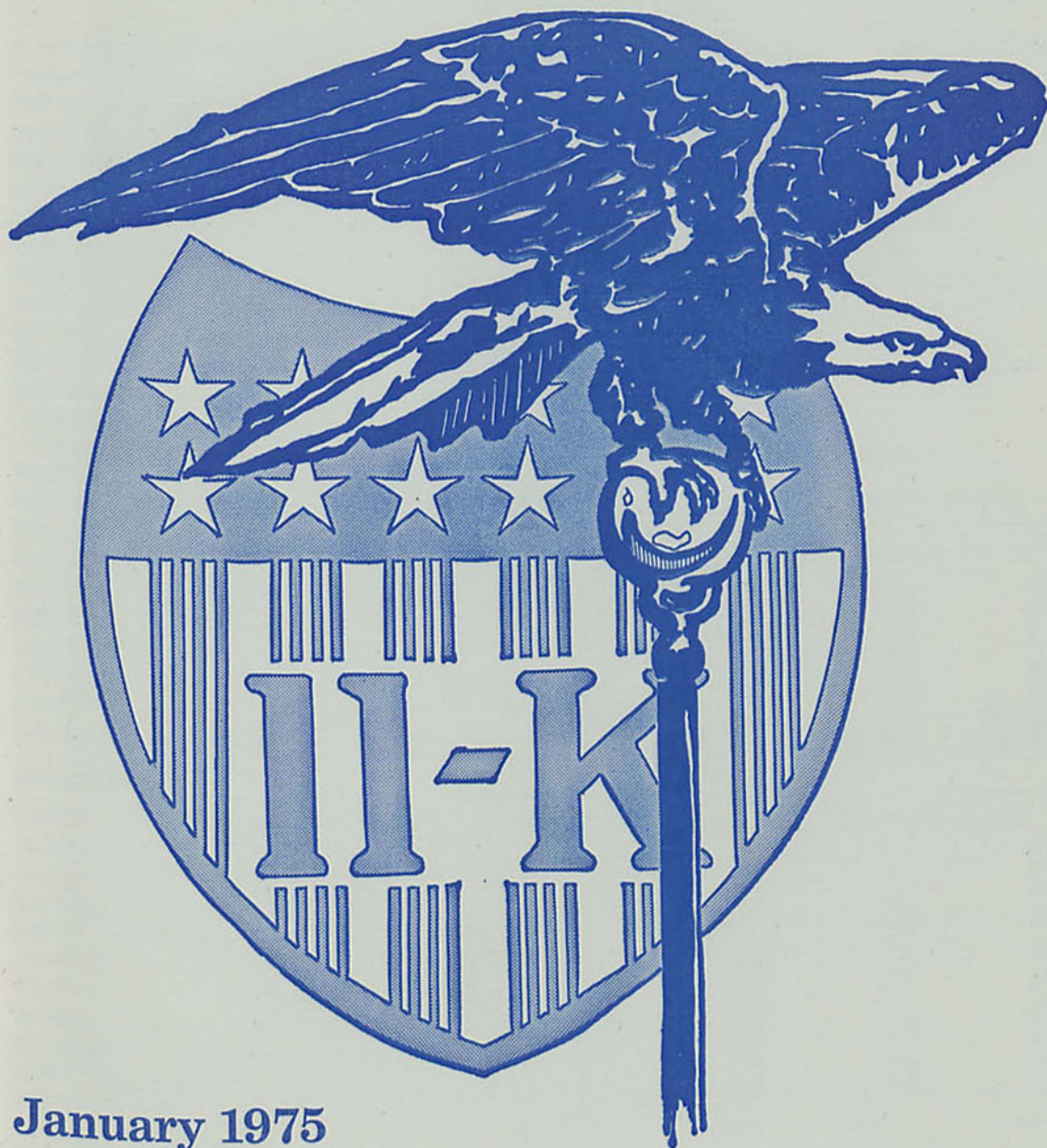


Federal Reserve Bank of Dallas

# Business Review

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**January 1975**

**Federal Funds—**

**Market Expansion Aids Mobilization of Funds**

**Labor Market—**

**Unemployment Rate Gives Only Part of the Picture**



# Market Expansion Aids Mobilization of Funds

A basic function of commercial banks is the mobilization of financial resources in support of economic activity. Banks attract short-term funds from businesses, consumers, and government, reemploying the funds mainly for short-term use through the loans and investments they make. When credit conditions tighten and interest rates rise, the volume of funds grows slowly and banks intensify their efforts to mobilize the existing supply.

In recent years, the Federal funds market has become increasingly important in this mobilization process. From a volume of less than \$17 billion at the end of 1970, purchases of Federal funds by commercial banks had more than tripled by the end of 1973, reaching over \$50 billion. This was faster than the increase in any other major category of bank liability.

## Early development

The Federal funds market emerged in New York in 1921 in response to the regulatory framework of the developing Federal Reserve System. The Federal Reserve Act had established reserve requirements for members of the System and specified member banks would maintain account balances at Federal Reserve banks to meet these requirements, at least partially.

It was only a matter of time before large banks began lending (selling) funds to each other with checks drawn on their balances at

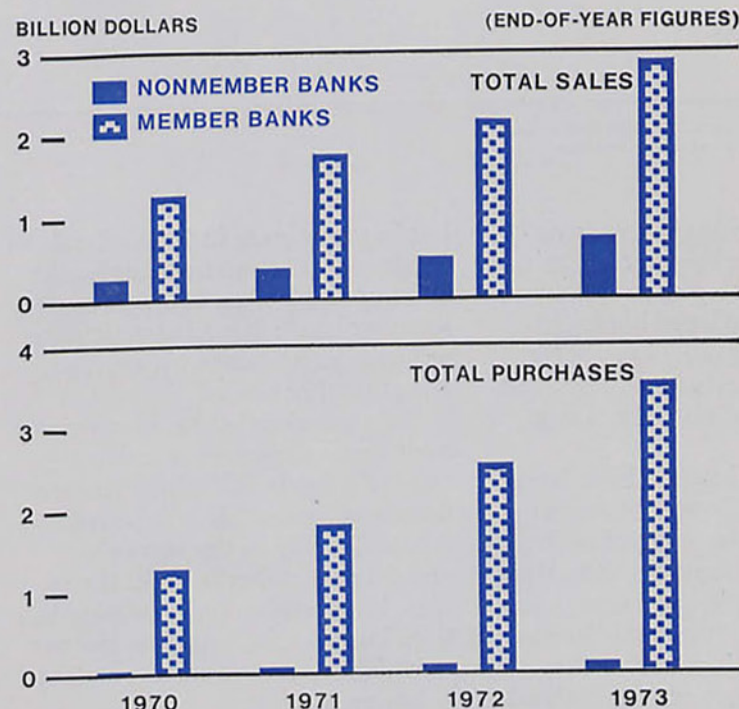
Federal Reserve banks.<sup>1</sup> Member banks that had accumulated funds in excess of their required reserves simply wrote checks to banks needing funds to meet temporary deficiencies in their reserve positions.

The nature of the market remained essentially unchanged for many years, with transactions serving principally for short-term

adjustments in the reserve positions of large banks. Since the early 1950's, however, the market has changed considerably.

Participation has spread across the country to include a large proportion of even very small banks. In addition, some large companies not engaged in commercial banking now participate in the market.

Federal Funds Transactions  
By Eleventh District Commercial Banks



SOURCES: Federal Deposit Insurance Corporation  
Federal Reserve Bank of Dallas

1. Although a sale of Federal funds is clearly in the nature of a loan, "purchase" and "sell" are often used in place of "borrow" and "lend." This usage stems partly from the practice in the early days of the market for the borrowing bank to pay for funds at the time of the borrowing with a check that would be sent to a clearinghouse and paid to the lender the next day. This arrangement for immediate payment gave the transaction the character of a purchase and sale. In 1963, this terminology was given formal recognition in a controversial ruling by the Comptroller of the Currency that declared a Federal funds transaction does not create an obligation subject to bank borrowing and lending limits but should be considered a purchase and sale of funds.



## COMMERCIAL BANKS IN THE FEDERAL FUNDS MARKET

Eleventh Federal Reserve District

(End-of-year figures)

Bank deposit size (Million dollars)	Total number of District banks		Percent of banks			
	1970	1973	Selling Federal funds		Buying Federal funds	
			1970	1973	1970	1973
<b>Member banks</b>						
\$500 or more . . .	6	9	83.3%	100.0%	100.0%	100.0%
\$100 to \$499 . . .	33	40	90.9	90.0	90.9	95.0
\$50 to \$99 . . .	28	41	75.0	75.6	53.6	61.0
\$10 to \$49 . . .	241	334	64.7	82.3	7.5	11.7
Less than \$10 . . .	326	218	54.9	80.7	2.5	4.1
All sizes . . .	634	642	61.7	82.1	12.1	18.7
<b>Nonmember banks</b>						
\$500 or more . . .	0	0	—	—	—	—
\$100 to \$499 . . .	1	8	100.0	75.0	.0	75.0
\$50 to \$99 . . .	17	29	70.6	69.0	5.9	20.7
\$10 to \$49 . . .	217	332	51.6	76.5	2.3	10.2
Less than \$10 . . .	464	410	38.6	74.1	1.7	3.9
All sizes . . .	699	779	43.5	75.0	2.0	8.0
<b>All banks</b>						
\$500 or more . . .	6	9	83.3	100.0	100.0	100.0
\$100 to \$499 . . .	34	48	91.2	87.5	88.2	91.7
\$50 to \$99 . . .	45	70	73.3	72.8	35.5	44.3
\$10 to \$49 . . .	458	666	58.5	79.4	5.0	11.0
Less than \$10 . . .	790	628	45.3	76.4	2.0	4.0
All sizes . . .	1,333	1,421	46.7%	78.2%	6.1%	12.8%

SOURCES: Federal Deposit Insurance Corporation  
Federal Reserve Bank of Dallas

Many participants now invest continuously in the market, rather than for just a day or two at a time. And some large banks, instead of buying occasionally for temporary adjustments, buy (borrow) funds continuously to support loans.

Expansion of the Federal funds market in the Eleventh District has been rapid in terms of both the number of banks participating in the market and the average size of transactions. Where at the end of 1970, fewer than half of the banks in the District sold Federal funds, at the end of 1973, almost 80 percent were selling funds. And while the average amount sold was only \$2.2 million at the end of 1970, the average was \$3.3 million by the end of 1973.

Despite gains by nonmembers in recent years, fewer nonmember

banks participate in the Federal funds market than member banks of comparable size. Moreover, nonmember banks that do participate sell smaller amounts, on average, than member banks.

Only member banks, of course, maintain balances of immediately available funds at Federal Reserve banks—balances that can be transferred directly to the account of any other member bank in the nation. Nonmember bank participation, however, is limited to banks at which they have correspondent balances.

### Small-bank participation

The sharp rise in the Federal funds rate in recent years is partly responsible for the rapid growth in sales. Transactions that were not worthwhile at 4 or 5 percent in 1971 and 1972 became profitable

when the rate paid on Federal funds rose sharply higher—to a level as high as 10 percent in 1973.

The higher yields on Federal funds sales were especially important in increasing the participation of small banks. Until recent years, transactions of less than \$1 million were rare. And as long as transactions were large, most small banks were excluded from the market.

The rise in interest rates, however, made smaller transactions profitable, allowing small banks to participate. With more attractive yields and the development of convenient trading arrangements between correspondent banks, transactions of less than \$100,000 became so commonplace that even the smallest banks sell funds.

As a result, the proportion of banks with less than \$10 million in deposits that sell Federal funds



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has increased markedly—rising from 55 percent in 1970 to more than 80 percent in 1973. During that time, the proportion of participating banks with \$10 million to \$50 million in deposits increased from 65 percent to 82 percent.

Once participation became feasible, small banks became an important source of funds in the market. Since loans and deposits of small banks, particularly in agricultural areas, are subject to strong seasonal pressures, small banks hold a large part of their assets in readily marketable form.

As small transactions in Federal funds became feasible, small banks were able to substitute Federal funds sales for some of the other assets they had been holding as secondary reserves. By the end of 1973, banks with less than \$50 million in deposits held only 27 percent of their assets in cash, deposits at other banks, and Government and agency securities, compared with 32 percent at the end of 1970.

#### **Large-bank domination**

Large banks still dominate the Federal funds market in the Elev-

enth District. And their influence is growing, despite increased participation by small banks.

At the end of 1970, six banks in the District held deposits of more than \$500 million. Together, they accounted for about 37 percent of the Federal funds sold in the District and more than 75 percent of the funds purchased.

By the end of 1973, there were nine banks that size. But even though these banks held only a fourth of the total deposits in the District, they accounted for almost two-thirds of the Federal funds

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### **Defining Federal funds**

Originally, the term "Federal funds" applied only to Federal Reserve funds—deposits that member banks maintain at Federal Reserve banks. Checks written against these deposits are universally accepted by member banks as immediate and final payment. Because of this acceptance, the recipient of a check drawn on a Federal Reserve bank can present the check at a commercial bank and immediately obtain funds. A check drawn on a commercial bank, on the other hand, cannot be presented for immediate payment in most cases.

In recent years, however, a market has developed for "immediately available funds" that are not member bank deposits at Federal Reserve banks but are, nevertheless, immediately available and trade at, or close to, the Federal funds rate. A nonmember bank, for example, may lend money directly to a correspondent bank with which it has an account, and these funds are immediately available to the borrowing bank from the lender's correspondent account. An individual or corporation may also lend immediately available funds to a bank where it has funds on deposit by purchasing short-term U.S. Government or agency securities under a repurchase agreement. In both cases, the money is immediately available

to the borrower since it is already on deposit at the borrowing bank.

Still, there is an important difference between Federal funds as originally defined and other immediately available funds. A check drawn on a Federal Reserve bank will be accepted and paid immediately at almost any bank in the United States. In the case of "immediately available funds," however, the money is immediately available to the borrowing bank only if it is already on deposit in the lender's account at the borrowing bank. If the lender's account is at another bank, the borrowing bank has to await collection of the funds, in which case they are not immediately available.

Nevertheless, immediately available funds and member bank balances at Federal Reserve banks are increasingly referred to by market participants under the common term of "Federal funds." In fact, instructions for filling out the Report of Condition by both national banks and state banks that are members of the Federal Reserve System direct these banks to include as Federal funds all transactions involving the disposition of immediately available funds. In this article, references to Federal funds include those "immediately available funds" unless otherwise indicated.



## SALES OF FEDERAL FUNDS BY COMMERCIAL BANKS

Eleventh Federal Reserve District

(End-of-year figures. Million dollars)

Bank deposit size (Million dollars)	Total sales				Average sales			
	1970	1971	1972	1973	1970	1971	1972	1973
<b>Member banks</b>								
\$500 or more . . . . .	\$551	\$966	\$1,050	\$1,366	\$110.1	\$120.7	\$131.3	\$151.8
\$100 to \$499 . . . . .	325	331	476	699	10.8	10.6	15.3	19.4
\$50 to \$99 . . . . .	65	93	143	183	3.1	4.0	4.3	5.9
\$10 to \$49 . . . . .	214	260	368	513	1.4	1.4	1.6	1.9
Less than \$10 . . . . .	98	92	104	141	.5	.6	.6	.8
All sizes . . . . .	1,252	1,742	2,141	2,902	3.2	4.2	4.4	5.5
<b>Nonmember banks</b>								
\$500 or more . . . . .	0	0	0	0	—	—	—	—
\$100 to \$499 . . . . .	5	32	42	86	5.0	10.5	7.0	14.4
\$50 to \$99 . . . . .	43	47	60	104	3.6	4.2	3.8	5.2
\$10 to \$49 . . . . .	134	209	255	406	1.2	1.3	1.4	1.6
Less than \$10 . . . . .	70	100	129	191	.4	.5	.5	.6
All sizes . . . . .	251	388	486	786	.8	1.0	1.1	1.3
<b>All banks</b>								
\$500 or more . . . . .	551	966	1,050	1,366	110.1	120.7	131.3	151.8
\$100 to \$499 . . . . .	330	362	518	785	10.6	10.7	13.9	18.7
\$50 to \$99 . . . . .	108	140	203	287	3.3	4.1	4.1	5.6
\$10 to \$49 . . . . .	347	469	623	919	1.3	1.4	1.5	1.7
Less than \$10 . . . . .	168	193	233	332	.5	.5	.5	.7
All sizes . . . . .	\$1,503	\$2,130	\$2,627	\$3,689	\$2.2	\$2.7	\$2.8	\$3.3

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

SOURCES: Federal Deposit Insurance Corporation  
Federal Reserve Bank of Dallas

sales and four-fifths of the purchases in the District.

### Participation by others

In late 1969 and early 1970, a growing number of banks began making participation in the Federal funds market available to business corporations. To limit this practice, the Board of Governors of the Federal Reserve System expanded the definition of deposits to include most short-term borrowings by member banks.

To ascertain dollar amounts of reserve requirements and administer the ceilings on rates banks could pay on specified types of liabilities, the Board redefined deposits in 1970 to include "a member bank's liability on any promissory note, acknowledgment of advance, due bill, or similar obligation (written or oral) that is issued or undertaken by a member

bank principally as a means of obtaining funds to be used in its banking business."

This amendment to Federal Reserve regulations would have effectively ended the Federal funds market by subjecting all short-term borrowing to reserve requirements and interest rate ceilings. But important exceptions to this reclassification allowed wide participation in the market to continue.

One exception kept the market open for borrowing and lending between "banks"—broadly defined to include not only commercial banks (member and nonmember) but also savings banks, savings and loan associations, cooperative banks, foreign banks, and certain bank subsidiaries.

Another exception allowed banks to borrow through the use of repurchase agreements involving "direct obligations of, or obliga-

tions that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase." This exclusion of repurchase agreements on Government and agency securities kept the Federal funds market available to nonbank investors.

While sources other than commercial banks probably supply only a small part of the Federal funds sold to banks in the Eleventh District, participation by nonbank investors is more extensive in major financial centers. This is especially true in New York, where many large corporations with the resources and expertise needed to participate in the market maintain their national offices and do most of their banking.

At the end of 1973, commercial banks in the United States reported net borrowing of almost \$16



## PURCHASES OF FEDERAL FUNDS BY COMMERCIAL BANKS

Eleventh Federal Reserve District

(End-of-year figures. Million dollars)

Bank deposit size (Million dollars)	Total purchases				Average purchases			
	1970	1971	1972	1973	1970	1971	1972	1973
<b>Member banks</b>								
\$500 or more . . . .	\$989	\$1,453	\$2,001	\$2,778	\$164.8	\$181.6	\$250.0	\$308.7
\$100 to \$499 . . . .	276	316	433	581	9.2	9.6	12.7	15.3
\$50 to \$99 . . . . .	19	25	46	52	1.2	1.6	2.4	2.1
\$10 to \$49 . . . . .	12	13	31	35	.7	.5	1.0	.9
Less than \$10 . . . .	2	1	1	2	.3	.2	.3	.2
All sizes . . . . .	1,298	1,808	2,512	3,449	16.9	20.8	25.9	28.7
<b>Nonmember banks</b>								
\$500 or more . . . .	0	0	0	0	—	—	—	—
\$100 to \$499 . . . .	0	5	8	33	—	2.7	2.8	5.5
\$50 to \$99 . . . . .	6	4	13	23	6.4	1.1	3.3	3.9
\$10 to \$49 . . . . .	2	17	13	25	.5	.8	.6	.7
Less than \$10 . . . .	3	2	5	5	.4	.2	.4	.3
All sizes . . . . .	12	28	40	86	.9	.8	1.0	1.4
<b>All banks</b>								
\$500 or more . . . .	989	1,453	2,001	2,778	164.8	181.6	250.1	308.7
\$100 to \$499 . . . .	276	321	442	614	9.2	9.2	11.9	13.9
\$50 to \$99 . . . . .	25	29	59	75	1.6	1.5	2.5	2.4
\$10 to \$49 . . . . .	14	29	44	60	.6	.7	.8	.8
Less than \$10 . . . .	6	3	6	7	.4	.2	.4	.3
All sizes . . . . .	\$1,310	\$1,836	\$2,551	\$3,535	\$14.4	\$14.9	\$18.6	\$19.4

NOTE: Details may not add to totals because of rounding.  
SOURCES: Federal Deposit Insurance Corporation  
Federal Reserve Bank of Dallas

billion through Federal funds purchases and sales of securities under repurchase agreements. Thus, almost a third of the total Federal funds volume of \$51.2 billion originated at sources other than commercial banks.

### Redistribution of reserves

The Federal funds market facilitates the distribution of reserves among banks, contributing to the efficient allocation of bank credit. This mobilization of reserves is particularly important in Texas, which, like other unit-banking states, is characterized by a large number of small banks. Texas has over 1,400 banks. Of these, more than 90 percent have less than \$50 million in deposits and almost half have deposits less than \$10 million.

There are, of course, practical limits to the lending capacity of small banks. But there are also

legal restrictions on the lending of most banks. National banks are not allowed to lend any one borrower an amount that is more than 10 percent of the bank's capital stock plus its unimpaired surplus.

Because of capacity and legal limitations, even large banks in the Eleventh District have indicated they cannot meet all the banking needs of their largest corporate customers. The Federal funds market provides one mechanism for large banks in financial centers across the country to gain access to the resources of a large number of small banks. And as funds sold in the market earn competitive rates of interest, the market, in effect, gives the small banks a share of the income earned from the eventual use to which these funds are put.

Net purchases and sales of participating banks give an indication

of the impact of the market on the final distribution of funds. Net purchases in the Eleventh District are highly concentrated. At the end of 1973, more than 180 banks purchased Federal funds but only half of them purchased more than they sold. And the five largest banks accounted for 87 percent of the net purchases.

Conversely, net sales were widely dispersed. Nearly 1,100 banks in the District were net sellers. Most of them were small. About 1,000 banks with deposits less than \$50 million accounted for two-thirds of the net sales by banks in the District.

### Reduction of excess reserves

In addition to providing an efficient mechanism for the redistribution of reserves, the Federal funds market probably contributes to a reduction in the amount of reserves



**NET SALES AND PURCHASES OF FEDERAL FUNDS  
BY COMMERCIAL BANKS, DECEMBER 31, 1973**

Eleventh Federal Reserve District

Bank deposit size (Million dollars)	Total number of District banks	Net sales		Net purchases	
		Number of banks	Amount (Million dollars)	Number of banks	Amount (Million dollars)
<b>Member banks</b>					
\$500 or more . . . . .	9	4	\$46.2	5	\$1,458.0
\$100 to \$499 . . . . .	40	25	253.4	14	135.8
\$50 to \$99 . . . . .	41	29	144.7	8	13.8
\$10 to \$49 . . . . .	334	271	498.2	19	20.4
Less than \$10 . . . . .	218	175	140.3	6	1.0
All sizes . . . . .	642	504	1,082.9	52	1,629.1
<b>Nonmember banks</b>					
\$500 or more . . . . .	0	0	—	0	—
\$100 to \$499 . . . . .	8	6	53.9	1	.5
\$50 to \$99 . . . . .	29	19	99.9	5	19.3
\$10 to \$49 . . . . .	332	253	399.6	21	18.5
Less than \$10 . . . . .	410	303	189.9	14	4.3
All sizes . . . . .	779	581	743.3	41	42.6
<b>All banks</b>					
\$500 or more . . . . .	9	4	46.2	5	1,458.0
\$100 to \$499 . . . . .	48	31	307.3	15	136.3
\$50 to \$99 . . . . .	70	48	244.6	13	33.1
\$10 to \$49 . . . . .	666	524	897.8	40	38.9
Less than \$10 . . . . .	628	478	330.2	20	5.3
All sizes . . . . .	1,421	1,085	\$1,826.2	93	\$1,671.7

NOTE: Details may not add to totals because of rounding.  
SOURCES: Federal Deposit Insurance Corporation  
Federal Reserve Bank of Dallas

banks want to hold in excess of their reserve requirements. Most Federal funds transactions either have specified one-day maturities or can be canceled on one day's notice. For that reason, the sale of Federal funds is one of the safest and most liquid investments available to a bank.

The sale of Federal funds, therefore, provides an attractive alternative to holding funds in excess reserves. Also, since the market can be used to meet temporary de-

ficiencies in reserve positions, net purchasers can often hold lower excess reserves than they would in the absence of such a market.

As no new reserves are created in the Federal funds market, the impact of the market can be measured by the increased use of existing reserves. One measure is the change in the amount of excess reserves at member banks.

While other influences have contributed to the reduction in excess reserves, the Federal funds market

has also had an impact. Since 1960, excess reserves at member banks have dropped from about \$750 million to about \$200 million. That is a decline from about 4 percent of total reserves in 1960 to less than 1 percent today.

Financial resources are further mobilized by the Federal funds market freeing reserves that would otherwise be held against deposits. When investors other than commercial banks participate in the market, their sales result in a net increase in excess reserves—for the purchasing bank and the banking system as a whole. The amount of the increase depends on the reserve requirements of the purchasing bank.

In summary, then, expansion of the Federal funds market has contributed to a more efficient use of funds in the banking system. High interest rates have made smaller transactions feasible, allowing increased participation of small banks. With this increase in participation and the continued heavy use of the market by large banks, the proportion of assets in the banking system held in excess reserves has been reduced.

—Edward E. Veazey



# Unemployment Rate Gives Only Part of the Picture

Of all the economic factors affecting a household, a sudden loss of employment by the head of the household and the resulting lack of income can be the most serious. Wages and salaries account for about 65 percent of personal income in the United States. For most people, the proportion is closer to 100 percent. Wage and salary incomes, in fact, are so crucial in the American economy that a commitment to orderly labor markets and relatively full employment was made a matter of national policy by the Employment Act of 1946.

One of the most widely used indicators of conditions in labor markets is the unemployment rate—the percentage of the labor force without jobs. To calculate this rate, the Government must, of course, first determine the size of the labor force. Essentially, anyone employed or actively seeking work is counted as a member of the labor force.

While the unemployment rate is indicative of conditions in labor markets, there is a great deal of information it does not convey. It gives no indication, for example, how fast employers are hiring new

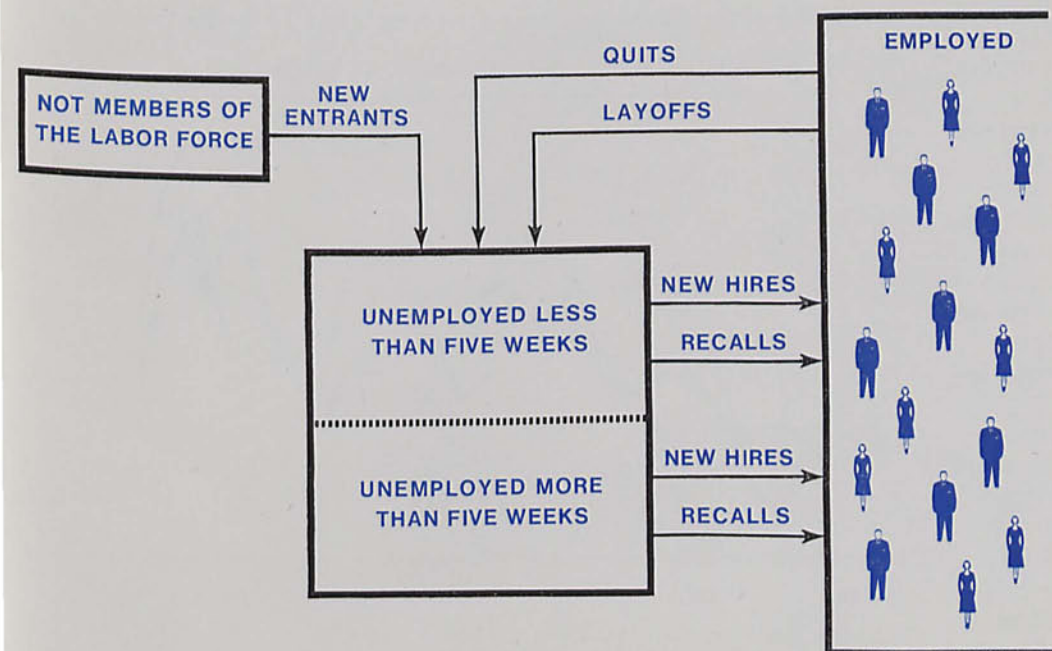
workers. Nor does it tell how many workers are leaving their jobs or whether their separations are voluntary or involuntary.

Answers to these questions are also important for an understanding of conditions in labor markets. Fortunately, there are statistics that provide this information. The usefulness of these data can be highlighted by examining the flow of workers in labor markets.

## Movement in the market

The diagram shows the movement of workers in a simplified labor market. The box in the center rep-

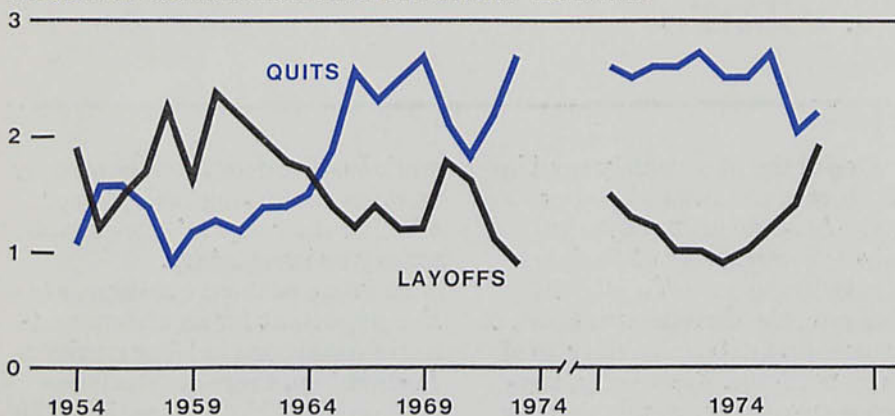
Flow of Workers in the Labor Force





Quits and layoffs generally move inversely . . .

PERCENT OF U.S. MANUFACTURING EMPLOYMENT PER MONTH



SOURCE: U.S. Bureau of Labor Statistics

resents the unemployed—people not working but seeking work. At the right are employed workers. And at the upper left are others, such as students, children, and retired workers, that do not work and do not want to work at the time.

As circumstances change, people that have not been in the labor force begin looking for employment. Students, women interested in careers, and retirees wanting to start a second career are examples of new entrants into the labor force. These new entrants are represented by the arrow into the unemployed box.

Among those working, many will leave their jobs for one reason or another and look for new employment. And some employers will lay off workers. Movement of these workers is shown by the arrows labeled “quits” and “layoffs.”

Even as some employers are reducing their work force, others will be expanding production, hiring new employees. Still others, pulling out of a sales slump, will be recalling workers previously laid off. Movement of these workers is shown by the arrows labeled “new hires” and “recalls.”

The flow of workers between jobs is very large in the United States. For example, in the manufacturing sector, which employs roughly a fifth of the total labor force in the United States, an average of 4.6 percent of the workers

left their jobs each month in 1973. That means more than half the jobs in manufacturing were vacated during the year.

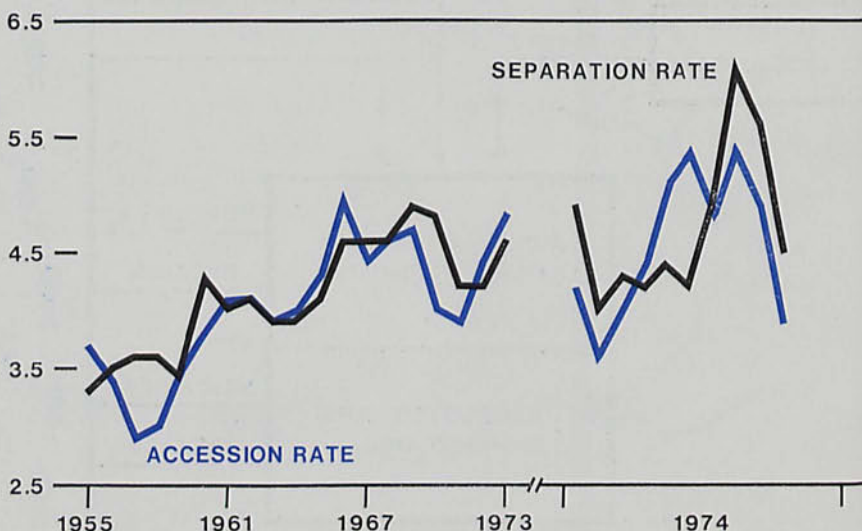
But manufacturers filled new vacancies even faster. Additions were made to their work force at the rate of 4.8 percent a month.

These flows of people in the market are large relative to both the size of the labor force and the number of workers unemployed at any one time. In 1973, the unemployment rate reached its high for the year in February, averaging 5.1 percent. Its low for the year came in October, at 4.6 percent. It stayed within a half-point range, despite turnovers averaging more than 4.5 percent a month.

Even when the unemployment rate reached 6.0 percent in October 1974, manufacturers had been adding workers in the first ten months of the year at the average monthly rate of 4.3 percent of their total work force. But work-

. . . while accessions and separations usually move together

PERCENT OF U.S. MANUFACTURING EMPLOYMENT PER MONTH



SOURCE: U.S. Bureau of Labor Statistics



ers had been leaving jobs in manufacturing at the monthly rate of 4.7 percent.

It appears, then, that labor markets were closely balanced in 1973 and even in 1974. On average, the rate at which employers added workers to their payrolls (the *accession rate*) was almost equal to the rate at which they lost workers (the *separation rate*). The accession rate includes new hires and recalls. The separation rate includes workers that quit and those that are fired, retired, or laid off temporarily.

Unemployment rises and falls as the sum of separations and entrants to the labor force exceeds or falls short of total accessions and exits from the labor force. A change in the unemployment rate gives some idea of the difference between accession and separation rates, but it does not tell how large those rates are.

In the Eleventh District, for example, both the accession and separation rates are higher in Dallas, Fort Worth, Houston, and San Antonio than they are in the nation. But unemployment rates in all four cities are smaller than in the nation, suggesting that unemployment rates do not adequately reflect the size of labor turnover.

#### Accessions and separations

Accession and separation rates in manufacturing have been remarkably close in most years, including booms and recessions. Although the actions of employers are also important, the behavior of workers themselves accounts for much of the near-equality of the two rates.

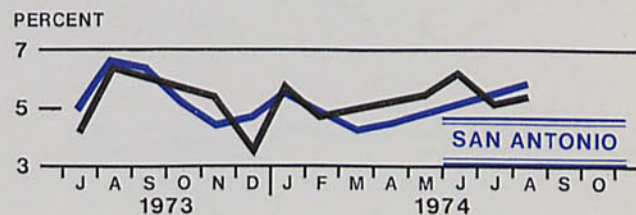
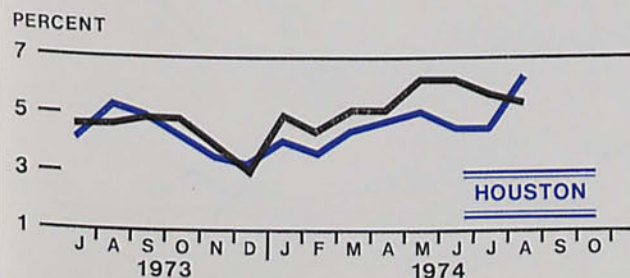
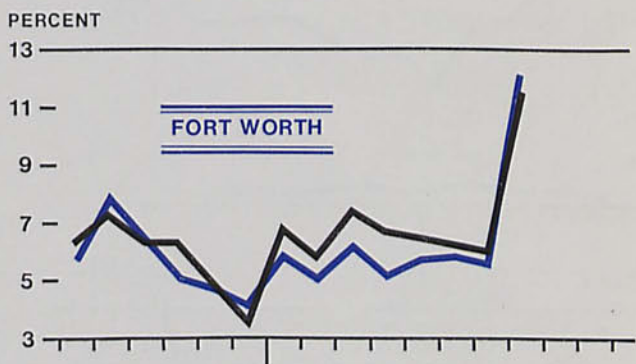
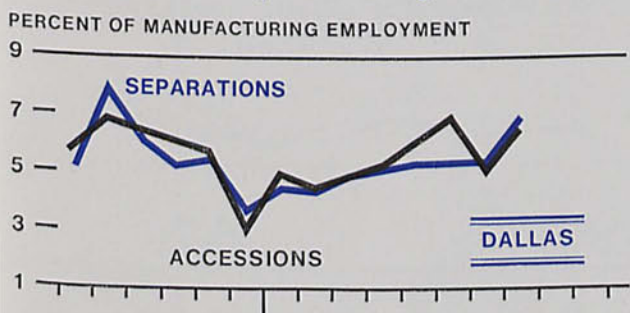
In times of prosperity, employers add new positions and reduce layoffs and workers quit jobs to look for better ones. With a large number of quits, employers have vacancies that must be filled and

new hirings rise. In recessions, the quit rate eases off as workers try to keep their jobs. But as sales and production decline, employers increase layoffs and cut back on hirings. Generally then, quits, new hires, and vacancies move in the opposite direction from layoffs.

The unemployment rate does not show the relative sizes of quit, layoff, and vacancy rates. In 1970, the annual average unemployment rate was 4.9 percent, while the layoff rate was the highest in ten years and the quit rate was close to a ten-year low. In 1973, the average annual unemployment rate was again 4.9 percent. But layoffs were at a 20-year low and quits were at a 20-year high.

A better understanding of conditions in labor markets, therefore, requires knowledge of not only the unemployment rate but also quit, layoff, and vacancy rates. While it is important to know how many

### Accessions and separations higher in the District than in the nation . . .



SOURCE: U.S. Bureau of Labor Statistics



workers are looking for jobs, it is also important to know how many jobs need filling.

Together, unemployment and vacancies would give a clearer view of the labor market. Unfortunately, there is no comprehensive survey program for obtaining vacancy rates, as there is for obtaining unemployment rates. But there may be another means of gauging changes in vacancy rates.

### The composition ratio

In an analysis of workers in the labor market, a distinction could be made between those unemployed for less than five weeks and those unemployed longer. Whether they quit their jobs, are laid off, or are

looking for work for the first time, members of the labor force that are unemployed engage in some sort of search for work, such as answering help-wanted ads or registering with an employment agency.

If there are many vacancies, they stand a good chance of finding work before they have been unemployed five weeks. If there are few vacancies, their chances are poorer. As time passes, workers that have not been able to find work pile up in the ranks of those unemployed more than five weeks.

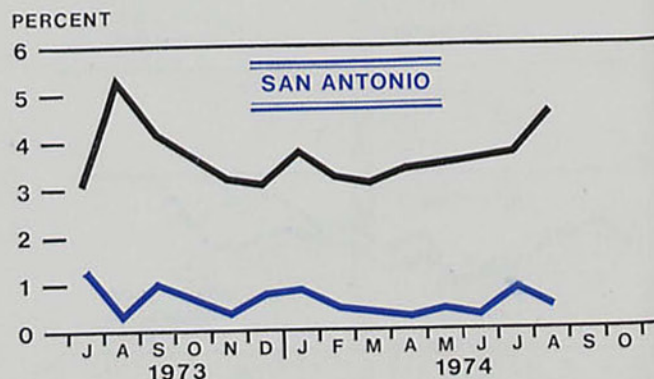
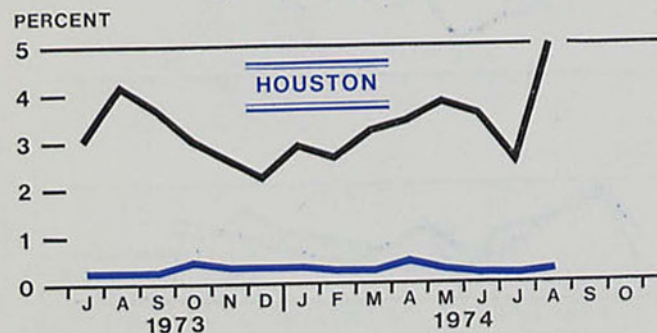
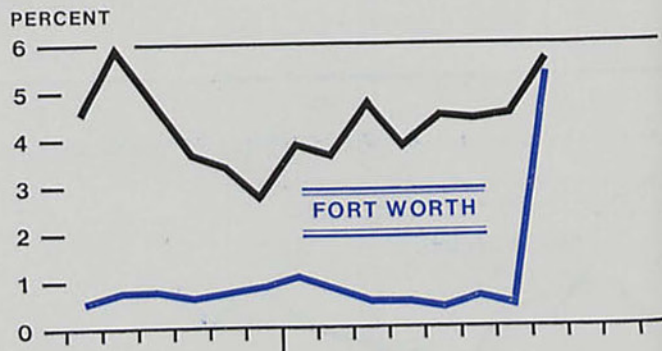
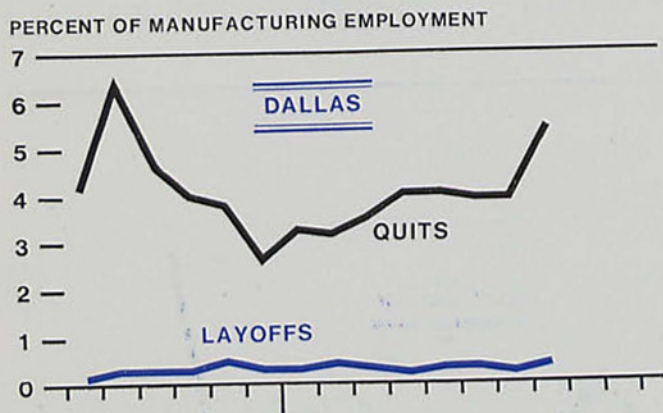
Therefore, as vacancy rates rise, the proportion of the unemployed that are out of work for less than five weeks rises. As vacancy rates decline, the proportion falls.

The proportion of unemployed workers that have been without jobs less than five weeks can be called the *composition ratio*. This ratio usually rises when labor markets tighten during booms and falls when markets are easing during recessions.

This relationship can be illustrated by comparing 1958, a recession year, with 1968, a year of prosperity. By mid-1958, slack in labor markets had reduced the composition ratio to less than 36 percent. But by mid-1968, when tight labor markets kept the vacancy rate high, the ratio rose to more than 57 percent.

Although the composition ratio is tied to conditions in the labor

... while high quits and low layoffs indicate tight labor markets



NOTE: Dramatic increase in August reflects special layoffs in auto manufacturing.  
SOURCE: U.S. Bureau of Labor Statistics



**COMPOSITION RATIO  
AND UNEMPLOYMENT RATE**

Month	Compo- sition ratio	Unemploy- ment rate
<b>1973</b>		
November . . . .	0.53%	4.7%
December . . . .	.53	4.8
<b>1974</b>		
January . . . . .	.52	5.2
February . . . . .	.51	5.2
March . . . . .	.53	5.1
April . . . . .	.50	5.0
May . . . . .	.53	5.2
June . . . . .	.50	5.2
July . . . . .	.52	5.3
August . . . . .	.51	5.4
September . . . .	.49	5.8
October . . . . .	.49	6.0
November . . . .	.49	6.5

SOURCE: U.S. Bureau of Labor Statistics

market, it can move independently of the unemployment rate. In May 1948, for example, the composition ratio was 54 percent. In July 1964, it was only 41 percent. But both months, the unemployment rate was 4.9 percent.

Since changing conditions in labor markets usually affect the duration of unemployment before they affect the proportion of workers unemployed, the composition ratio typically reflects changes in labor markets before they are reflected in the unemployment rate. These two indicators occasionally even give conflicting signals.

**A recent example**

In late 1973, for example, the sudden scarcity of petroleum brought on by the Arab oil embargo caused many people to expect a sharp increase in unemployment. Although unemployment rose as expected, the rise was not of the magnitude many feared.

According to the composition ratio, vacancies were running at a high rate in the first half of 1974. A high vacancy rate was also suggested by the high quit rate and low layoff rate. For the first seven months of the year, quit rates were near their peaks and layoff

rates were near their lows of the past 20 years. Only since August 1974 have quit rates fallen and layoff rates increased.

As indicated by the composition ratio and data on quits and layoffs, the period during and immediately following the Arab oil embargo was characterized by fairly tight labor markets—in spite of an increase in the unemployment rate.

This period provides an excellent example of circumstances under which more complete information on labor markets is necessary. The unemployment rate alone was not enough. With attention also given to quits, layoffs, and the composition ratio, a better understanding of the labor markets was possible.

—Brian P. Sullivan

**New member bank**

Citizens National Bank of Temple, Temple, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business November 25, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of \$450,000, surplus of \$450,000, and undivided profits of \$100,000. The officers are: James T. Cockrell, President; Bill Spurlin, Senior Vice President; and Bob Bell, Vice President and Cashier.

**New par bank**

Island Bank, South Padre Island, Texas, a newly organized insured nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business December 9, 1974, remitting at par. The officers are: Evan Hurst, President; W. Gerald Norman, Executive Vice President and Acting Executive Officer; Maria P. Gracia, Cashier; and Daisy A. Jackson, Assistant Cashier.





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





# Federal Reserve Bank of Dallas

January 1975

## Statistical Supplement to the Business Review

Total credit at weekly reporting banks in the Eleventh District rose somewhat less than usual in the four weeks ended December 11 as total loans declined contraseasonally. And with substantial deposit inflows, these banks increased their investment portfolios considerably and reduced net purchases of Federal funds sharply.

The decline in total loans reflected moderate lending restraint by area bankers, as well as reduced demand for bank funds. Business loans rose appreciably, but most of the rise was the result of a reclassification of existing loans by some banks. After adjustment for this reclassification, the increase in business loans would have been less than usual for the period. In addition, recent declines in commercial paper rates have prompted some businesses to acquire needed funds in the commercial paper market. Companies have also turned to the bond market more in recent weeks to extend debt maturities.

Weak loan demand and a strong inflow of deposits enabled District bankers to make substantial increases in their investment portfolios. Holdings of Government securities rose markedly, as area banks participated heavily in recent Treasury financings. In addition, banks acquired a substantial volume of tax-exempt municipal issues.

The net increase in total deposits at District banks was concentrated more in time and savings deposits than in demand deposits. States and political subdivisions sharply increased their deposits—mainly large CD's. The increase probably reflects a temporary placement of proceeds from recent bond sales. Individuals and businesses also made

sizable net additions to their deposit accounts.

Industrial output in Texas, which has fluctuated within a narrow range since last spring, rose modestly in November. Led by strength in petroleum-related industries, the seasonally adjusted Texas industrial production index recovered somewhat from a small decline in October.

Crude oil refining increased again in November—the eighth time in nine months—and was 8 percent higher than a year before. In addition, the state's booming oil field supply industry contributed to increases in output of primary metals, fabricated metal products, and non-electrical machinery.

Construction-related industries, on the other hand, remained depressed. Output of lumber and wood products plummeted 17 percent, the fourth consecutive month-to-month drop. Mining showed little change from a month before. Output of utilities was up, however, as a result of gains in the distribution of electricity.

After changing little for several months, the labor market in the five southwestern states softened in November. Seasonally adjusted total employment fell slightly—a result of sizable losses in manufacturing employment, especially in durable goods production.

The loss of manufacturing jobs more than offset small gains in non-manufacturing employment. Except for construction, growth rates in all job categories in nonmanufacturing were slower than in the previous two months.

The decline in employment and a sharp increase in the labor force

produced substantially higher jobless statistics. Total unemployment was 11 percent higher than a month before, and the unemployment rate rose from 4.9 percent in October to 5.4 percent.

Consumers in the Eleventh District continued to cut back their spending in late 1974. Preliminary indications of Christmas buying at department stores pointed to the slowest sales since 1970.

Seasonally adjusted department store sales declined 1.2 percent from mid-November to mid-December, continuing a sluggish trend that began last summer. Sales were 6 percent lower than at midyear. Considering price increases, the drop in unit sales was much greater.

New car sales dropped sharply again in November, although the decline was less than in October. Seasonally adjusted new car registrations in the four largest metropolitan counties of Texas were 13 percent lower than in October and nearly a third less than the depressed level of November 1973.

Farmers in the Eleventh District made rapid progress with harvests in December. Yields of most crops, however, fell short of 1973 levels. Based on December 1 conditions, crop production in the five southwestern states was expected to be 18 percent less than in 1973.

Production of livestock and livestock products in 1974, on the other hand, was moderately higher than in 1973. Large marketings of cows and grass-fed calves more than offset the lower output of pork, lambs, broilers, eggs, turkeys, wool, and mohair.

*(Continued on back page)*



## CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

### Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Dec. 11, 1974	Nov. 13, 1974	Dec. 12, 1973	LIABILITIES	Dec. 11, 1974	Nov. 13, 1974	Dec. 12, 1973
Federal funds sold and securities purchased under agreements to resell	1,790,845	1,595,655	1,711,595	Total deposits	15,656,318	15,228,316	14,052,194
Other loans and discounts, gross	10,477,699	10,492,772	9,762,792	Total demand deposits	7,385,613	7,185,577	7,060,539
Commercial and industrial loans	4,972,398	4,869,380	4,372,303	Individuals, partnerships, and corporations	5,376,591	5,303,302	5,096,292
Agricultural loans, excluding CCC certificates of interest	237,919	246,449	294,984	States and political subdivisions	530,506	476,247	375,534
Loans to brokers and dealers for purchasing or carrying:				U.S. Government	67,859	49,028	59,886
U.S. Government securities	1,234	1,231	473	Banks in the United States	1,237,832	1,177,051	1,339,495
Other securities	33,201	33,972	52,922	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions	1,738	3,384	1,944
U.S. Government securities	3,207	5,269	4,474	Commercial banks	68,669	67,182	59,526
Other securities	423,115	428,346	462,354	Certified and officers' checks, etc.	102,418	109,383	127,862
Loans to nonbank financial institutions:				Total time and savings deposits	8,270,705	8,042,739	6,991,655
Sales finance, personal finance, factors, and other business credit companies	164,397	155,860	147,739	Individuals, partnerships, and corporations:			
Other	610,598	646,692	701,638	Savings deposits	1,160,065	1,143,102	1,142,133
Real estate loans	1,496,195	1,530,691	1,376,059	Other time deposits	4,742,741	4,695,427	3,903,540
Loans to domestic commercial banks	55,806	44,143	33,684	States and political subdivisions	2,175,450	2,052,313	1,795,895
Loans to foreign banks	80,106	72,440	54,736	U.S. Government (including postal savings)	9,919	10,103	19,085
Consumer instalment loans	1,132,801	1,122,429	1,051,967	Banks in the United States	153,177	116,893	105,142
Loans to foreign governments, official institutions, central banks, and international institutions	13	14	52	Foreign:			
Other loans	1,266,709	1,335,856	1,209,407	Governments, official institutions, central banks, and international institutions	18,084	15,338	25,840
Total investments	4,422,255	4,245,455	4,051,088	Commercial banks	11,269	9,563	20
Total U.S. Government securities	995,021	911,930	970,968	Federal funds purchased and securities sold under agreements to repurchase	2,648,604	2,484,850	3,062,050
Treasury bills	149,594	88,282	147,200	Other liabilities for borrowed money	148,034	156,866	158,752
Treasury certificates of indebtedness	0	0	0	Other liabilities	678,571	641,765	565,211
Treasury notes and U.S. Government bonds maturing:				Reserves on loans	190,200	188,786	169,168
Within 1 year	164,592	185,631	142,955	Reserves on securities	21,464	21,448	14,108
1 year to 5 years	477,327	469,677	518,055	Total capital accounts	1,411,032	1,393,452	1,255,906
After 5 years	203,508	168,340	162,758	TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	20,754,223	20,115,483	19,277,389
Obligations of states and political subdivisions:							
Tax warrants and short-term notes and bills	144,728	149,870	148,660				
All other	2,939,385	2,861,733	2,653,191				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans	27,253	20,291	17,277				
All other (including corporate stocks)	315,688	301,631	260,992				
Cash items in process of collection	1,533,609	1,501,484	1,511,334				
Reserves with Federal Reserve Bank	980,701	764,939	737,108				
Currency and coin	132,051	134,804	138,045				
Balances with banks in the United States	424,856	419,100	506,479				
Balances with banks in foreign countries	30,737	27,769	13,901				
Other assets (including investments in subsidiaries not consolidated)	961,470	933,505	845,047				
TOTAL ASSETS	20,754,223	20,115,483	19,277,389				

## DEMAND AND TIME DEPOSITS OF MEMBER BANKS

### Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	DEMAND DEPOSITS			TIME DEPOSITS	
	Total	Adjusted <sup>1</sup>	U.S. Government	Total	Savings
1972: November	12,844	9,321	222	12,009	2,786
1973: 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
June	13,742	10,030	240	15,333	2,979
July	13,809	10,056	212	15,442	2,983
August	13,634	9,988	175	15,509	2,956
September	13,740	9,973	222	15,586	2,952
October	13,687	9,976	149	15,714	2,977
November	13,843	10,148	138	16,016	3,009

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 Dec. 4, 1974	5 weeks ended Nov. 6, 1974	4 weeks ended Dec. 5, 1973
Total reserves held	1,988,353	1,976,880	1,874,271
With Federal Reserve Bank	1,651,976	1,644,676	1,558,273
Currency and coin	336,377	332,204	315,998
Required reserves	1,996,808	1,969,566	1,865,914
Excess reserves	8,455	7,314	8,357
Borrowings	76,089	113,426	53,797
Free reserves	-67,634	-106,112	-45,440

## CONDITION STATISTICS OF ALL MEMBER BANKS

### Eleventh Federal Reserve District

(Million dollars)

Item	Nov. 27, 1974	Oct. 30, 1974	Nov. 28, 1973
ASSETS			
Loans and discounts, gross	21,623	21,337	19,461
U.S. Government obligations	2,079	2,057	2,239
Other securities	6,903	6,946	6,130
Reserves with Federal Reserve Bank	1,638	1,890	1,571
Cash in vault	354	374	377
Balances with banks in the United States	1,350	1,239	1,376
Balances with banks in foreign countries <sup>e</sup>	34	37	16
Cash items in process of collection	2,051	1,803	1,704
Other assets <sup>e</sup>	1,788	1,720	1,608
TOTAL ASSETS <sup>e</sup>	37,820	37,403	34,482
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,660	1,642	1,645
Other demand deposits	12,323	11,926	11,844
Time deposits	16,198	16,009	14,074
Total deposits	30,181	29,577	27,563
Borrowings	3,274	3,514	3,136
Other liabilities <sup>e</sup>	1,736	1,684	1,384
Total capital accounts <sup>e</sup>	2,629	2,628	2,399
TOTAL LIABILITIES AND CAPITAL ACCOUNTS <sup>e</sup>	37,820	37,403	34,482

<sup>e</sup>-Estimated



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

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS <sup>1</sup>				DEMAND DEPOSITS <sup>1</sup>			
	Nov. 1974 (Annual-rate basis)	Percent change		11 months, 1974 from 1973	Nov. 30, 1974	Nov. 1974	Annual rate of turnover	
		Oct. 1974	Nov. 1973				Oct. 1974	Nov. 1973
ARIZONA: Tucson	\$16,957,549	3%	6%	21%	\$347,324	43.4	41.3	46.5
LOUISIANA: Monroe	5,782,384	-2	10	15	121,147	47.1	47.7	43.1
Shreveport	22,685,078	3	22	24	331,450	66.2	59.3	55.8
NEW MEXICO: Roswell <sup>2</sup>	1,441,643	18	7	16	52,478	27.9	23.6	26.3
TEXAS: Abilene	3,925,744	0	-1	10	142,107	27.5	27.0	25.8
Amarillo	11,231,941	8	20	32	226,054	49.2	44.7	50.7
Austin	19,634,593	5	17	30	439,890	46.2	43.3	37.8
Beaumont-Port Arthur-Orange	11,270,776	1	4	26	313,024	35.7	34.7	33.3
Brownsville-Harlingen-San Benito	3,601,219	6	1	12	117,293	30.7	28.7	28.5
Bryan-College Station	1,777,120	6	1	12	59,615	30.2	28.6	30.4
Corpus Christi	10,911,403	-3	12	34	307,318	36.0	37.9	34.3
Corsicana <sup>2</sup>	715,088	0	6	15	39,636	98.2	89.7	78.6
Dallas	305,719,644	9	35	33	3,051,234	47.8	49.7	40.5
Dallas	14,909,068	-5	19	24	310,295	47.7	40.5	41.1
El Paso	43,433,991	16	22	24	901,576	47.7	35.5	28.8
Fort Worth	5,125,994	2	39	35	143,519	36.4	63.4	57.9
Galveston-Texas City	257,040,186	6	33	8	3,886,159	67.0	20.3	21.6
Houston	2,611,361	5	3	26	122,494	21.6	26.3	28.4
Killeen-Temple	1,852,170	4	3	27	64,506	28.2	38.8	42.6
Laredo	8,005,685	-7	-14	27	217,705	36.3	25.2	22.7
Lubbock	4,202,584	6	16	40	159,401	26.7	18.9	19.0
McAllen-Pharr-Edinburg	4,433,848	10	40	40	209,335	21.0	22.5	23.2
Midland	3,101,392	11	27	24	123,271	24.6	31.1	24.6
Odessa	2,788,720	-2	32	31	91,996	33.7	34.0	30.6
San Angelo	30,171,630	-1	8	9	903,942	30.2	31.1	19.1
San Antonio	1,549,003	-15	0	9	88,324	17.8	21.9	22.8
Sherman-Denison	2,224,693	5	8	7	94,215	23.4	25.4	26.9
Texarkana (Texas-Arkansas)	3,580,692	-1	9	14	139,498	25.7	33.2	27.2
Tyler	4,855,943	-7	15	15	156,679	31.0	33.9	24.6
Waco	5,245,570	-10	40	44	175,777	30.1		
Wichita Falls								
Total—30 centers	\$810,786,712	8%	30%	30%	\$13,337,262	60.5	56.7	51.4

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	Dec. 18, 1974	Nov. 20, 1974	Dec. 19, 1973
Total gold certificate reserves	581,470	678,602	658,072
Loans to member banks	46,114	57,711	51,630
Other loans	0	0	0
Federal agency obligations	207,867	193,603	77,710
U.S. Government securities	3,579,781	3,477,141	3,346,149
Total earning assets	3,833,762	3,728,455	3,475,489
Member bank reserve deposits	1,734,297	1,890,415	1,774,638
Federal reserve notes in actual circulation	2,675,776	2,609,971	2,439,627

## VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	Nov. 1974	Oct. 1974	Sept. 1974	January—November	
				1974	1973r
FIVE SOUTHWESTERN STATES <sup>1</sup>	933	901	1,255	11,368	11,023
Residential building	244	329	325	4,039	4,952
Nonresidential building	545	363	561	4,679	3,819
Nonbuilding construction	145	209	370	2,649	2,252
UNITED STATES	6,179	7,227	8,359	85,863	93,415
Residential building	1,931	2,457	2,503	32,484	43,419
Nonresidential building	2,618	2,710	3,320	31,443	29,351
Nonbuilding construction	1,630	2,061	2,536	21,936	20,645

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

VALUATION (Dollar amounts in thousands)

Area	NUMBER		VALUATION		Percent change		
	Nov. 1974	10 mos. 1974	Nov. 1974	10 mos. 1974	Nov. 1974 from		
	Oct. 1974	Nov. 1973	10 months, 1974 from 1973				
ARIZONA: Tucson	298	5,352	\$4,075	\$75,189	-22%	-23%	-48%
LOUISIANA: Monroe	40	701	422	17,195	-51	-37	-31
West Monroe	561	8,074	4,108	93,765	-57	65	26
Shreveport							
TEXAS: Abilene	64	837	1,314	14,909	20	97	-35
Amarillo	318	4,477	3,124	57,722	-41	49	20
Austin	375	5,190	14,014	230,549	30	-38	3
Beaumont	162	1,927	2,394	38,215	60	167	10
Brownsville	117	1,212	779	25,667	-43	-85	-32
Corpus Christi	188	2,567	1,897	53,093	9	-24	2
Dallas	1,099	14,811	11,347	280,552	-28	-61	-7
Denison	18	245	21	1,611	-87	0	-56
El Paso	425	5,699	10,437	157,583	11	80	-3
Fort Worth	319	3,955	7,171	138,033	-62	81	27
Galveston	31	557	853	31,783	10	16	193
Houston	1,502	21,500	44,187	600,761	-28	-13	-6
Laredo	29	382	168	8,280	17	-72	-49
Lubbock	132	1,700	2,799	115,906	-30	-34	65
Midland	76	794	6,528	33,374	963	522	170
Odessa	76	1,081	5,108	21,842	188	520	37
Port Arthur	81	797	223	4,268	-89	-75	-30
San Angelo	53	713	1,644	13,328	156	-2	26
San Antonio	950	21,475	12,128	168,796	39	-17	-22
Sherman	25	313	238	5,933	-83	-99	-72
Texarkana	65	717	235	7,171	-34	7	33
Waco	173	2,262	1,742	34,388	100	-47	-3
Wichita Falls	62	809	528	12,724	-50	-41	-65
Total—26 cities	7,239	108,147	\$137,504	\$2,242,637	-17%	-22%	-4%



## DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	Nov. 1974	Oct. 1974	Nov. 1973r	Percent change from	
				Oct. 1974	Nov. 1973
<b>FOUR SOUTHWESTERN STATES</b>					
Louisiana	6,105.5	6,122.6	6,541.1	-3%	-6.7%
New Mexico	1,936.5	1,940.2	2,219.1	-2	-12.7
Oklahoma	271.7	263.0	276.7	3.3	-1.8
Texas	474.6	479.2	496.2	-1.0	-4.4
Gulf Coast	3,422.7	3,440.2	3,549.1	-5	-3.6
West Texas	674.6	677.6	683.1	-4	-1.2
East Texas (proper)	1,809.5	1,819.8	1,868.9	-6	-3.2
Panhandle	222.5	223.5	204.1	-5	9.0
Rest of state	58.0	58.1	58.9	-2	-1.5
UNITED STATES	658.1	661.2	734.1	-5	-10.4
	8,648.5	8,653.4	9,144.2	-1%	-5.4%

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

## LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States<sup>1</sup>

(Seasonally adjusted)

Item	Thousands of persons			Percent change Nov. 1974 from	
	Nov. 1974p	Oct. 1974	Nov. 1973r	Oct. 1974	Nov. 1973
Civilian labor force	9,101.0	9,058.4	8,757.1	0.5%	3.9%
Total employment	8,606.8	8,611.3	8,381.1	-1	2.7
Total unemployment	494.2	447.0	376.0	10.6	31.4
Unemployment rate	5.4%	4.9%	4.3%	1.5	11.1
<b>Total nonagricultural wage and salary employment</b>					
Manufacturing	7,564.8	7,556.1	7,380.3	.1	2.5
Durable	1,284.6	1,294.4	1,291.5	-.8	-.5
Nondurable	717.6	726.5	729.4	-1.2	-1.6
Nonmanufacturing	567.0	567.9	562.1	-.2	.9
Mining	6,280.2	6,261.7	6,088.8	.3	3.1
Construction	253.8	253.8	239.2	.0	6.1
Transportation and public utilities	501.5	494.3	504.0	1.5	-.5
Trade	513.9	513.5	496.1	.1	3.6
Finance	1,818.0	1,814.8	1,773.7	.2	2.5
Service	422.4	420.2	403.2	.5	4.8
Government	1,268.3	1,266.3	1,230.8	.2	3.1
	1,502.4	1,498.7	1,441.9	.2%	4.2%

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)

## CROP PRODUCTION

(Thousand bushels)

Crop	TEXAS		FIVE SOUTHWESTERN STATES <sup>1</sup>			
	1974, estimated Dec. 1	1973	1972	1974, estimated Dec. 1	1973	1972
Cotton <sup>2</sup>	2,825	4,699	4,277	4,827	6,446	6,140
Corn	69,750	60,800	39,560	81,634	73,118	52,795
Winter wheat	52,800	98,600	44,000	206,145	280,442	150,115
Oats	8,100	26,650	9,720	12,449	34,948	16,149
Barley	1,350	3,510	1,980	12,750	21,825r	19,334
Rye	200	648	630	965	1,981	1,890
Rice <sup>3</sup>	25,258	20,530	22,122	49,978	41,924	42,089
Sorghum grain	289,100	417,000	319,780	336,885	478,164	378,218
Flaxseed	374	80	165	374	80	165
Hay <sup>4</sup>	4,810	5,808	3,899	10,795	12,964	9,734
Peanuts <sup>5</sup>	469,650	471,225	480,455	725,890	743,867	743,566
Irish potatoes <sup>5</sup>	2,863	3,778	3,182	6,251	6,880	6,665
Sweet potatoes <sup>5</sup>	650	855	813	3,975	3,825	4,113
Pecans <sup>5</sup>	38,000	20,000	75,000	56,500	96,500	99,300
Soybeans	6,500	8,500	5,460	52,905	51,800	47,371

r—Revised  
 1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas  
 2. Thousand bales  
 3. Thousand hundredweight  
 4. Thousand tons  
 5. Thousand pounds  
 SOURCE: U.S. Department of Agriculture

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	Nov. 1974p	Oct. 1974	Sept. 1974	Nov. 1973
<b>TEXAS</b>				
Total industrial production	141.6	140.4	140.8r	141.3
Manufacturing	149.2	148.3	148.6r	147.0
Durable	164.4	163.6	164.1	164.2
Nondurable	138.3	137.2	137.4r	134.6
Mining	115.2	115.4	117.3r	121.2
Utilities	171.5	163.1	158.6r	165.4
<b>UNITED STATES</b>				
Total industrial production	122.0	124.9	125.6	127.5
Manufacturing	121.7	124.6	125.4	127.4
Durable	117.7	121.6	122.1r	124.3r
Nondurable	127.5	128.9	130.2r	131.3
Mining	103.9	109.6	109.3r	111.3r
Utilities	150.3	151.8	152.2r	154.6r

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

Livestock conditions were good at the beginning of the winter season, as forage on pastures and ranges was providing good grazing. With favorable grazing conditions and high costs for feed, supplemental feeding was held to a minimum.

The index of prices received by Texas farmers and ranchers in the month ended November 15 declined moderately. A further weakening in the market for meat animals pushed down average prices for livestock and livestock products. And sharp declines in prices for cotton and fruit contributed to lower average crop prices.

Compared with a year before, the index was off 10 percent. The livestock index was down 26 percent, more than offsetting a 5-percent rise in the index of crop prices. Meanwhile, the index of prices farmers and ranchers paid was 17 percent higher than in November 1973, largely because of higher prices for farm vehicles and household items.

Cash receipts from farm and ranch marketings in District states through October 1974 were only fractionally ahead of those in the same period a year before. Receipts from marketings of livestock and

livestock products declined, nearly offsetting increased crop sales.

With growth in total sales trending downward in recent months and with costs of farming and ranching moving up, net farm income in the Southwest in 1974 appeared headed for a dramatic drop from the historic highs in 1973.