sizable increase in large CD's outstanding. Demand deposits, moreover, declined only about half as much as usual in this four-week period. Checking accounts of individuals and businesses, in fact, increased noticeably. Most of the increase, however, may have been in business accounts reflecting increased compensating balances required in connection with the rise in loans.

New car sales in Texas fell at a seasonally adjusted rate of 13 percent in May. After increasing in April, registrations resumed the decline that had begun seven months earlier. Dealers suggested that this continued sluggishness in demand was due primarily to tight credit markets and the high cost of gasoline. Together, these two factors held new car sales for the first five months of the year well below the total for that period last year.

Seasonally adjusted department store sales in the Eleventh District rose 2 percent from mid-May to mid-June. Sales, which had trended upward for the past six months, were 10 percent higher than at year-end 1973. At least half the increase, however, was attributed to higher prices.

Employment in the five southwestern states was highlighted by sharp contrasts in May. The number of jobholders rose 0.3 percent, the largest monthly increase this year. Jobless statistics, however, were also up significantly—due in part to the largest monthly gain in the civilian labor force since last October.

Total unemployment rose substantially for the third consecutive month, resulting in a 4.8-percent unemployment rate—up from 4.4 percent in February. Much of the weakness in the past few months has been in the building trades, where the loss of jobs by construction workers continued unabated.

The seasonally adjusted Texas industrial production index rose nearly 1 percent in May, the largest monthly advance since industrial output in the state leveled off last fall. Increased manufacturing activity accounted for the gain as nonmanufacturing output fell slightly.

Petroleum refining increased sharply for the third consecutive month, as oil imports continued to climb. The flow of foreign oil to state refineries has now surpassed the rate prevailing prior to the Arab oil embargo. In durable goods manufacturing, the output of nonelectrical machinery increased for the first time since January, rising over 3 percent.

Mining was little changed from a month before. The output of utilities, however, was lower than in April—largely due to a reduction in the distribution of electricity.

Agricultural conditions in the Eleventh District on June 1 were mixed. Drouth plagued most western parts of the District, while in eastern areas agricultural conditions were generally good. Lack of moisture left range and dryland crop conditions generally poor in Arizona, New Mexico, and West Texas. With poor grazing conditions, supplemental feeding of livestock increased.

Losses of dryland wheat continued to mount. As a result, the forecast for winter wheat production in District states dropped sharply to 233 million bushels on June 1—17 percent less than the 1973 crop but still 55 percent more than in 1972.

Increased supplies of beef combined with sluggish demand for meat to depress slaughter cattle prices below year-earlier levels. On June 1, the number of cattle on feed in both Texas and Arizona was the lowest in two years.

The number of head placed on feed in Texas in May was only 45 percent of the total a year earlier. In Arizona, placements were about half the year-earlier level. With the slowing in demand for feeder calves, the price for feeder cattle dropped drastically.

A moderate rise in livestock production and an outlook for increased crop output caused farm prices to slump. Prices for most

(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	June 12, 1974	May 15, 1974	June 13, 1973
Federal funds sold and securities purchased under agreements to resell	1,506,733	1,311,149	1,049,389
Other loans and discounts, gross	10,256,438	10,166,471	9,619,782
Commercial and industrial loans	4,579,648	4,510,536	4,343,908
Agricultural loans, excluding CCC certificates of interest	263,734	273,490	268,353
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	1,263	1,264	400
Other securities	48,915	48,014	54,379
Other loans for purchasing or carrying:			
U.S. Government securities	3,851	3,789	5,018
Other securities	447,382	448,710	500,796
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	145,976	156,615	196,701
Other	754,637	760,703	655,041
Real estate loans	1,529,214	1,497,064	1,360,442
Loans to domestic commercial banks	46,037	45,512	31,366
Loans to foreign banks	70,939	72,370	65,293
Consumer instalment loans	1,045,389	1,039,665	1,031,970
Loans to foreign governments, official institutions, central banks, and international institutions	127	17	500
Other loans	1,319,326	1,308,722	1,105,615
Total investments	4,212,632	4,240,139	3,899,945
Total U.S. Government securities	956,514	1,002,433	929,596
Treasury bills	114,035	162,003	147,318
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	136,028	118,490	146,700
1 year to 5 years	529,747	539,345	468,315
After 5 years	176,704	182,595	167,263
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	177,564	176,326	145,947
All other	2,792,375	2,776,992	2,575,536
Other bonds, corporate stocks, and securities:			
Certificates representing participations in federal agency loans	9,920	11,629r	8,370
All other (including corporate stocks)	276,259	272,759r	240,496
Cash items in process of collection	1,500,440	1,612,389	1,463,700
Reserves with Federal Reserve Bank	804,057	882,057	722,698
Currency and coin	130,515	126,894	116,711
Balances with banks in the United States	446,925	479,415	401,860
Balances with banks in foreign countries	35,438	31,175	15,382
Other assets (including investments in subsidiaries not consolidated)	859,586	827,840	790,730
TOTAL ASSETS	19,752,764	19,677,529	18,080,197

LIABILITIES	June 12, 1974	May 15, 1974	June 13, 1973
Total deposits	14,601,928	14,527,139	13,518,944
Total demand deposits	7,048,206	7,165,416	6,878,128
Individuals, partnerships, and corporations	5,189,892	5,139,838	4,908,269
States and political subdivisions	438,208	543,154	494,922
U.S. Government	62,745	118,145	90,207
Banks in the United States	1,177,713	1,181,800	1,231,580
Foreign:			
Governments, official institutions, central banks, and international institutions	1,924	3,103	4,225
Commercial banks	65,631	62,877	49,444
Certified and officers' checks, etc.	112,093	116,499	99,481
Total time and savings deposits	7,553,722	7,361,723	6,640,816
Individuals, partnerships, and corporations:			
Savings deposits	1,157,709	1,158,548	1,185,514
Other time deposits	4,209,691	4,070,666	3,604,620
States and political subdivisions	2,066,475	2,017,680	1,718,609
U.S. Government (including postal savings)	7,177	7,989	30,025
Banks in the United States	86,087	80,538	89,528
Foreign:			
Governments, official institutions, central banks, and international institutions	13,261	12,162	12,400
Commercial banks	13,322	14,140	120
Federal funds purchased and securities sold under agreements to repurchase	2,871,264	2,898,337	2,414,828
Other liabilities for borrowed money	166,803	198,434	221,260
Other liabilities	573,267	535,908	547,110
Reserves on loans	179,607	178,417r	162,015
Reserves on securities	19,437	19,642r	13,965
Total capital accounts	1,340,458	1,319,652	1,202,075
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	19,752,764	19,677,529	18,080,197

r—Revised

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	May 29, 1974	Apr. 24, 1974	May 30, 1973
ASSETS			
Loans and discounts, gross	20,388	20,465	18,404
U.S. Government obligations	2,224	2,301	2,317
Other securities	6,687	6,592	6,042
Reserves with Federal Reserve Bank	1,948	1,856	1,438
Cash in vault	378	363	335
Balances with banks in the United States	1,431	1,286	1,377
Balances with banks in foreign countries[e]	35	23	18
Cash items in process of collection	2,110	1,614	1,952
Other assets[e]	1,569	1,621	1,478
TOTAL ASSETS[e]	36,770	36,121	33,361
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,749	1,643	1,730
Other demand deposits	12,115	11,937	11,737
Time deposits	15,290	15,116	13,326
Total deposits	29,154	28,696	26,793
Borrowings	3,638	3,543	3,018
Other liabilities[e]	1,431	1,351	1,266
Total capital accounts[e]	2,547	2,531	2,284
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	36,770	36,121	33,361

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: May	12,268	8,530	384	11,075	2,660
1973: 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
May	13,553	9,880	278	15,148	2,962

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	5 weeks ended June 5, 1974	4 weeks ended May 1, 1974	5 weeks ended June 6, 1973
Total reserves held	1,944,878	2,017,914	1,747,854
With Federal Reserve Bank	1,624,941	1,693,850	1,459,210
Currency and coin	319,937	324,064	288,644
Required reserves	1,963,935	2,013,092	1,751,036
Excess reserves	−19,057	4,822	−3,182
Borrowings	126,241	114,280	96,911
Free reserves	−145,298	−109,458	−100,093

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

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS[1]				DEMAND DEPOSITS[1]			
		Percent change				Annual rate of turnover		
	May 1974 (Annual-rate basis)	May 1974 from Apr. 1974	May 1974 from May 1973	5 months, 1974 from 1973	May 31, 1974	May 1974	Apr. 1974	May 1973
ARIZONA: Tucson	$16,586,990	9%	22%	30%	$358,691	45.2	40.6	40.6
LOUISIANA: Monroe	5,190,701	−8	14	13	129,082	40.5	44.1	38.1
Shreveport	21,534,300	12	34	23	354,090	57.1	51.1	49.5
NEW MEXICO: Roswell[2]	1,532,418	20	29	28	51,719	28.7	23.1	25.0
TEXAS: Abilene	4,187,539	6	35	35	157,975	26.8	25.4	22.7
Amarillo	11,971,843	2	27	27	248,917	47.6	46.8	41.9
Austin	18,742,764	−7	43	37	454,620	45.4	51.7	28.0
Beaumont-Port Arthur-Orange	10,059,474	−8	30	33	326,299	31.4	34.6	26.8
Brownsville-Harlingen-San Benito	4,158,896	8	33	26	127,744	31.7	29.8	25.3
Bryan-College Station	1,730,419	−9	3	22	62,969	27.5	30.7	28.6
Corpus Christi	11,202,251	−6	35	44	301,797	37.5	40.9	29.2
Corsicana[2]	766,756	7	22	16	42,273	17.9	17.0	15.3
Dallas	276,831,745	8	44	45	3,140,811	87.5	81.9	63.0
El Paso	13,186,750	−5	25	28	327,647	41.6	43.7	33.6
Fort Worth	38,765,934	−2	24	24	910,187	43.0	44.2	35.6
Galveston-Texas City	4,147,386	4	27	15	137,585	30.1	28.7	24.7
Houston	218,851,985	1	32	30	3,735,664	58.8	58.8	48.7
Killeen-Temple	2,629,250	−10	9	12	120,205	21.6	24.1	20.4
Laredo	1,987,430	12	45	35	67,455	29.7	27.2	22.2
Lubbock	9,846,811	−4	28	52	242,162	39.4	40.3	34.7
McAllen-Pharr-Edinburg	3,798,745	−5	12	22	159,010	23.9	25.5	19.4
Midland	3,680,792	14	46	38	203,442	18.1	16.2	15.4
Odessa	2,687,069	1	9	23	115,986	23.1	23.3	24.9
San Angelo	2,662,081	1	30	34	92,794	28.3	27.8	22.2
San Antonio	30,404,108	0	13	15	903,487	33.6	34.0	29.3
Sherman-Denison	1,718,246	0	20	14	85,478	19.9	20.0	16.8
Texarkana (Texas-Arkansas)	2,104,978	−3	8	8	91,044	22.6	22.8	21.4
Tyler	3,617,720	2	23	11	141,855	25.6	25.3	23.2
Waco	5,611,243	9	25	16	158,676	34.9	32.3	28.2
Wichita Falls	4,841,766	3	46	42	182,372	27.6	28.3	22.4
Total—30 centers	$735,038,390	3%	34%	34%	$13,432,036	54.8	53.6	43.2

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	June 19, 1974	May 22, 1974	June 20, 1973
Total gold certificate reserves	432,745	264,629	632,969
Loans to member banks	100,831	179,683	56,275
Other loans	0	0	0
Federal agency obligations	112,626	119,527	52,952
U.S. Government securities	3,522,446	3,500,214	3,213,532
Total earning assets	3,735,903	3,799,424	3,322,759
Member bank reserve deposits	1,590,670	1,557,918	1,719,105
Federal reserve notes in actual circulation	2,511,357	2,467,527	2,332,995

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	May 1974	Apr. 1974	Mar. 1974	January—May 1974	January—May 1973r
FIVE SOUTHWESTERN STATES[1]					
Residential building	1,212	982	987	4,789	4,901
Nonresidential building	479	419	406	1,952	2,499
Nonbuilding construction	506	371	402	1,886	1,678
UNITED STATES	228	192	179	951	724
Residential building	10,158	8,929	7,911	39,366	40,223
Nonresidential building	3,862	3,924	3,374	16,068	20,256
Nonbuilding construction	3,120	2,842	2,752	13,190	12,493
	3,176	2,163	1,785	10,108	7,475

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

Area	NUMBER		VALUATION (Dollar amounts in thousands)				
					Percent change		
					May 1974 from		
	May 1974	5 mos. 1974	May 1974	5 mos. 1974	Apr. 1974	May 1973	5 months, 1974 from 1973
ARIZONA							
Tucson	597	2,603	$9,712	$40,933	51%	−34%	−51%
LOUISIANA							
Monroe-West Monroe	57	304	1,160	7,616	6	−77	−42
Shreveport	956	2,836	5,189	38,584	−53	2	−10
TEXAS							
Abilene	73	390	1,575	6,138	16	−58	−58
Amarillo	432	1,472	4,117	24,845	−8	−1	9
Austin	541	2,322	14,025	95,894	−25	−22	−12
Beaumont	252	1,027	1,860	24,457	−87	−39	90
Brownsville	79	539	845	12,255	−23	−72	−14
Corpus Christi	243	1,259	17,866	31,765	497	240	12
Dallas	1,734	7,162	44,113	156,575	23	34	8
Denison	24	102	163	832	79	−42	−43
El Paso	722	2,608	18,556	90,977	12	−5	23
Fort Worth	410	1,874	7,010	86,218	−79	−15	52
Galveston	42	287	21,755	27,281	2,076	1,530	377
Houston	2,645	10,478	86,313	320,046	34	45	−4
Laredo	64	185	1,446	2,426	712	−37	−79
Lubbock	212	825	7,516	63,073	−17	14	61
Midland	75	371	1,166	16,788	−15	−33	123
Odessa	127	526	880	9,361	−20	−29	43
Port Arthur	101	373	239	1,121	31	−87	−70
San Angelo	63	347	812	4,634	−14	−19	−3
San Antonio	1,922	7,900	13,141	97,818	−40	−31	−4
Sherman	18	149	1,458	3,273	105	101	4
Texarkana	74	357	709	2,876	14	127	50
Waco	278	1,073	2,863	18,278	−23	135	4
Wichita Falls	83	370	1,822	7,158	−37	−51	−32
Total—26 cities	11,824	47,739	$266,311	$1,191,222	4%	19%	2%

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	May 1974	Apr. 1974	May 1973r	Percent change from Apr. 1974	Percent change from May 1973
FOUR SOUTHWESTERN STATES	6,420.9	6,475.7	6,679.5	−0.9%	−3.9%
Louisiana	2,036.3	2,081.5	2,313.5	−2.2	−12.0
New Mexico	271.1	263.0	279.5	3.1	−3.0
Oklahoma	516.3	520.1	528.2	−.7	−2.3
Texas	3,597.2	3,611.1	3,558.3	−.4	1.1
Gulf Coast	706.7	708.9	701.9	−.3	.7
West Texas	1,885.8	1,893.1	1,820.7	−.4	3.6
East Texas (proper)	237.7	238.3	208.5	−.3	14.0
Panhandle	58.0	58.9	62.8	−1.5	−7.6
Rest of state	709.0	711.9	764.4	−.4	−7.3
UNITED STATES	8,980.5	9,040.4	9,303.4	−.7%	−3.5%

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

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	May 1974p	Apr. 1974	Mar. 1974	May 1973
TEXAS				
Total industrial production	140.6	139.3	138.1r	135.9
Manufacturing	145.5	143.6	143.3r	140.6
Durable	160.4	158.7	159.0	156.1
Nondurable	134.7	132.7	132.0r	129.3
Mining	121.6	121.2	117.7r	118.7
Utilities	167.7	169.4	166.8r	158.1
UNITED STATES				
Total industrial production	125.4	124.9	124.5r	124.9r
Manufacturing	125.7	124.8	124.5r	124.9
Durable	121.9	120.5	120.2r	121.9r
Nondurable	131.1	131.0	130.9r	129.2r
Mining	111.6	111.7	112.5r	109.1r
Utilities	145.6	146.0	146.3r	149.5

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

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States[1]

(Seasonally adjusted)

Item	Thousands of persons May 1974p	Apr. 1974	May 1973r	Percent change May 1974 from Apr. 1974	Percent change May 1974 from May 1973
Civilian labor force	8,920.7	8,888.8	8,689.9	0.4%	2.7%
Total employment	8,496.7	8,471.6	8,303.6	.3	2.3
Total unemployment	424.0	417.2	386.3	1.6	9.8
Unemployment rate	4.8%	4.7%	4.5%	[2].1	[2].3
Total nonagricultural wage and salary employment	7,436.8	7,434.8	7,166.7	.0	3.8
Manufacturing	1,295.1	1,296.4	1,255.5	−.1	3.2
Durable	723.2	724.5	699.0	−.2	3.5
Nondurable	571.8	571.9	556.4	.0	2.8
Nonmanufacturing	6,141.8	6,138.4	5,911.2	.1	3.9
Mining	245.3	244.4	235.6	.4	4.1
Construction	500.4	511.8	484.7	−2.2	3.2
Transportation and public utilities	506.0	506.8	488.7	−.2	3.5
Trade	1,782.5	1,775.8	1,719.0	.4	3.7
Finance	409.5	409.0	390.0	.1	5.0
Service	1,231.4	1,227.8	1,181.3	.3	4.2
Government	1,466.7	1,462.9	1,411.8	.3%	3.9%

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas
2. Actual change
p—Preliminary
r—Revised
NOTE: Details may not add to totals because of rounding.
SOURCES: State employment agencies
Federal Reserve Bank of Dallas (seasonal adjustment)

TOTAL OIL WELLS DRILLED

Area	First quarter 1974	Fourth quarter 1973	Percent change, first quarter 1974 from Fourth quarter 1973	Percent change, first quarter 1974 from First quarter 1973
FOUR SOUTHWESTERN STATES	1,498	1,507	−0.6%	6.8%
Louisiana	185	217	−14.7	−23.9
Offshore	58	71	−18.3	−38.9
Onshore	127	146	−13.0	−14.2
New Mexico	64	68	−5.9	−30.4
Oklahoma	211	261	−19.2	7.7
Texas	1,038	961	8.0	19.0
Offshore	1	0	—	—
Onshore	1,037	961	7.9	19.2
UNITED STATES	2,590	2,701	−4.1%	4.7%

SOURCE: American Petroleum Institute

major farm commodities declined sharply from mid-April to mid-May, causing the index of prices received by Texas farmers and ranchers to drop 5 percent. As a result, average prices were only 8 percent higher than a year earlier. But while farmers and ranchers received lower prices for their products, the prices they paid advanced slightly to a level 15 percent higher than a year before.

The drop in farm prices substantially slowed the growth in cash receipts from farm and ranch marketings in District states. Nevertheless, crop and livestock receipts in the first four months of the year totaled $3.6 billion, compared with $2.7 billion for the same period in 1973.