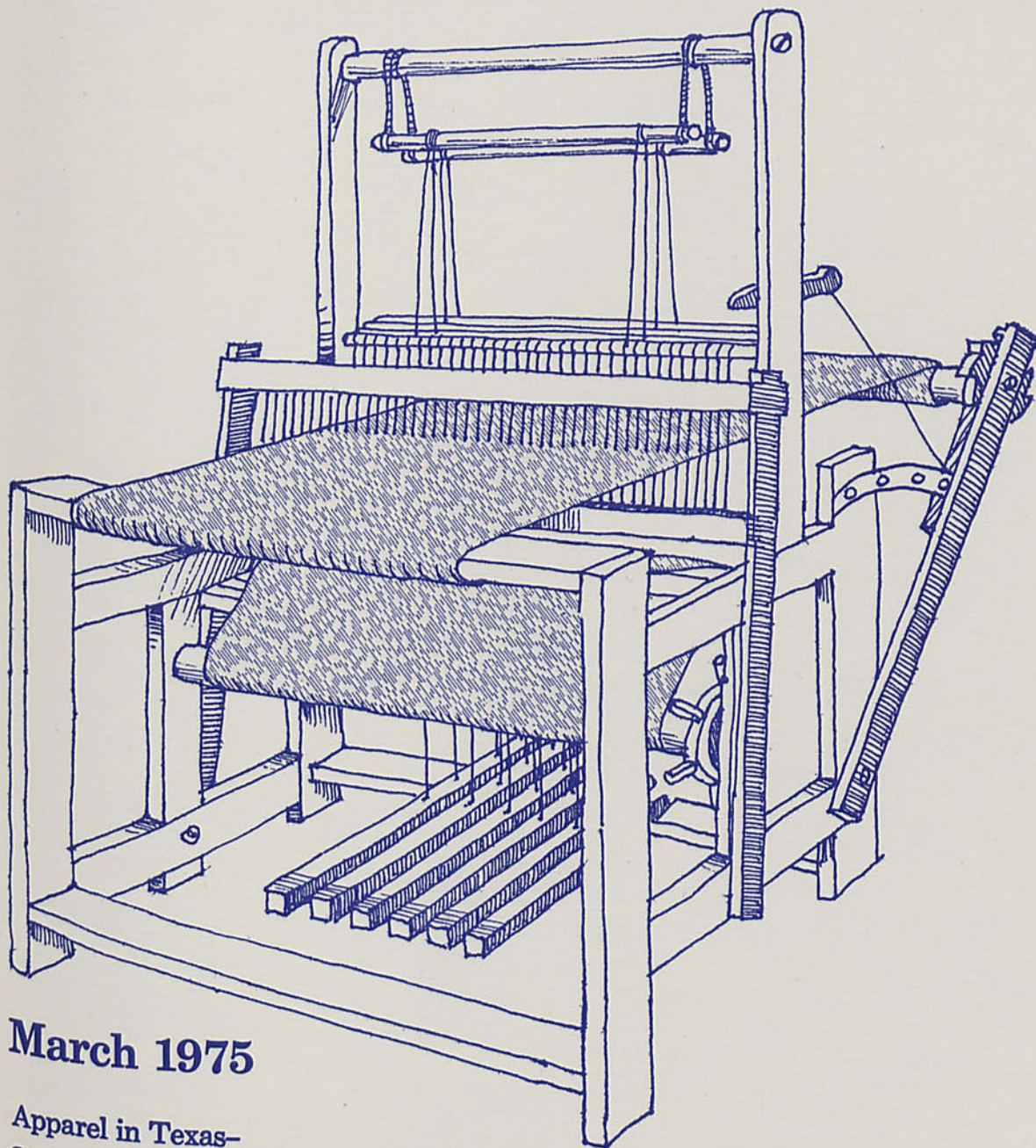


Federal Reserve Bank of Dallas

Business Review



March 1975

**Apparel in Texas—
Growth in Manufacturing Comes with Development of Markets**

**Textiles in Texas—
Basic Changes in Production Spark Opportunities for Growth**

Growth in Manufacturing Comes with Development of Markets

Apparel is Big Business in Texas. In 1973, for example, manufacturers produced apparel valued at close to \$1.5 billion—nearly as much as the state's foreign exports of agricultural commodities.

Most of the industry is made up of comparatively small businesses. Of the nearly 700 apparel plants in Texas, only a few employ any large number of workers. About 40 percent of the plants, in fact, have fewer than 20 employees.

Together, however, they provide nearly one out of ten of the jobs in manufacturing. They also account for 5.4 percent of the state's production of nondurable goods.

That is a significant proportion of the total production in a state where more than half the nondurable manufacturing is at refineries and petrochemical plants. When petroleum-based manufacturing is excluded, apparel accounts for about 14 percent of the nondurable goods produced in Texas.

The rapid growth in apparel production in recent years (there were only about half as many apparel plants in Texas in the late 1940's as there are today) has been the result of two factors. One has been the expansion of Texas markets. Dallas is especially important. It ranks, along with New York and Los Angeles, as one of the nation's leading markets for apparel. The other has been the availability of cheap labor, especially in rural areas.

Growth in apparel . . .

The apparel industry in Texas is widely dispersed, as it has been from the beginning. Emerging

from a cottage industry in the 1920's, factories soon showed some clustering in the largest cities. But many plants are still scattered across the state.

Originally, these locations were linked to markets for the types of goods produced. Most plants made cotton work clothes, mainly for sale locally. Later, with the development of broader markets, locations were tied to the availability of labor.

The first shift away from dependence on local markets came in the 1930's with the introduction of ready-made dresses. Unlike garment makers in many parts of the country, apparel manufacturers in Texas had a product with broad appeal—an inexpensive cotton garment almost anyone could afford.

With the introduction of this single item, Dallas emerged as a major apparel market. And Texas apparel makers, freed of the constraints of local demand for fairly standard items in work clothes, were able to compete over broader areas. As they went into new markets, the competition was based not only on price but also on such things as workmanship, styling, and fabric.

Today, more than half the apparel produced in Texas is clothing for men and boys. Much of this is still work clothes, although growth in sales in recent years has been based primarily on sport clothes and casual wear. Clothing for women and children accounts for more than a third of the output. Some of this is now fairly expensive, but most of it is still aimed at the great middle price range.

In addition to clothing, the industry produces such goods as bed sheets, tarpaulins, curtains, and drapes—which, together, account for close to a tenth of the state's apparel production. Much of this production, in fact, developed along with the clothing industry. Tent and awning manufacturers, for example, were among the first makers of work clothes in Texas.

While cottons, especially denim, are still widely used in the Texas apparel industry, advances in man-made fibers have made polyester double knit a popular fabric in the price ranges common for the products of Texas apparel plants. Polyester and cotton blends are now the main fabrics used in Texas-produced clothing.

. . . based on marketing . . .

Roughly two-thirds of the apparel produced in Texas is now shipped out of state. That is in contrast to only a few years ago, when apparel manufacturers sold mostly within the state.

Much of this change has been brought on by growth of the Dallas apparel market. Although most sales by Texas clothing manufacturers are not made through the Dallas market—many manufacturers preferring direct selling—broad acceptance of Texas-produced goods has been enhanced by the size and prestige of the market.

Until the Dallas Apparel Mart was built in 1964, Dallas showings were still largely regional events. But they quickly began taking on national importance.

The mart has since been expanded twice. And with 1.3 million

square feet and 1,600 showrooms, it is still barely adequate for the 13 major markets that attract buyers from all across the country. Some come from abroad.

Nearly 12,000 buyers attend the women's and children's shows. And roughly 6,000 attend shows for men and boys. Altogether, they represent some 3,000 companies.

Both types of shows are held five times a year. In addition, shoe markets are held spring and fall. Beginning this year, there is also a tennis show.

Most buyers attend to order goods for the next season. Some, however, attend to keep up with changes in fashions—and buying patterns. Because several markets are held before major markets open in New York, some buyers and sellers visit Dallas primarily to watch the buying before they go on to New York.

Many manufacturers, in fact—even those from other parts of the country that do not show their lines in Dallas—alter their lines for the New York market according to buying patterns established in Dallas. While lines that sell well in New York do not necessarily sell well other places, clothing manufacturers know that lines selling well in Dallas have a good chance of selling well other places.

Most of the buyers attending Dallas markets are small merchants, many from within Texas. Even among these buyers, however, some represent fairly large organizations operating several stores.

Representatives of large retail chains operating nationwide place few orders for the goods shown at Dallas markets. They attend primarily to observe fashions and judge the quality of goods. On the basis of these observations, they are inclined to place orders directly with the manufacturers of mer-

chandise that can be sold under a chain's private label.

... and availability of labor

Other than fabric, which is easy to acquire, all that is needed to set up a garment factory is work space, a sewing machine, and someone to do the work. The simplicity of the operation accounts for the long time that apparel was little more than a cottage industry in Texas.

Most apparel makers still conduct their business on small scales. Many, especially in urban areas, can conduct their entire operation in a rented room in an office building. And while some plants employ more than a thousand workers, many operate with small work forces.

The ability of even very small plants to operate profitably accounts for their dispersion all across the state. There are garment plants in half of the state's 254 counties.

The primary reason for this dispersion is the kind and amount of labor going into apparel manufacturing. Apparel is a labor-intensive industry in which nine out of ten workers are women. And much of the industry's growth in Texas can be traced to the availability of dependable labor that can be hired comparatively cheap.

Although wages paid in the apparel industry are usually above the minimum wage, the pay is seldom competitive with wage rates in other manufacturing. As a result, garment workers are inclined to leave the industry when better-paying jobs open up.

This is particularly true in large cities, where there is more opportunity for employment. For that reason, many apparel plants are in rural areas where the manufacturer can obtain a secure work force by offering job opportunities that are not otherwise available.

There is one limitation to rural locations, however, that helps further explain the dispersion of clothing factories in Texas. Because a plant can quickly saturate the local labor force, its success often fades when another plant moves in to compete for the same workers. For that reason, manufacturers pick locations where the pay they can offer is not subjected to competitive pressures.

Outlook for the industry

Apparel is in a recession, nationwide. But being a cyclical industry, it can be expected to recover.

While growth of the industry in Texas so far has been the result primarily of the development of markets, further growth will depend on the availability of labor. And while labor markets in Texas have tended to be tight for several years, there are still many localities—especially in parts of East Texas and along the Mexican border—where manufacturers can build work forces.

Given the ready access to markets in Texas, therefore, and prospects for the continued availability of labor, the outlook is for still more growth in apparel.

—Edward L. McClelland

Basic Changes in Production Spark Opportunities for Growth

Although apparel is a major industry in Texas, textiles are not—despite the state's leadership in growing natural fibers.

Texas usually produces about a third of the nation's cotton, a fifth of its wool, and 97 percent of its mohair. Little of this, however, has been spun or woven within the state.

Well over 80 percent of the roughly 3 million bales of cotton Texas produces most years is shipped out of state, with about half the crop going overseas. Only about a tenth of the 30 million pounds of wool is processed in Texas, and only 3 percent of the 10 million pounds of mohair.

There could be some changes in the situation, however. While there is little prospect for any immediate increase in the amount of wool processed in Texas, mohair producers have started exploring possibilities for making more use of their clips within the state. And with the introduction of new milling equipment, Texas suddenly has competitive advantages over other areas in the processing of cotton—which, itself, has become more competitive with man-made fibers.

Open-end spinning machines can produce cotton yarn three or four times faster than the old ring spinners that have been used to the near exclusion of all other equipment for more than 50 years. Also, high-speed shuttleless looms are replacing the shuttle operations that have always been the source of fabric. Where much of the cotton crop has been either too short (less than an inch) or too fine for making quality yarn

with ring spindles, the new open-end equipment can make use of nearly all the lint.

The greater efficiency of this new equipment changes the character of the textile industry itself. As the industry becomes more capital-intensive, factors other than labor costs become important in the selection of plant locations, opening the way for Texans to make more use of the fibers they produce.

Location and labor costs

Until now, labor costs have been a primary determinant in the location of textile mills. New England was the cradle of the textile industry in this country. But rising labor costs eventually forced the migration of mills out of the Northeast over a period of some 30 years.

Attracted mainly by lower wage rates, mills moved south. By the 1950's, most of the nation's textile production was concentrated in four southeastern states. Although 39 states produce textiles (Texas ranking 15th in number of plants), nine out of ten spindles are in North and South Carolina, Georgia, and Alabama. These four states produce more than two-thirds of the cotton fabric woven in the United States.

But the introduction of equipment that makes the industry less labor-intensive offers new opportunities for growth. And after years of stagnation, the industry is finding opportunity in new areas.

One new plant in Texas, for example, uses only eight employees a shift. With older machines, seven

times that many workers would be needed to turn out the same volume of goods.

Easing of other factors

Although forced out of New England by rising labor costs, the textile industry was drawn south only partly by the lower wages paid there. Also important to this migration was the availability of inexpensive electric power. The move, in fact, coincided generally with the TVA's electrification of the rural Southeast.

Since then, demand for electricity in the South has far out-reached the once abundant supplies of hydroelectric power. For many years now, electricity in the TVA system has been generated primarily by steam. As a result, recent jumps in coal prices have impacted severely on the cost of operating textile plants in the Southeast, giving Texas another locational advantage.

Energy costs are also rising in Texas. But by all indications, the rise should not come as fast as in other areas. Not only is Texas the nation's leading producer of oil and gas—accounting for a third of the domestic supply—it also has vast reserves of lignite that have gone virtually untapped for many years. In addition to planning nuclear plants like those due to be used all across the country, utilities in Texas are building generating plants based on lignite. Some of them are already in operation.

Another constraint that has limited choices of locations for textiles—and once prevented the location of plants in some of the most

abundant cotton-producing areas of Texas—has been the need for water. Textile mills have to have large amounts of water for their bleaching, dyeing, printing, and finishing operations.

To provide easy access to the water they need, plants have usually been placed along rivers, which once also provided their power. With the development of water systems, they can, of course, be located anywhere—provided enough water is available. And there is now ample water in almost any part of Texas.

Texans have been busy for many years developing their water resources. The state is now studded with lakes, even in the arid steppes of West Texas. All told, it has about 36 million acre-feet of storage capacity.

Still another constraint that once limited the development of textiles in Texas was climate. Unlike eastern states, where ample rainfall and good ground moisture keep humidity high in valleys, most of the cotton-producing areas of Texas have been too dry for smooth spinning operations.

As they build new plants, however, manufacturers are installing air-conditioning and humidity-control equipment that overcomes all limitations of climate, completely freeing the industry of a constraint that once kept textiles from spreading very far inland.

Where the fiber is

As the character of the industry changes, shifting the relative importance of costs, new attention turns to transportation costs.

The efficiency of freight carriers has always allowed bulk fiber to be moved great distances for processing by cheap labor. Under such conditions, transportation was considered merely a comparatively minor cost. Foreigners, in fact,

could buy fiber in Texas for shipment overseas and, with their markedly lower labor costs, ship finished fabric back to the United States for sale in competition with domestic producers.

They have been very successful competitors. This country was a net exporter of textiles until the late 1950's. Since then, not only have foreign markets eroded but imports have made steady inroads into domestic markets. By 1972, the trade deficit in textiles had reached 685 million pounds, compared with a surplus of 508 million pounds in 1948. Half the deficit in 1972 was cotton products, the other half being man-made fibers.

Now, with technological changes that reduce the importance of labor costs, plants are being located in cotton-producing areas, where lint can be taken directly from gins. The nearby location of these plants allows manufacturers to cut not only transportation costs but also losses to waste and spoilage that had to be expected from handling and shipping.

Manufacturers participating in the change—and resulting increase in textile investment in Texas—include several that also operate plants in the Southeast. In addition, in the South Plains, they include some former competitors from overseas.

Dutch investors have joined cotton producers at Lubbock in building a yarn mill. And they are planning a spinning plant at Lamesa. The Japanese, whose labor costs have allowed them to be fiercely competitive in U.S. textile markets—even though they had to import both fiber and fuel—have scheduled a mill for Levelland.

Some of the shift in advantages that favor Texas comes with the reemergence of natural fibers, particularly cotton. Basically, it is this reemergence that accounts for

the foreign investment in Texas textiles.

Resurgence of cotton

While foreign competition has limited growth of the textile industry nationwide for several years, the limitations have been especially severe for that part of the industry, such as the mills in Texas, based on natural fibers. Between the rise in competition from overseas and the increasing substitution of synthetic fibers for natural fibers at home, an almost absolute lid was placed on growth of the industry in Texas.

During the years that the number of apparel plants in Texas roughly doubled, the number of textile plants advanced hardly at all. Where there were 30 plants in Texas 20 years ago, there are only 35 today.

Nationwide, mill consumption of cotton dropped a seventh from 1948 to 1972. Consumption of wool dropped two-thirds. During those years, mill consumption of domestic man-made fibers increased sixfold.

With growth in demand for all fabric, it was not until 1967 that the share of the fiber market claimed by cotton growers dropped below 50 percent. Since then, it has continued to fall, slipping to about a third by the early 1970's.

The growing use of man-made fibers more than made up for the decline in use of natural fibers, pushing total textile production in the United States to nearly 12 billion pounds in 1972—close to twice the level in 1948.

Mills in Texas shared in very little of this gain, however. Although some woollens are produced in Texas, most of the mills turn out cotton products. The state produces no synthetic fibers—even though it has the world's largest concentration of petrochemical

plants. Many of these plants make inputs to the manufacture of synthetic fiber. But all these ingredients are shipped to other states for final processing.

Rising crude prices and the sudden shortage of natural gas tend, however, to tip the scales back in favor of natural fibers. Although cotton prices reached an unprecedented 99 cents a pound last year, they have fallen back to 40 cents—and less for the poorer grades that can be used with new equipment.

Recent increases in the costs of producing synthetic fibers could push the domestic price of polyester fiber to 60 cents a pound. While this is well below the 75 or 80 cents expected for world prices, it is high enough to give natural fibers an edge, even though their prices are also rising. Costs of producing cotton are expected to go to 50 cents a pound this year.

As less emphasis, then, has to be put on labor costs, the competitive advantages are swinging back to textile manufacturers in the United States. But the advantages are no longer necessarily in the Southeast. They are now also in the Southwest, especially Texas. And growers in Texas are moving to seize their opportunities.

Vertical integration . . .

One of the greatest potential changes in textiles, in fact, could be the efforts of Texas growers to integrate their industries. Again in the South Plains, cotton producers are trying to vertically integrate cotton through the production of fabric. For now, these growers plan to make only denim.

Later, the thought is, they could spread into other fabrics.

Meanwhile, at Uvalde, mohair producers are trying to establish a market for expensive rugs. Almost all the mohair produced in Texas is shipped out of state, most of it going to Great Britain. The British—and to some extent, the Japanese and Italians—use mohair in blending expensive suit material sold in well-established markets that Texas producers do not expect to enter.

Still, part of the clip goes into carpeting. Growers believe they can make a place for themselves in this market, especially if they produce specialty rugs.

How producers fare in vertical integration bears directly on the outlook for growth in textiles in Texas—as do such matters as how natural fibers fare in competition with man-made fibers and how the textile industry at large fares in recovery from its own special recession of the past several years. There are vast benefits to be derived from such growth, however, especially in combination with a developing apparel industry.

. . . and the benefits

Although there is little in the offering for further integration of the wool industry within the state, the value added at various stages in the production of woollens provides some indication of the benefits that could be expected from the state making more use of its cotton and mohair.

In 1972, sheep ranchers received just under \$48 a bag for their wool. A bag usually weighs about 244

pounds. Scoured for grease and dirt, the wool weighed only 114 pounds. But clean, its value was increased some 50 percent—to about \$75. Because most of the wool was shipped out of state, that was all the value added in Texas.

The next stage of production—converting the clean wool into tops, spinning it into yarn, and making it into (say) double-knit fabric—reduced the weight to less than 90 pounds. The value of the wool, however, was pushed to more than \$390.

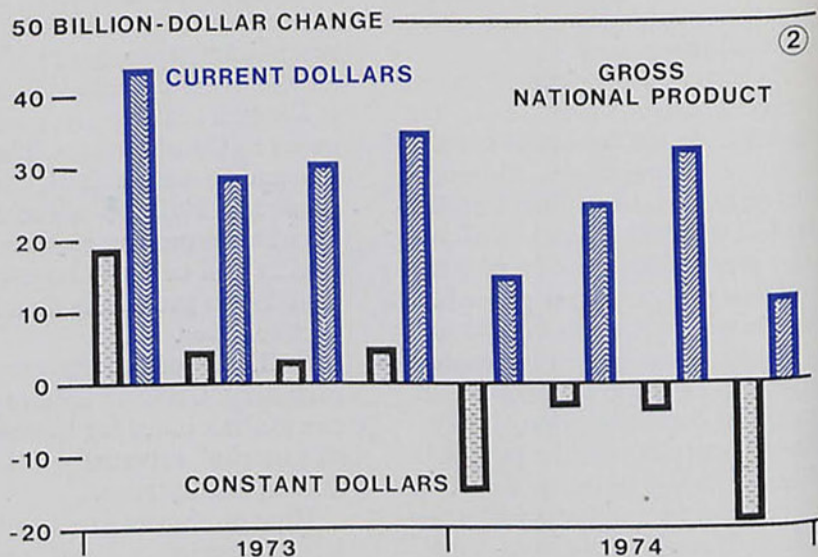
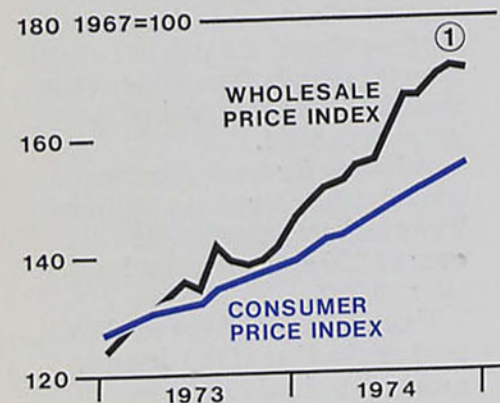
Allowing for waste, that was enough fabric for about 38 dresses. They had a wholesale value of over \$2,200 and a retail value of over \$3,200.

From scouring of the wool to final production of the dresses, nearly two-thirds of the weight had been lost. But the value had increased thirtyfold.

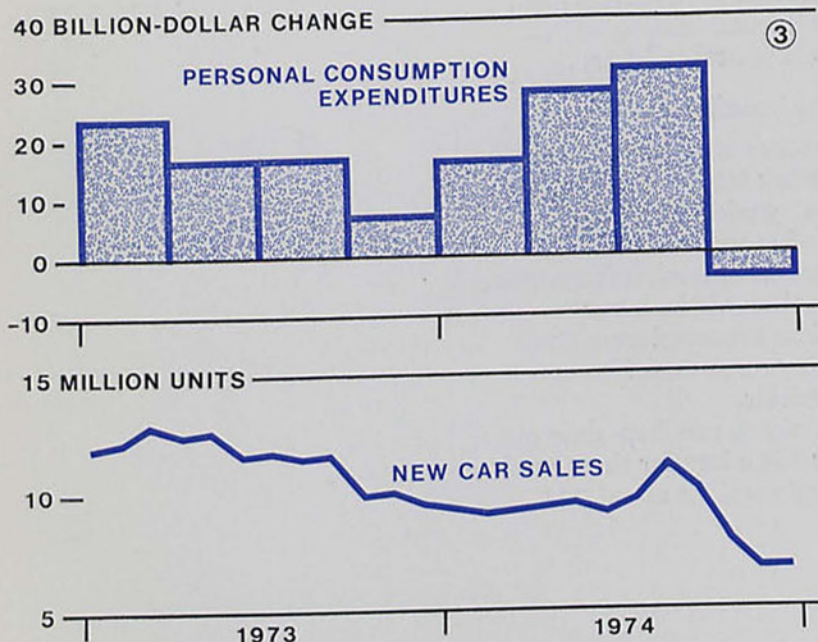
—Edward L. McClelland

ECONOMIC DEVELOPMENTS IN 1974

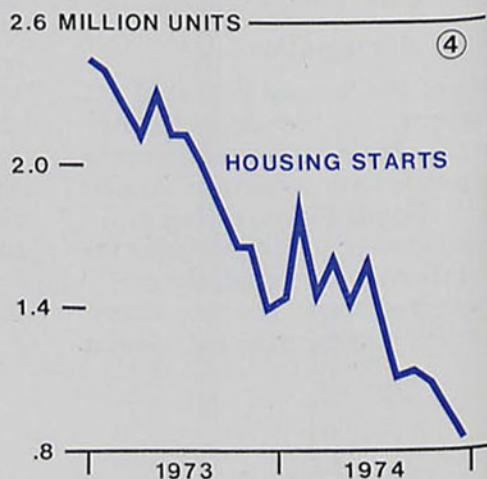
The nation's economy was marked by high inflation, deepening recession, record interest rates, and rising unemployment. Consumer prices rose 12 percent, the most since reconversion after World War II.



Production dropped sharply in the first quarter, strongly affected by the Arab oil embargo that began late in 1973. The drop was even sharper in the fourth quarter as demand weakened. For the year, real GNP showed the steepest decline since 1946.

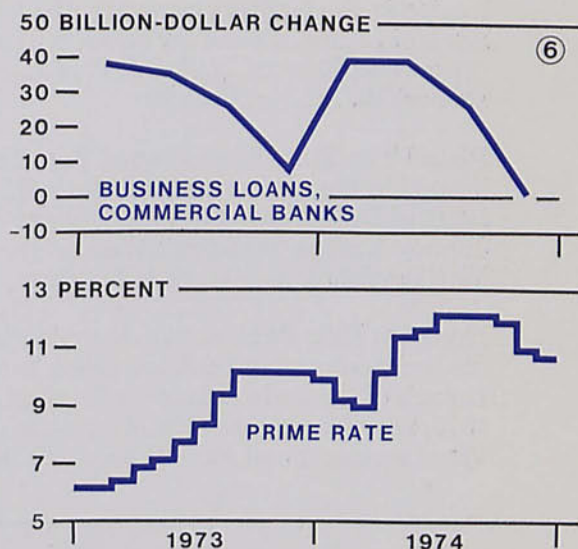
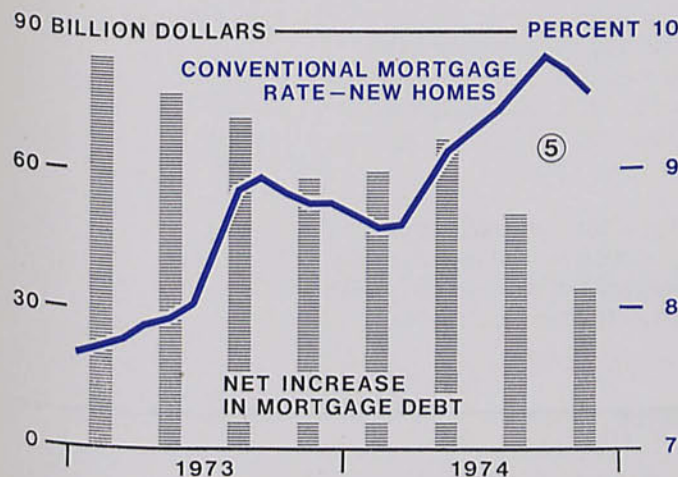


Home building was hit hard. Housing starts, which trended downward in 1973, continued to slide in 1974...



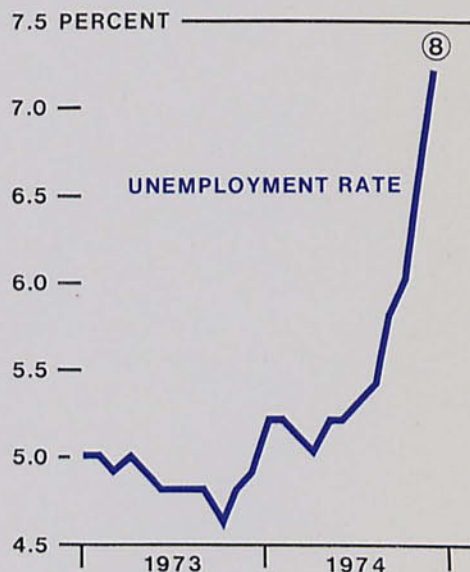
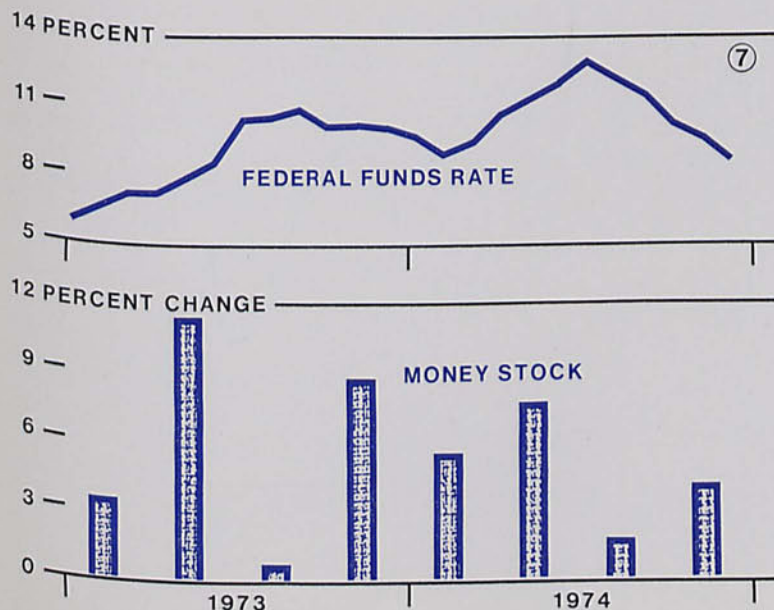
Faced with growing uncertainty, consumers retrenched. Sales of such big-ticket items as automobiles declined substantially.

... as mortgage rates climbed to record levels. With fewer housing starts, the net increase in mortgage debt outstanding fell for the second consecutive year.



Business loans expanded rapidly early in the year but fell sharply in the second half, reflecting high prime lending rates and increasing uncertainty.

Monetary policy aimed at slowing inflation helped drive up the Federal funds rate early in the year. In response to high interest rates and the decline in economic activity, demand for money balances weakened late in 1974.



By late 1974, weakening demand and reduced output had prompted a sharp rise in unemployment.

New par banks

Southwood Bank, Houston, Texas, a newly organized insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business January 29, 1975, remitting at par. The officers are: Edward H. Baird, President; Lloyd H. Cage, Vice President; and Delbert W. McGee, Cashier.

Round Top State Bank, Round Top, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, began remitting at par February 11, 1975. The officers are: Johnny Krause, President; Wesley Kraus, Vice President; Wayne Wagner, Vice President; and Virginia Eichhorn, Cashier.

Northern Hills Bank of San Antonio, San Antonio, 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 February 14, 1975, remitting at par. The officers are: Russell Brown, President; Paul Herder, Vice President; and June Bippert, Cashier.



Research Department
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Federal Reserve Bank of Dallas

March 1975

Statistical Supplement to the Business Review

After two months of rapid deterioration in labor markets, seasonally adjusted employment figures in the five southwestern states were mixed in January. Seasonally adjusted employment was up sharply, led by gains in construction and mining industries.

Strength in construction employment was caused by smaller than usual seasonal cutbacks in building, rather than additional construction. New hirings in mining resulted from increased drilling in Texas and Oklahoma.

Jobless statistics continued to rise, however, although at a slower pace than in recent months. Seasonally adjusted total unemployment was up 6 percent to a level nearly 50 percent higher than a year earlier. And the unemployment rate rose to 6.3 percent. Job losses were confined to manufacturing, particularly to the durable goods industries.

Seasonally adjusted department store sales in the Eleventh District rose sharply from mid-January to mid-February, reversing a downturn that began last summer. Purchases, although up 20 percent in the four weeks, were only 4 percent higher than in the comparable period a year earlier.

Retailers attributed increased sales to promotional campaigns designed to lower unusually high post-Christmas inventories. Sales of big-ticket items, in particular, moved markedly ahead of their sluggish pace of recent months.

New car purchases also increased. Seasonally adjusted registrations of new cars in the four largest metropolitan counties of Texas rose 7.3 percent in January, the second consecutive month of gain. But even

with the initiation of the cash rebate program, new car sales remained well below the depressed level of a year before.

Total credit at weekly reporting banks in the Eleventh District in the five weeks ended February 19 fell considerably more than in comparable periods in the past five years. Loan demand was sharply lower, and bank holdings of securities declined. Total deposits increased more than in corresponding periods of recent years, and banks in the District used these funds to reduce their borrowings from other sources.

Loans to all major types of borrowers were reduced in the five weeks, partly because demand was weaker and partly because area bankers continued to exercise lending restraint. The sharp decline in business loans reflected sizable loan repayments by many companies.

Continued concern over rising unemployment and prices apparently kept demand for consumer loans weak. Although promotional programs resulted in a modest rise in new car sales, on balance, consumers reduced their bank borrowing slightly. Demand for real estate loans was down, as the depressed housing market continued to dampen interim financing needs.

Banks reduced their total investments about in line with seasonal expectations. In contrast to comparable periods of recent years, however, the banks made sizable net additions to their holdings of Government and municipal issues. Meanwhile, they liquidated a substantial volume of other securities. Holdings of Treasury bills and intermediate-term notes and bonds rose markedly, largely reflecting

bank participation in recent Treasury financings.

Total deposits increased more than usual for that time of year, mainly because of a contraseasonal advance in demand deposits. Individuals and businesses reduced their checking accounts considerably less than usual, but demand deposits of domestic commercial banks increased substantially.

Time and savings deposits also moved contraseasonally, contracting moderately. The recent trend of sizable increases in the volume of large CD's outstanding was reversed. With loan demand weak, area bankers did not bid aggressively for CD's.

The seasonally adjusted Texas industrial production index fell 2 percent in January, following a similar drop the month before. The decline encompassed all major components of the index, with the steepest drop in nondurable goods manufacturing. Output of chemicals and petroleum products was down for the second consecutive month. Even though total production of durable goods was lower, output of nonelectrical machinery was up 6 percent—reflecting a boom in the sale of oil field equipment.

Lower recovery of crude oil and natural gas resulted in a further decline in mining, continuing a downward trend since last summer. Output by utilities also fell, as the distribution of electricity and gas was well below the December level.

Growth in the cattle herd in states of the Eleventh District slowed last year. After increasing 9 percent in 1972 and 6 percent in 1973, the herd grew only 3 percent in 1974. Al-

(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Feb. 19, 1975	Jan. 15, 1975	Feb. 20, 1974	LIABILITIES	Feb. 19, 1975	Jan. 15, 1975	Feb. 20, 1974
Federal funds sold and securities purchased under agreements to resell	1,929,698	1,879,424	2,063,865	Total deposits	16,139,768	16,075,164	14,592,112
Other loans and discounts, gross	10,345,094	10,524,102	9,835,841	Total demand deposits	7,519,495	7,413,381	7,165,114
Commercial and industrial loans	4,927,967	4,995,121	4,355,889	Individuals, partnerships, and corporations	5,364,897	5,381,415	5,068,671
Agricultural loans, excluding CCC certificates of interest	222,339	238,316	301,427	States and political subdivisions	479,988	470,971	517,656
Loans to brokers and dealers for purchasing or carrying:				U.S. Government	82,617	91,540	106,726
U.S. Government securities	15	309	456	Banks in the United States	1,410,475	1,283,708	1,293,679
Other securities	24,542	28,446	57,681	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions	3,959	3,314	2,266
U.S. Government securities	2,415	2,748	4,689	Commercial banks	65,553	65,552	61,054
Other securities	399,321	407,188	449,531	Certified and officers' checks, etc.	112,006	116,881	115,062
Loans to nonbank financial institutions:				Total time and savings deposits	8,620,273	8,661,783	7,426,998
Sales finance, personal finance, factors, and other business credit companies	163,352	152,582	118,541	Individuals, partnerships, and corporations:			
Other	604,281	634,744	721,573	Savings deposits	1,201,106	1,178,771	1,153,264
Real estate loans	1,474,414	1,500,881	1,457,633	Other time deposits	4,689,292	4,801,678	4,117,712
Loans to domestic commercial banks	48,111	59,813	31,128	States and political subdivisions	2,465,331	2,319,769	2,026,756
Loans to foreign banks	66,440	73,878	53,494	U.S. Government (including postal savings)	14,570	93,112	22,079
Consumer instalment loans	1,109,806	1,118,448	1,046,709	Banks in the United States	226,037	244,352	93,882
Loans to foreign governments, official institutions, central banks, and international institutions	5	6	20	Foreign:			
Other loans	1,302,086	1,311,622	1,237,070	Governments, official institutions, central banks, and international institutions	18,337	18,301	11,325
Total investments	4,475,772	4,500,129	4,081,092	Commercial banks	5,600	5,800	1,980
Total U.S. Government securities	1,094,721	1,051,528	996,449	Federal funds purchased and securities sold under agreements to repurchase	2,844,275	2,860,188	3,559,055
Treasury bills	175,649	146,470	141,525	Other liabilities for borrowed money	58,686	67,233	215,456
Treasury certificates of indebtedness	0	0	0	Other liabilities	603,391	577,279	527,596
Treasury notes and U.S. Government bonds maturing:				Reserves on loans	200,719	198,505	178,662
Within 1 year	152,329	164,942	142,768	Reserves on securities	21,307	21,363	23,795
1 year to 5 years	593,183	569,069	530,084	Total capital accounts	1,441,880	1,422,977	1,283,679
After 5 years	173,560	171,047	182,072				
Obligations of states and political subdivisions:				TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	21,310,026	21,222,709	20,380,355
Tax warrants and short-term notes and bills	110,220	110,224	96,969				
All other	2,962,847	2,949,348	2,698,914				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans	12,099	19,949	22,693				
All other (including corporate stocks)	295,885	369,080	266,067				
Cash items in process of collection	1,711,919	1,562,777	1,852,878				
Reserves with Federal Reserve Bank	1,160,055	1,113,734	955,359				
Currency and coin	130,156	139,752	128,359				
Balances with banks in the United States	534,899	531,238	614,549				
Balances with banks in foreign countries	37,543	43,667	13,702				
Other assets (including investments in subsidiaries not consolidated)	984,890	927,886	834,710				
TOTAL ASSETS	21,310,026	21,222,709	20,380,355				

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 ²
1973: January	13,636	9,802	317	12,501	2,815
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
December	14,351	10,355	208	16,177	3,049
1975: January	14,180	10,353	166	16,842	3,079

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

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	Jan. 29, 1975	Dec. 25, 1974	Jan. 30, 1974
ASSETS			
Loans and discounts, gross	21,612	21,813	20,875
U.S. Government obligations	2,144	2,151	2,262
Other securities	7,067	7,028	6,426
Reserves with Federal Reserve Bank	1,814	1,612	1,734
Cash in vault	392	367	357
Balances with banks in the United States	1,377	1,586	1,489
Balances with banks in foreign countries ^e	53	33	19
Cash items in process of collection	1,625	2,196	1,819
Other assets ^e	1,736	1,817	1,595
TOTAL ASSETS ^e	37,820	38,603	36,576
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,703	1,899	1,791
Other demand deposits	12,079	12,561	12,117
Time deposits	17,013	16,515	14,674
Total deposits	30,795	30,975	28,582
Borrowings	2,795	3,195	4,235
Other liabilities ^e	1,564	1,791	1,305
Total capital accounts ^e	2,666	2,642	2,454
TOTAL LIABILITIES AND CAPITAL ACCOUNTS ^e	37,820	38,603	36,576

^e—Estimated

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	5 weeks ended Feb. 5, 1975	5 weeks ended Jan. 1, 1975	5 weeks ended Feb. 6, 1974
Total reserves held	2,062,531	2,043,062	1,970,408
With Federal Reserve Bank	1,701,048	1,689,248	1,637,793
Currency and coin	361,483	353,814	332,615
Required reserves	2,036,179	2,013,948	1,978,673
Excess reserves	26,352	29,114	8,265
Borrowings	22,578	46,026	35,778
Free reserves	3,774	16,912	44,043

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			
	Jan. 1975 (Annual-rate basis)	Percent change from		Jan. 31, 1975	Annual rate of turnover		
		Dec. 1974	Jan. 1974		Jan. 1975	Dec. 1974	Jan. 1974
ARIZONA: Tucson	\$16,179,260	-5%	5%	\$355,405	45.1	48.0	42.7
LOUISIANA: Monroe	5,570,401	-1	7	123,304	46.9	47.6	43.5
Shreveport	19,229,968	-6	21	345,467	54.9	59.6	46.0
NEW MEXICO: Roswell ²	1,445,322	4	5	49,818	28.2	26.4	26.1
TEXAS: Abilene	4,009,145	-7	-4	138,839	28.0	29.8	27.2
Amarillo	10,502,077	-2	-4	228,587	43.7	45.0	45.1
Austin	21,038,046	5	10	397,953	51.2	46.6	43.9
Beaumont-Port Arthur-Orange	11,635,799	12	9	320,176	36.2	32.8	35.2
Brownsville-Harlingen-San Benito	3,710,390	-2	9	122,064	30.6	31.8	28.2
Bryan-College Station	1,815,769	2	12	59,063	30.9	30.1	27.1
Corpus Christi	11,718,845	0	6	304,621	39.8	39.5	37.1
Corsicana	738,816	-5	-2	40,927	18.0	19.2	17.5
Dallas	232,809,622	-15	13	3,025,309	77.1	90.8	70.6
El Paso	12,168,452	-1	-6	312,665	38.7	39.2	38.4
Fort Worth	39,416,032	-1	5	919,278	42.8	43.8	43.6
Galveston-Texas City	5,509,066	13	42	142,620	38.2	33.7	28.3
Houston	245,004,881	3	27	3,902,218	63.3	61.7	54.9
Killeen-Temple	2,783,030	0	4	120,199	23.5	23.3	22.5
Laredo	1,942,756	5	10	66,446	28.8	27.7	27.7
Lubbock	7,932,020	1	-32	226,947	34.1	34.5	46.2
McAllen-Pharr-Edinburg	4,764,804	-2	27	162,875	28.5	29.3	24.1
Midland	4,392,724	3	30	211,668	19.7	19.2	18.1
Odessa	3,192,253	3	33	128,555	24.3	24.1	22.1
San Angelo	2,732,665	-4	6	96,024	28.1	29.8	27.7
San Antonio	30,417,985	-5	7	901,222	33.5	35.0	31.2
Sherman-Denison	1,663,715	1	4	85,892	19.1	18.6	18.9
Texarkana (Texas-Arkansas)	2,217,577	1	7	92,024	23.9	23.4	21.7
Tyler	3,909,599	3	19	143,004	26.3	26.0	25.0
Waco	5,910,601	13	15	159,267	37.3	33.4	33.2
Wichita Falls	4,614,928	-8	18	177,377	26.0	28.4	25.3
Total—30 centers	\$718,976,548	-5%	15%	\$13,359,814	53.7	56.5	48.8

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	Feb. 26, 1975	Jan. 22, 1975	Feb. 27, 1974
Total gold certificate reserves	464,998	651,042	285,701
Loans to member banks	12,600	73,380	78,428
Other loans	0	0	0
Federal agency obligations	214,277	212,519	89,722
U.S. Government securities	3,698,409	3,655,250	3,521,632
Total earning assets	3,925,286	3,941,149	3,689,782
Member bank reserve deposits	1,888,320	1,954,411	1,646,096
Federal reserve notes in actual circulation	2,615,229	2,639,611	2,387,346

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	Jan. 1975	Dec. 1974	Nov. 1974	Jan. 1974r
FIVE SOUTHWESTERN STATES ¹				
Residential building	770	673	933	856
Nonresidential building	267	237	244	301
Nonbuilding construction	337	268	545	320
UNITED STATES	1,366	1,178	1,722	1,477
Residential building	5,100	7,304	6,179	5,847
Nonresidential building	1,562	1,715	1,931	2,218
Nonbuilding construction	2,233	2,451	2,618	2,274
	1,305	3,139	1,630	1,355

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	VALUATION (Dollar amounts in thousands)			
	NUMBER	Percent change January 1975 from		
		January 1975	December 1974	January 1974
ARIZONA				
Tucson	449	\$6,198	-67%	-42%
LOUISIANA				
Monroe	44	634	-63	11
Shreveport	490	2,931	-42	10
TEXAS				
Abilene	63	1,135	-20	20
Amarillo	207	2,948	-37	-36
Austin	317	4,689	-86	-75
Beaumont	169	1,661	39	-54
Brownsville	93	757	198	-88
Corpus Christi	219	4,847	8	63
Dallas	1,359	37,959	96	63
Denison	22	324	-88	-5
El Paso	342	21,226	117	53
Fort Worth	309	3,674	-54	-57
Galveston	50	1,302	22	-46
Houston	1,707	54,337	8	-26
Laredo	43	731	287	541
Lubbock	119	4,378	56	-74
Midland	97	1,694	171	-86
Odessa	72	922	28	-78
Port Arthur	13	278	23	4
San Angelo	42	501	-20	-68
San Antonio	1,183	7,401	-50	-64
Sherman	24	852	4,160	146
Texarkana	60	650	249	159
Waco	153	2,104	163	59
Wichita Falls	54	443	-67	-37
Total—26 cities	7,700	\$164,576	-10%	-29%

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	Jan. 1975	Dec. 1974	Jan. 1974r	Percent change from	
				Dec. 1974	Jan. 1974
FOUR SOUTHWESTERN STATES	6,043.2	6,125.1	6,359.8	-1.3%	-5.0%
Louisiana	1,945.7	1,948.4	2,162.9	-	-10.0
New Mexico	267.5	272.0	236.2	-1.7	13.3
Oklahoma	462.0	466.9	477.6	-1.1	-3.3
Texas	3,368.0	3,437.8	3,483.1	-2.0	-3.3
Gulf Coast	663.6	676.9	653.4	-2.0	1.6
West Texas	1,787.7	1,820.2	1,846.1	-1.8	-3.2
East Texas (proper)	217.4	223.7	201.8	-2.8	7.7
Panhandle	54.4	58.4	57.4	-6.9	-5.2
Rest of state	644.9	658.6	724.4	-2.1	-11.0
UNITED STATES	8,583.7	8,665.9	8,907.0	-1.0%	-3.6%

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	Jan. 1975p	Dec. 1974	Nov. 1974	Jan. 1974
TEXAS				
Total industrial production	136.1	138.3	141.7r	137.7
Manufacturing	143.1	145.2	148.9r	143.8
Durable	161.1	161.3	164.3	160.7
Nondurable	130.2	133.6	137.7r	131.6
Mining	110.7	113.3	116.5r	116.9
Utilities	167.0	169.6	171.7r	160.9
UNITED STATES				
Total industrial production	113.7	117.9	121.7	125.4
Manufacturing	112.3	116.7	121.0	125.3r
Durable	108.1	113.2	117.9r	121.0r
Nondurable	118.4	121.8	125.3r	131.4r
Mining	109.0	104.6	104.3r	109.9r
Utilities	145.9	150.7	152.3r	144.9

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 States¹

(Seasonally adjusted)

Item	Thousands of persons			Percent change	
	Jan. 1975p	Dec. 1974	Jan. 1974r	Dec. 1974	Jan. 1974
Civilian labor force	9,259.4	9,127.8	8,915.6	1.4%	3.9%
Total employment	8,675.7	8,578.1	8,521.3	1.1	1.8
Total unemployment	583.8	549.8	394.3	6.2	48.1
Unemployment rate	6.3%	6.0%	4.4%	2.3	1.9
Total nonagricultural wage and salary employment	7,638.5	7,599.4	7,452.2	.5	2.5
Manufacturing	1,285.9	1,300.2	1,311.0	-1.1	-2.6
Durable	720.8	734.1	740.0	-1.8	-1.0
Nondurable	565.1	566.0	571.0	-	3.4
Nonmanufacturing	6,352.6	6,299.2	6,141.2	.9	9.0
Mining	268.0	262.7	245.8	2.0	1.3
Construction	531.1	515.4	524.2	3.1	1.3
Transportation and public utilities	515.7	509.4	508.9	1.2	2.6
Trade	1,811.0	1,802.3	1,764.4	.5	4.1
Finance	419.1	417.6	402.7	.4	3.9
Service	1,294.0	1,292.4	1,245.8	.1	4.4%
Government	1,513.6	1,499.4	1,449.4	1.0%	

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)

CITRUS FRUIT PRODUCTION

(Thousand boxes)

State and crop	Indicated 1974	1973	1972
ARIZONA			
Oranges	4,500	3,410	5,060
Grapefruit	2,500	2,050	2,640
TEXAS			
Oranges	5,100	6,600	7,800r
Grapefruit	7,800	10,700	11,800

r—Revised
SOURCE: U.S. Department of Agriculture

though the number of beef cows increased substantially last year, herd expansion was dampened by a moderate reduction in feeder and stocker cattle.

The nation's cattle herd also expanded 3 percent in 1974, marking the first time in three years the herd in the District did not grow faster than the nation's herd. As of January 1, inventories of cattle and calves totaled nearly 28 million head for states of the District and 132 million head for the nation as a whole.

Prolonged financial losses stemming from high feed costs and low market prices for slaughter cattle

have continued to discourage cattle feeding. As a result, cattle on feed in Texas numbered 1.2 million head on February 1—47 percent fewer than a year earlier. And in Arizona, there were 308,000 head on feed—50 percent fewer than a year before.

The index of prices received by Texas farmers and ranchers in the month ended January 15 declined for the third consecutive month. Average prices received dropped 5 percent to a level 25 percent lower than a year earlier—and the lowest since April 1973. Prices for both crops and livestock and livestock products declined in January, with food grains, cotton, cattle, and

dairy products accounting for most of the decrease.

Meanwhile, after increasing more than a year, the index of prices paid by farmers remained unchanged. Still, prices they had to pay averaged 14 percent higher than in January 1974.

Cash receipts from farm and ranch marketings in states of the District in 1974 totaled \$11.1 billion, compared with \$11.7 billion in 1973. Although higher prices for grain boosted crop receipts 12 percent, sales of livestock and livestock products declined a substantial 16 percent.