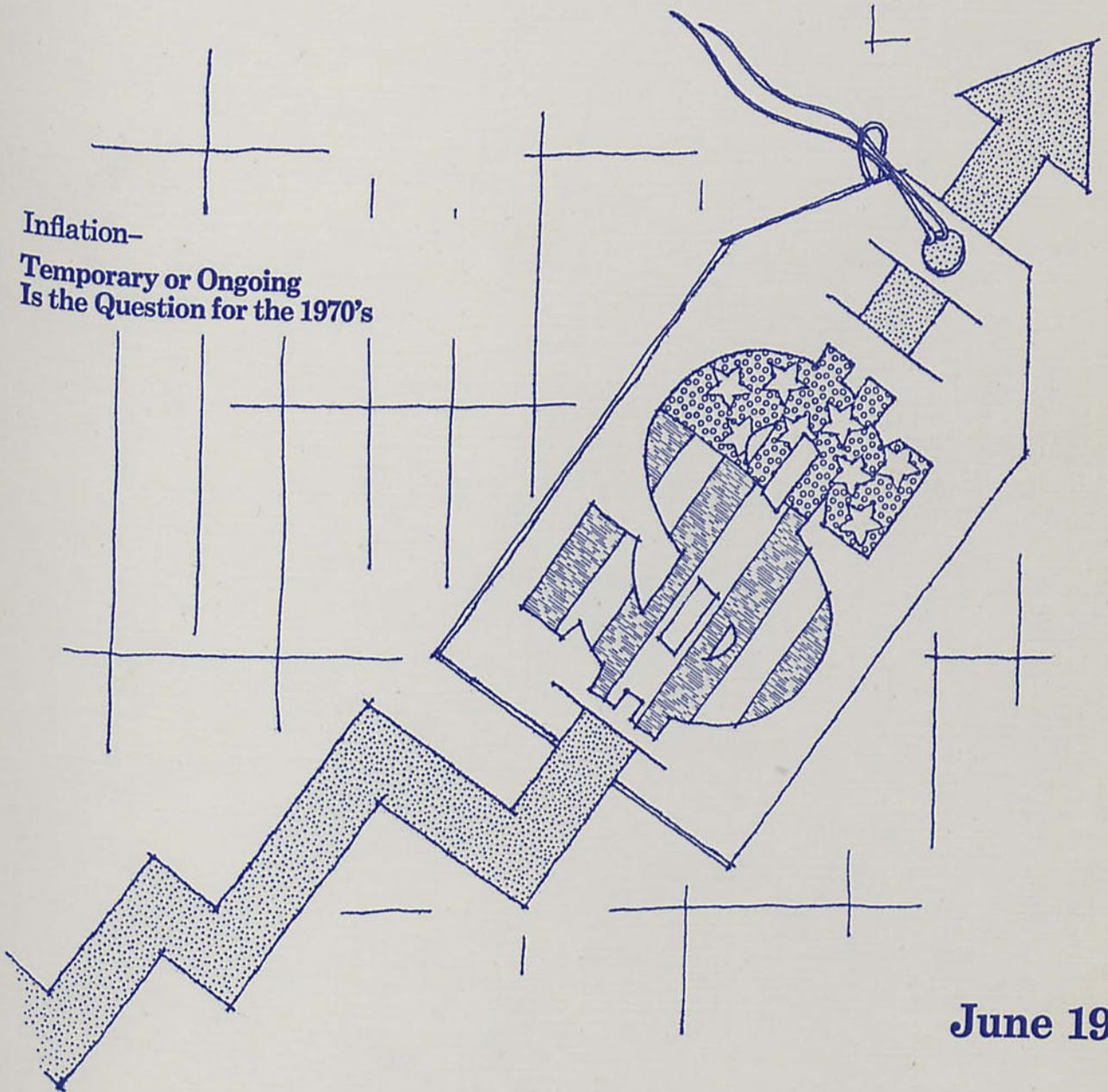


Federal Reserve Bank of Dallas

Business Review

Inflation—
Temporary or Ongoing
Is the Question for the 1970's



June 1975

Temporary or Ongoing Is the Question for the 1970's

Even though inflation was seen as a national crisis only a few months ago, some recent easing in wholesale and retail prices has led to a belief it will slow significantly by the end of the year. Recession has replaced inflation as an economic topic of primary concern as public attention has focused on the high level of unemployment.

The implications of these latest price developments, however, should not be overdrawn. They do not necessarily portend an era of price stability for the United States. In fact, the persistence of rapid price increases in the face of extreme slumps in aggregate demand and production underscores how powerful and ingrained inflationary forces have become.

Prices in the United States showed considerable stability for much of the postwar period. Many people began to regard rampant inflation as peculiar to Latin American and other foreign countries.

But since the midsixties, the level of prices has been rising increasingly faster. After nearly three years of unprecedented peacetime controls on wages and prices, the U.S. economy suffered a price explosion of crisis proportions last year. And while a number of "special" factors worsened inflation in recent years, these factors alone are not sufficient to explain the higher rates of inflation since the midsixties.

Contributing factors

Rising sharply under controls in 1973, prices climbed in 1974 at the fastest pace since reconversion

after World War II. The surge was even more alarming because it came as the economy was slipping into the deepest recession in the postwar years.

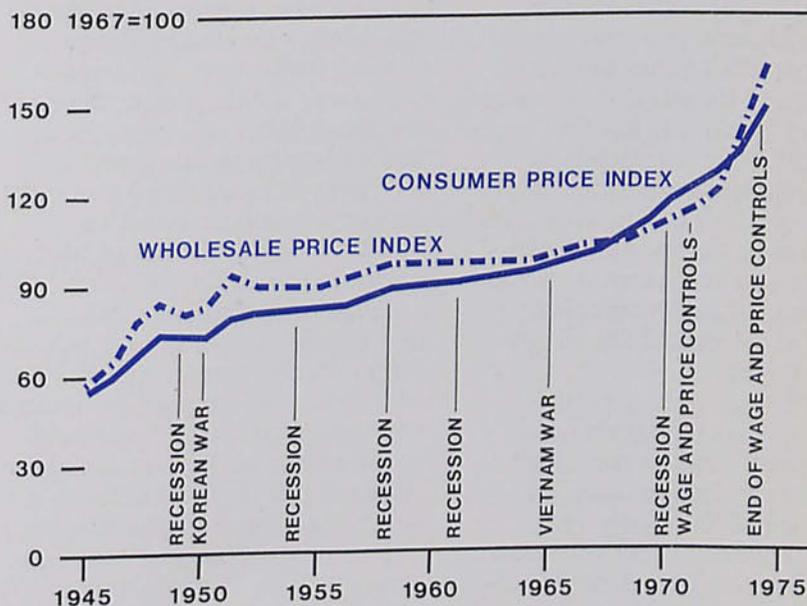
The level of prices was raised, to some extent, by lingering effects of earlier events. Devaluations of the dollar in 1971 and 1973, poor farm output in 1972, the failure of Peru's anchovy catch in 1973, Russia's unexpectedly large wheat purchase in 1973, and the simultaneous expansion of industrial economies worldwide in 1973—all provided upward stimulus.

In addition, wage-price controls that began in 1971 contributed to raw materials shortages and pro-

duction bottlenecks. Vitally needed supplies either were diverted to export markets or became too unprofitable to produce. Inflation last year was particularly worsened, however, by a quadrupling of world oil prices, the end of wage-price controls, and poor agricultural production.

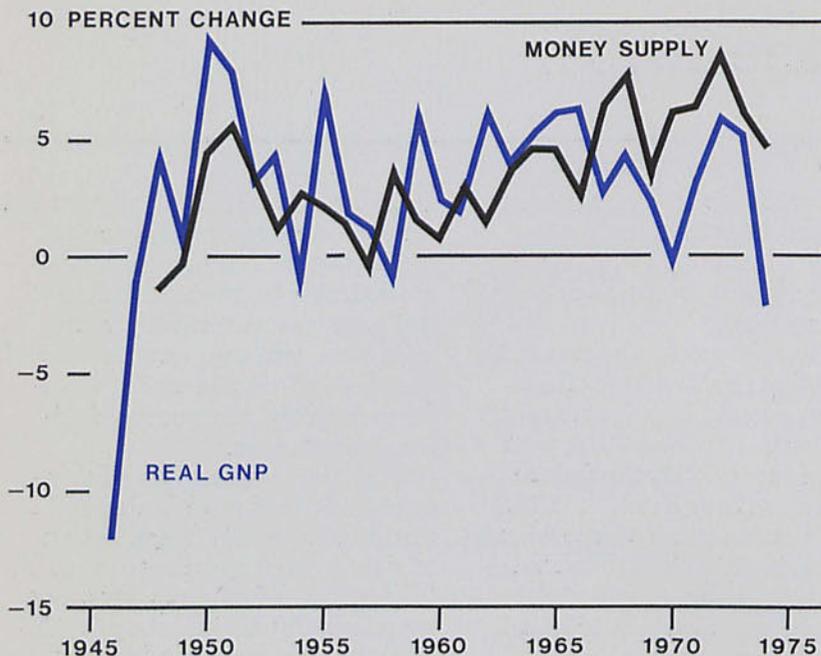
The Arab embargo on oil shipments to the United States and the decision of the Organization of Petroleum Exporting Countries to establish a high price for crude petroleum forced prices up, both directly—consumers had to pay more for petroleum products—and indirectly—production costs increased for goods and services

Price performance has worsened since midsixties . . .



SOURCE: U.S. Bureau of Labor Statistics

... as growth in money supply has outpaced production



SOURCES: Board of Governors, Federal Reserve System
U.S. Department of Commerce

requiring energy-related inputs. Too, higher oil prices spurred demand for substitute energy sources like coal and natural gas, driving up their prices as well.

Effects of the late-1973 embargo surfaced quickly. In the first quarter of 1974, the energy component of the consumer price index (CPI)—gasoline and motor oil, fuel oil and coal, and gas and electricity—rose at a 70.7-percent annual rate, accounting for more than a fourth of the overall rise in consumer prices.

Energy prices continued to advance sharply in the second quarter—at a 22.3-percent annual rate—before slowing considerably over the last half of the year. Nevertheless, the index for gas and electricity was still climbing rapidly in the fourth quarter.

Retail food prices also climbed strongly in the first quarter of

1974. Food distribution was disrupted by a truckers' strike and fuel shortages. And retail prices were further boosted by disappointing fresh vegetable harvests and sharply higher sugar prices worldwide. Although the price rise for food was much less than that for energy, it contributed more to the surge in consumer prices because food has a much greater weight in the CPI.

In the second quarter, the rise in retail food prices slowed, reflecting weakening farm prices. But over the rest of the year, food prices climbed faster, partly because of smaller supplies due to cutbacks in production and partly because of a severe runup in the price of sugar.

The surge in fuel and food costs does not, however, fully explain inflation in 1974. Prices for all other retail items in the CPI rose at an annual rate of 8.6 percent in

the first quarter, accelerated sharply in the second quarter, and reached an annual rate of 15.3 percent in the third quarter. In fact, they did not begin slowing until the sharp drop in economic activity at year-end.

End of controls

Higher prices for retail items other than food and fuel were influenced to some extent by the termination of Phase IV controls. To have wage-price controls suspended by April 30, 1974, dismantling was started seven months before. By the termination date, prices of less than a tenth of the items contained in the CPI (excluding 3.5 percent that were put under control of the Federal Energy Office) were still controlled. And wage controls affected only 24.1 percent of the civilian labor force.

Severe inflation after controls, therefore, involved more than a simple "bubble" once artificially suppressed prices were freed. In fact, changes in employee compensation and productivity showed strong cost-push pressures—even as the economy braked with the deepening recession.

In manufacturing, for example, unit labor costs accelerated throughout 1974. Compensation per manhour increased rapidly, especially in the second quarter. By contrast, output per manhour fell in each quarter but the second. Gains in productivity did not offset increases in compensation in any period.

Unit labor costs also soared in the private nonfarm economy. Productivity sagged, even while compensation was increasing substantially.

Inflation of the past 18 months, therefore, cannot be dismissed as solely a product of special causes and transitory phenomena. And despite recent slowing in price

increases, there is reason to believe that inflationary pressures are still ingrained in the economy.

For example, even though wholesale prices fell for four consecutive months before turning upward in April this year, the decline stemmed entirely from agriculture. Thus, when prices for farm products and processed foods rose in April, the wholesale price index (WPI) increased markedly. Industrial prices continued to rise—but at much slower rates than in the first half of 1974.

Among nonagricultural items, weakness has been most apparent for crude materials. Prices for crude materials rose rapidly with the dismantling of controls but began declining last November. Fearing shortages and higher prices, producers apparently overstocked and, then, liquidated inventories of basic materials as sales and production slumped.

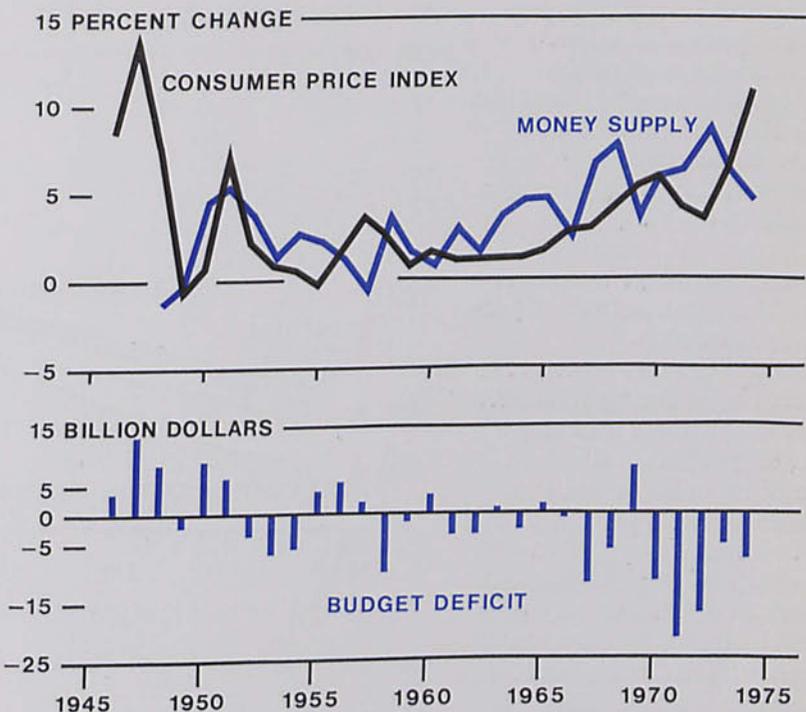
Since materials and goods in intermediate or final stages of processing entail higher labor costs, price indexes for these items have not declined. But growth rates have slowed substantially in recent months.

The rate of rise in consumer prices has also abated since last October. Prices for the three broad components of the CPI—food, commodities other than food, and services—have recently risen less rapidly.

But while double-digit inflation has subsided, by historical standards, the price level is still rising at a fast rate. And continued price cutting is not likely to be sustained once inventories are brought in line with sales.

Near-term inflation will depend on the strength of the expected recovery, especially growth in aggregate demand and the behavior of output and wages. Regardless, analysis of other postwar

Money supply and prices rise faster with federal deficits



SOURCES: Board of Governors, Federal Reserve System
U.S. Bureau of Labor Statistics
U.S. Department of Commerce

experiences with price increases suggests the rate of inflation will substantially exceed that of previous recoveries.

Early postwar experiences

Prices mushroomed immediately after World War II. Between 1945 and 1948, the GNP deflator—the broadest measure of the price level—rose a third. Hidden price increases that emerged once wartime controls were lifted contributed to the initial surge, as did labor costs that began climbing after dismantling of wage controls started in 1945. In the second half of 1946, consumer prices advanced 15 percent and wholesale prices soared 25 percent.

Inflation was sustained by strong consumer demand, however, as households sought to make up

for wartime austerity. Durable goods, especially, were in short supply. Residential construction boomed.

Investment rose sharply as business responded to consumer wants and converted to peacetime production. Too, net exports soared when war-ravaged countries turned to America for aid.

At the same time, the economy was very liquid. Savings had accumulated during the war, and the Federal Reserve System was prepared to purchase Government securities in quantities sufficient to maintain low and stable interest rates for the Treasury. Only sizable budget surpluses restrained aggregate demand—until the economy went into recession in the fourth quarter of 1948, which broke the price level.

Before the outbreak of the Korean conflict in 1950, the general level of prices had fallen 3 percent from the start of the 1948-49 economic contraction. But with the Korean conflict came a new wave of inflation.

Businesses, expecting shortages to ensue from the entry of the United States into the conflict, began buying heavily. Wholesale prices advanced more than 16 percent in eight months.

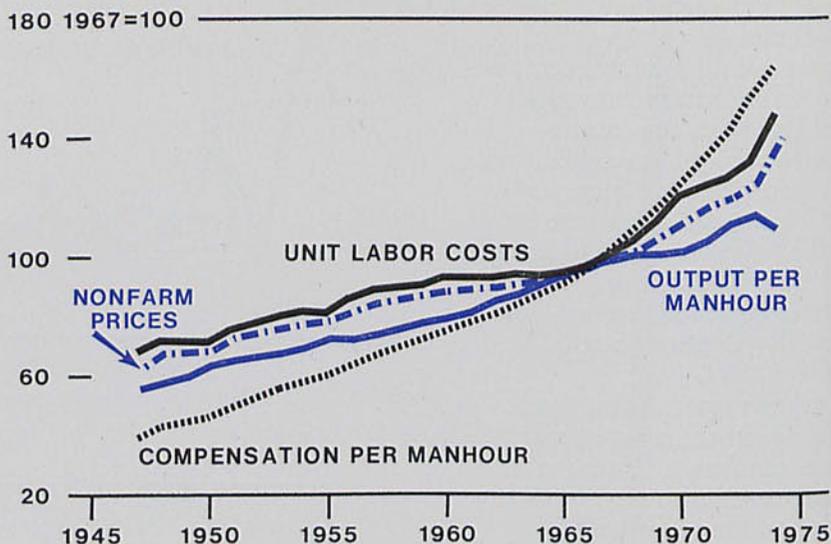
Consumers likewise had not forgotten shortages during World War II. Sales of consumer durables surged 26.5 percent in the third quarter of 1950. And consumer prices rose almost 8 percent from June 1950 to February 1951.

The sharp outburst in demand was short-lived. Inflationary pressures were quelled by wage and price controls, tax increases, and credit restrictions. So, although growth in the money supply did not slow—even with the Treasury-Federal Reserve accord in March 1951—consumer prices edged up only about 3 percent in the next two years.¹ And wholesale prices actually fell around 6 percent. By contrast, average hourly earnings rose about 12 percent in the same period.

Stimulative fiscal and monetary policies prompted another increase in prices in the midfifties. From 1955 to 1958, the cost-of-living index rose at an annual rate of 2.6 percent and the wholesale price index rose 2.5 percent. This round of inflation was highlighted primarily by the 1955 boom in new car sales.

Expenditures on automobiles soared 35 percent in 1955, forcing the auto industry to draw heavily on its suppliers. Order books soon bulged in other industries, and businessmen rushed to expand

Prices rise with unit labor costs, as compensation outstrips productivity



SOURCE: U.S. Bureau of Labor Statistics

capacity, creating a capital goods boom. But just when sales and profits looked promising, union contracts in many important industries were renegotiated.

Wage settlements were large, and many labor pacts included deferred increases and escalator clauses. Average hourly earnings (excluding overtime) in durable goods industries climbed 3.2 percent in the last half of 1955.

Demand for higher pay spread from industry to industry, so that even as excess demand began to abate, prices rose on the strength of cost-push pressures. Spurred by rising unit labor costs, prices climbed steadily throughout the 1957-58 recession.

Prices showed greater stability from 1958 to 1965. On average, the GNP deflator rose only 1.6 percent a year. Growth in compensation per manhour averaged 4.8 percent annually, but productivity gains held the average yearly rise

in unit labor costs to less than 1 percent.

Slack in the economy helped keep prices fairly stable. In the aftermath of recession, 6.8 percent of the civilian labor force was unemployed in 1958. The unemployment rate did not average below 5.0 percent until 1965, when it dipped to 4.5 percent. Moreover, the Federal Reserve's index of capacity utilization stood at a low 75.1.

After a cyclical downturn in 1960-61, business picked up. Unfilled orders mounted, and capacity utilization rose steadily. Fiscal policy included such expansionary elements as accelerated depreciation guidelines in 1961 and 1962, an investment tax credit in 1962, and a tax cut in 1964.

Monetary policies were also expansive, augmenting aggregate demand. The annual rate of growth in the money supply rose from 0.6 percent in 1960 to 4.6 percent in

1. The understanding with the Treasury freed the Federal Reserve from the responsibility of supporting Government bond prices—a consideration that had interfered with formulating monetary policy.

1965. Price pressures, however, were probably mitigated somewhat by wage-price guidelines initiated in 1962.

Era of rising inflation

By late 1965, the gap closed between actual GNP and potential GNP—the measure of what the economy would produce if all its resources were fully used. Demand began to press relentlessly against available supplies of products and labor. Buildup for the Vietnam conflict pushed defense expenditures up more than 60 percent from 1965 to 1968, while outlays for social programs further fueled an overheated economy. The federal budget plunged deeply into deficit, even though a 10-percent income tax surcharge in 1968 reduced the deficit somewhat.

Growth in the money supply was erratic. A sharp slowdown in the second half of 1966 preceded the "minirecession" late that year. But the money supply rose faster the next two years, increasing 7.9 percent in 1968.

While movements in prices generally lag movements in money, growth in consumer prices accelerated from 2.9 percent in 1966 to 4.2 percent in 1968. And although the rise in wholesale prices was less steady, averaging about 2 percent a year, it is obvious in retrospect that the economy had entered an era of persistent inflation.

Increases in wages over this period underline the nature of the problem. From 1966 to 1969, the unemployment rate averaged less than 4 percent—the then-accepted standard for full employment. With labor markets tight, wage earnings rose rapidly. Demand was so excessive, in fact, that wage-price guidelines were rendered totally ineffective by 1967.

Where wage increases averaged 4.1 percent in the private nonfarm

economy in 1966, they were averaging 6.3 percent in 1968. First-year increases obtained in major collective-bargaining situations climbed from 4.8 percent in 1966 to 7.2 percent in 1968.

The seriousness of inflation became apparent in the period from 1969 through mid-1971. Fiscal and monetary policy tightened in 1969. The Revenue and Expenditure Control Act of 1968 pushed the federal budget abruptly into surplus. And growth in the money supply slowed in the second half of 1969.

Prices continued to rise that year—the CPI advancing 5.4 percent and the WPI 3.9 percent—and the unemployment rate dipped to 3.5 percent. Nevertheless, under pressure of policy restraints, the economy slipped into recession. Beginning in late 1969, the recession lasted most of 1970. The unemployment rate advanced sharply that year, reaching 5.9 percent in 1971.

Despite a sluggish economy, inflation persisted, cost-push pressures picking up where demand-pull forces left off. Consumer prices rose 5.9 percent in 1970—the third consecutive year of acceleration. That was the fastest rate of increase since the Korean conflict. Large increases were posted by wholesale prices as well.

Wage pressures also began to mount, especially in construction. Wage-rate adjustments won by construction workers in major collective-bargaining settlements in the third quarter of 1970 averaged 21.3 percent for the first contract year. The GNP deflator rose at a 6.4-percent annual rate in the fourth quarter of 1970, and unit labor costs increased 5.4 percent.

As the price level continued to advance, despite low capacity utilization and high unemployment, sentiment for direct controls

mounted. In response, Congress enacted the Economic Stabilization Act of 1970.

In March 1971, President Nixon established the Construction Industry Stabilization Committee to moderate wage-price increases. And after consumer prices seemed to surge in early summer, he announced a New Economic Policy—including a wage-price freeze (Phase I)—on August 15, 1971.

Implications

Review of postwar price experiences suggests that special factors—like poor farm production and disruptions in the flow of oil supplies—clearly boost prices of basic commodities. Likewise, an abrupt change in the composition of demand, such as an investment boom, can aggravate inflation.

But, in general, inflation results from sharp increases in aggregate demand—increases that exceed previous expectations and, thus, overtax the productive resources available in the real economy.

To maximize long-run profits, producers plan output around expectations about prices and costs—including interest rates and unit labor costs. Households offer labor services in response to prevailing wage rates and expectations about prices for consumer goods and services.

In the short run, productive capacity can be considered almost fixed. Producers can raise output by using more labor, but productivity will eventually decline.

Aggregate demand rises directly when government spending or foreign (export) demand increases. But, in particular, total demand is raised by sharp increases in money and credit, which boost consumer spending and business investment. When demand increases faster than the ability of the economy to produce goods and services—a

capacity based on lower expectations—inflationary pressures mount.

If there is excess capacity, higher output tends to reduce price pressures by spreading costs on a per-unit basis. But as excess demand persists, unit costs rise since capital and labor are used less efficiently. And when effective capacity is exhausted, excess demand must translate into higher prices.

Unfortunately, the reverse—an unexpected fall in demand—generally does not lower the price level. Many costs in the economy, including wage and benefit increases locked in by collective-bargaining agreements, are contractual. They can keep rising in the short term. If output falls, unit costs tend to rise even faster.

In addition, some markets may not be very competitive with regard to prices. Producers in these markets can adjust to lower demand by reducing output (and employment) instead of prices. Similarly, in a recession, unions may gain wage hikes to offset past inflation—even at the expense of employment and output.

Recent experience indicates inflation has become increasingly ingrained in the economy. And despite recent price softness, another outburst of inflation cannot be ruled out.

Already conditioned to double-digit inflation, households and businesses can now easily lift price expectations. And wage increases won in major collective-bargaining settlements accelerated in the first quarter of this year despite rising unemployment and slowing prices.

Long-term interest rates have remained high and have been rising recently. This suggests borrowers and lenders of long-term money do not yet expect a sharp and sustained slowing in the rate of inflation. Credit market expecta-

tations are likely based, in part, on the large federal deficits planned for fiscal 1975 and 1976.

Since the economy is depressed, a sharp pickup in spending will likely increase the rate of inflation. But as idle supplies of labor and materials are drawn down, inflationary pressures could mount—and rapidly if business and labor adjust prices and wages in anticipation of more double-digit inflation. Therefore, it would be premature to draw long-range implications from the slower rise in prices in recent months. Progress toward price stability will be better measured when the economy moves into advanced stages of recovery.

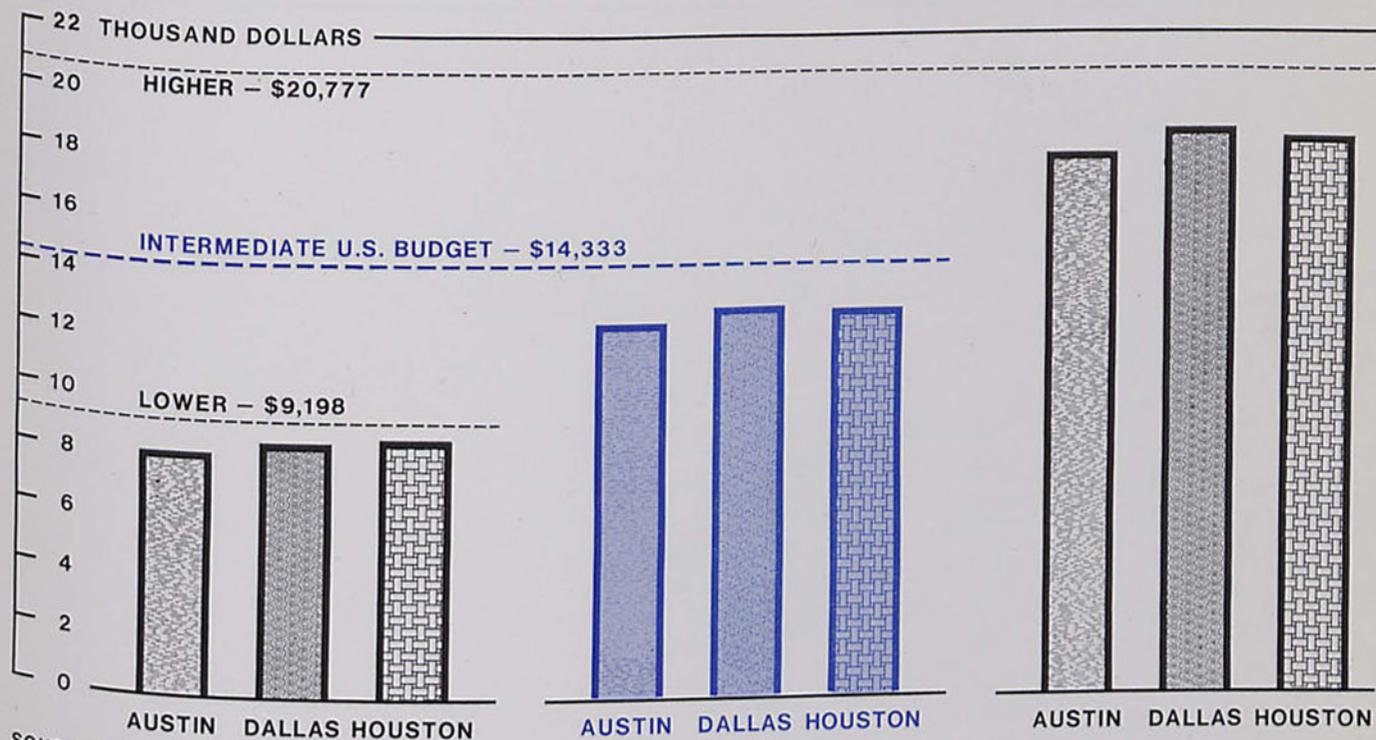
Economic policies need to treat inflation as a long-run problem. Even in the midst of recession, monetary and fiscal policies should be formulated in the knowledge that excess stimulus will exacerbate inflation later.

And while attention must be given continuously to aggregate demand, policies also need to be initiated to increase aggregate supply. Measures should be addressed to improving the competitive efficiency of product and factor markets, increasing investment and productivity, and increasing the availability of raw materials in world markets as domestic supplies become exhausted.

—John R. Stodden



Urban Family Budgets



SOURCE: U.S. Bureau of Labor Statistics

Despite the sharp rise in consumer prices last year, family budgets in the larger cities of Texas remain below the average for 39 metropolitan areas regularly sampled by the Bureau of Labor Statistics.

Austin is still the least expensive city in the country for a typical family of four. And Dallas and Houston do not lag far behind.

Families with what the bureau considers a low budget find Dallas less expensive than Houston. Those with intermediate and high budgets find their money will go further in Houston.

Part of the reason for lower living costs in Texas is the absence of a state income tax. Without a state tax, Texans pay roughly a

third less in personal income taxes than the average urban American family.

But also helping hold down family costs in Texas are the smaller outlays required for food and housing. Regardless of budget size, these outlays are less than in most other cities across the country. They are especially low in Austin.

New par banks

Citizens Progressive Bank, Columbia, Louisiana, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, began remitting at par May 1, 1975. The officers are: R. O. Cummings, President; Johnny W. James, Executive Vice President; Mary L. Douglas, Cashier; and Frances Childers, Assistant Cashier.

Bank of Sierra Blanca, Sierra Blanca, Texas, a newly organized insured nonmember bank located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, opened for business May 8, 1975, remitting at par. The officers are: Landon Derryberry, President; Leon Goswick, Vice President (Inactive); and E. A. Wright, Secretary.



Federal Reserve Bank of Dallas

June 1975

Statistical Supplement to the Business Review

Weekly reporting banks in the Eleventh District continued to increase their holdings of Government securities in the four weeks ended May 14 but reduced holdings of municipal securities. The decline in holdings of these securities apparently reflected, in part, a response to recent reports of the financial difficulties of New York City.

Weak loan demand kept the rise in total bank credit considerably smaller than in comparable periods of the past five years. After strengthening markedly in the previous period, overall loan demand softened again in the four weeks. Business loans declined, as companies made net repayments of funds borrowed for quarterly tax obligations in April.

A sizable inflow of time and savings deposits offset a decline in demand deposits, producing a slight rise in total deposits. In contrast to the pattern in recent months, large CD's outstanding rose sharply. Most of the gain resulted from efforts by some large banks to balance their liability structure by shifting some debt from short-term borrowing of Federal funds to longer-term CD's.

Department store sales in the Eleventh District turned upward from mid-April to mid-May—the first increase since post-Christmas clearance sales ended. Seasonally adjusted, the value of purchases was up 7 percent. Retailers attributed increased buying to an upswing in consumer confidence and to widespread price reductions.

Seasonally adjusted registrations of new cars in the four largest metropolitan counties of Texas rose 12

percent in April. Nevertheless, sales were well below the depressed level a year earlier. Most of the recent strength has stemmed from increased sales of smaller models.

After remaining stable most of the first quarter of 1975, the labor market in the five southwestern states deteriorated in April. Employment in all job categories except government was lower than in March, with the largest reductions in durable goods manufacturing and construction.

As a result, unemployment was up sharply. The number of jobless workers rose 8 percent to a level nearly two-thirds higher than a year before. And the unemployment rate reached 7.2 percent, up from 6.7 percent in March.

The decline in industrial output in Texas appears to have bottomed out. The seasonally adjusted Texas industrial production index, which had trended downward for three months before leveling off in March, rose modestly in April.

In manufacturing, strength was widespread among major industries in the state. But primarily because of substantial declines in the output of chemicals and primary metals, total manufacturing was down from the previous month.

Chemical production has trended downward since late in 1974, as many users have reduced purchases while continuing to liquidate large inventories built up last year. And further cutbacks in the manufacture of reinforcing steel bars, reflecting sluggishness in construction, contributed to restricted production of primary metals.

Mining rose, on the strength of gains in crude oil recovery. The out-

put of utilities was also up slightly, as the distribution of electricity increased.

Agricultural conditions in states of the Eleventh District were generally favorable in May. Planting of cotton, corn, and sorghum, though lagging year-earlier schedules, was progressing well. Seeding of rice in Louisiana and Texas was ahead of schedule and, by mid-May, was nearly completed.

Wheat, oat, and flax harvests, after being delayed by wet weather, were underway in southern areas of the District. Based on May 1 conditions, the winter wheat crop in the five southwestern states had been estimated at 342 million bushels—two-thirds larger than drought-plagued production last year.

Pasture and range conditions were good. Spring rains had improved soil moisture in most of the District. But in South Texas, limited moisture was curtailing grazing.

Cattle feeding was still depressed. Compared with a year earlier, cattle on feed in Texas on May 1 had been reduced by half. And in Arizona, nearly 40 percent fewer head were being fed. Even though the number of cattle and calves slaughtered in the first four months of this year was 45 percent higher than in the same period last year, the live-weight total was 33 percent higher—reflecting a falloff in the average weight of cattle marketed.

After declining for five months, the index of prices received by farmers and ranchers in Texas rose 6 percent in the month ended April 15. Higher prices for wool and mohair and meat animals lifted prices for livestock and livestock
(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	May 14, 1975	Apr. 16, 1975	May 15, 1974	LIABILITIES	May 14, 1975	Apr. 16, 1975	May 15, 1974
Federal funds sold and securities purchased under agreements to resell	1,945,167	1,889,475	1,311,149	Total deposits	16,168,136	16,162,422	14,527,139
Other loans and discounts, gross	10,471,306	10,466,314	10,166,471	Total demand deposits	7,467,365	7,672,636	7,165,416
Commercial and industrial loans	5,061,594	5,081,684	4,510,536	Individuals, partnerships, and corporations	5,461,930	5,604,107	5,139,838
Agricultural loans, excluding CCC certificates of interest	190,645	195,086	273,490	States and political subdivisions	490,626	404,441	543,154
Loans to brokers and dealers for purchasing or carrying:				U.S. Government	56,108	140,509	118,145
U.S. Government securities	200	200	1,264	Banks in the United States	1,280,492	1,309,721	1,181,800
Other securities	27,488	26,835	48,014	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions	3,274	2,622	3,103
U.S. Government securities	2,226	2,334	3,789	Commercial banks	64,394	69,435	62,877
Other securities	388,179	394,543	448,710	Certified and officers' checks, etc.	110,541	141,801	116,499
Loans to nonbank financial institutions:				Total time and savings deposits	8,700,771	8,489,806	7,361,723
Sales finance, personal finance, factors, and other business credit companies	134,961	139,618	156,615	Individuals, partnerships, and corporations:			
Other	588,353	569,145	760,703	Savings deposits	1,297,828	1,273,222	1,158,548
Real estate loans	1,519,107	1,495,489	1,497,064	Other time deposits	4,667,454	4,452,336	4,070,666
Loans to domestic commercial banks	63,532	44,889	45,512	States and political subdivisions	2,343,225	2,401,581	2,017,680
Loans to foreign banks	91,618	88,548	72,370	U.S. Government (including postal savings)	9,724	9,857	7,989
Consumer instalment loans	1,101,941	1,109,270	1,039,665	Banks in the United States	353,872	325,277	80,538
Loans to foreign governments, official institutions, central banks, and international institutions	3	5	17	Foreign:			
Other loans	1,301,459	1,318,668	1,308,722	Governments, official institutions, central banks, and international institutions	23,161	22,133	12,162
Total investments	4,834,296	4,796,629	4,240,139	Commercial banks	5,507	5,400	14,140
Total U.S. Government securities	1,264,325	1,249,044	1,002,433	Federal funds purchased and securities sold under agreements to repurchase	2,902,332	3,020,047	2,898,337
Treasury bills	199,797	198,083	162,003	Other liabilities for borrowed money	56,864	80,917	198,434
Treasury certificates of indebtedness	0	0	0	Other liabilities	631,504	578,629	535,908
Treasury notes and U.S. Government bonds maturing:				Reserves on loans	202,722	204,526	173,711
Within 1 year	227,914	220,847	118,490	Reserves on securities	22,199	22,183	24,288
1 year to 5 years	686,426	692,987	539,345	Total capital accounts	1,474,816	1,457,979	1,319,652
After 5 years	150,188	137,127	182,595	TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	21,458,573	21,526,723	19,677,529
Obligations of states and political subdivisions:							
Tax warrants and short-term notes and bills	104,958	105,121	176,326				
All other	3,106,125	3,140,909	2,776,992				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans	5,450	5,404	44,661				
All other (including corporate stocks)	353,438	296,151	239,727				
Cash items in process of collection	1,486,942	1,547,846	1,612,389				
Reserves with Federal Reserve Bank	1,090,545	1,203,379	882,057				
Currency and coin	131,038	130,306	126,894				
Balances with banks in the United States	448,955	462,694	479,415				
Balances with banks in foreign countries	24,761	27,396	31,175				
Other assets (including investments in subsidiaries not consolidated)	1,025,563	1,002,684	827,840				
TOTAL ASSETS	21,458,573	21,526,723	19,677,529				

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	Apr. 30, 1975	Mar. 26, 1975	Apr. 24, 1974
ASSETS			
Loans and discounts, gross	21,345	22,115	20,465
U.S. Government obligations	2,546	2,296	2,301
Other securities	7,384	7,319	6,592
Reserves with Federal Reserve Bank	1,912	1,762	1,856
Cash in vault	375	374	363
Balances with banks in the United States	1,455	1,406	1,286
Balances with banks in foreign countries ^e	33	36	23
Cash items in process of collection	1,821	1,704	1,614
Other assets ^e	1,884	1,837	1,621
TOTAL ASSETS ^e	38,755	38,849	36,121
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,695	1,721	1,643
Other demand deposits	12,592	12,181	11,937
Time deposits	17,194	17,315	15,116
Total deposits	31,481	31,217	28,696
Borrowings	2,938	3,265	3,543
Other liabilities ^e	1,625	1,682	1,351
Total capital accounts ^e	2,711	2,685	2,531
TOTAL LIABILITIES AND CAPITAL ACCOUNTS ^e	38,755	38,849	36,121

e—Estimated

DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	DEMAND DEPOSITS			TIME DEPOSITS	
	Total	Adjusted ¹	U.S. Government	Total	Savings
1973: April	13,237	9,550	331	13,249	2,855
1974: 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
February	13,956	10,245	150	17,052	3,124
March	14,114	10,349	165	17,177	3,226
April	14,247	10,572	213	17,196	3,325

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 Apr. 30, 1975	4 weeks ended Apr. 2, 1975	4 weeks ended May 1, 1974
Total reserves held	2,022,415	1,995,532	2,017,914
With Federal Reserve Bank	1,674,984	1,660,621	1,693,850
Currency and coin	347,431	334,911	324,064
Required reserves	2,008,628	1,985,320	2,013,092
Excess reserves	13,787	10,212	4,822
Borrowings	4,439	9,915	114,280
Free reserves	9,348	297	-109,458

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			
	Apr. 1975 (Annual-rate basis)	Percent change			Apr. 30, 1975	Annual rate of turnover		
		Apr. 1975 from	Apr. 1974	4 months, 1975 from 1974		Apr. 1975	Mar. 1975	Apr. 1974
ARIZONA: Tucson	\$17,754,739	7%	16%	9%	\$371,318	47.2	44.2	40.6
LOUISIANA: Monroe	6,049,220	1	7	8	127,894	46.9	47.1	44.1
Shreveport	22,662,424	1	18	19	361,154	62.9	64.7	51.1
NEW MEXICO: Roswell ²	1,520,557	3	19	4	52,324	28.3	27.6	23.1
TEXAS: Abilene	4,399,109	5	12	6	142,524	30.0	28.0	25.4
Amarillo	10,833,556	4	-8	-6	251,041	42.4	41.6	46.8
Austin	19,367,470	0	-3	6	381,158	48.2	43.1	51.7
Beaumont-Port Arthur-Orange	11,292,005	8	3	5	350,413	32.3	30.8	34.6
Brownsville-Harlingen-San Benito	4,043,322	2	5	10	128,270	31.5	31.1	29.8
Bryan-College Station	1,973,022	12	3	7	60,905	32.0	28.8	30.7
Corpus Christi	11,938,265	-4	0	2	300,629	39.0	40.3	40.9
Corsicana	783,857	-8	9	10	44,047	17.8	19.9	17.0
Dallas	274,128,116	7	6	6	3,150,723	85.7	79.7	81.9
El Paso	16,073,779	18	16	1	318,603	49.1	39.8	43.7
Fort Worth	40,894,271	-1	3	3	940,851	43.3	43.8	44.2
Galveston-Texas City	5,254,801	5	32	29	147,969	34.7	33.7	28.7
Houston	260,874,082	-3	21	26	3,924,883	65.3	66.8	58.8
Killeen-Temple	2,981,782	14	2	6	124,253	24.5	21.9	24.1
Laredo	2,210,761	11	24	14	71,325	31.2	28.7	27.2
Lubbock	10,492,822	0	2	-16	234,857	43.4	43.3	40.3
McAllen-Pharr-Edinburg	5,069,852	12	27	23	173,011	29.7	27.2	25.5
Midland	4,764,358	13	47	32	218,064	21.6	19.1	16.2
Odessa	3,650,969	0	37	32	133,625	26.5	26.0	23.3
San Angelo	3,157,208	9	19	14	97,884	31.4	29.1	27.8
San Antonio	34,410,098	4	13	11	907,588	37.7	36.0	34.0
Sherman-Denison	1,790,232	19	4	1	87,267	20.5	17.3	20.0
Texarkana (Texas-Arkansas)	2,363,474	-3	9	10	93,218	25.1	26.1	22.8
Tyler	3,800,102	-4	7	16	148,901	25.2	27.3	25.3
Waco	6,036,455	-4	17	21	176,387	35.3	37.6	32.3
Wichita Falls	5,047,880	-10	7	12	181,820	27.7	30.5	28.3
Total—30 centers	\$795,618,588	2%	12%	13%	\$13,702,906	57.3	55.7	53.6

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

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	May 21, 1975	May 22, 1974	Apr. 23, 1975
Total gold certificate reserves	422,062	264,629	1,010,255
Loans to member banks	0	179,683	29,100
Other loans	0	0	0
Federal agency obligations	263,884	119,527	235,748
U.S. Government securities	4,311,707	3,500,214	3,716,045
Total earning assets	4,575,591	3,799,424	3,980,893
Member bank reserve deposits	1,972,160	1,557,918	1,829,059
Federal reserve notes in actual circulation	2,705,572	2,467,527	2,674,191

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	January-April				
	Apr. 1975	Mar. 1975	Feb. 1975	1975	1974r
FIVE SOUTHWESTERN STATES					
Residential building	1,724	1,167	693	4,334	3,591
Nonresidential building	410	325	231	1,230	1,478
Nonbuilding construction	596	619	335	1,869	1,390
United States	718	223	128	1,234	722
Residential building	9,598	6,574	4,955	26,096	28,184
Nonresidential building	3,029	2,316	1,583	8,470	11,860
Nonbuilding construction	2,987	2,402	2,199	9,726	10,015
Total	3,582	1,856	1,172	7,900	6,309

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	Percent change							
	NUMBER				Apr. 1975 from			
	Apr. 1975	4 mos. 1975	Apr. 1975	4 mos. 1975	Mar. 1975	Apr. 1974	4 months, 1975 from 1974	
ARIZONA								
Tucson	552	1,893	\$21,052	\$37,231	265%	228%	19%	
LOUISIANA								
Monroe	93	278	1,367	5,131	59	25	-21	
West Monroe	743	2,139	8,280	18,823	121	-26	-44	
Shreveport								
TEXAS								
Abilene	112	372	6,312	11,384	213	363	149	
Amarillo	311	969	5,632	16,165	31	27	-22	
Austin	527	1,659	13,314	41,761	91	-29	-49	
Beaumont	213	806	2,043	10,213	-52	-86	-55	
Brownsville	111	450	858	2,937	12	-22	-74	
Corpus Christi	268	961	15,331	24,231	848	412	74	
Dallas	1,924	6,203	18,532	91,019	-19	-48	-19	
Denison	90	150	205	826	7	125	23	
El Paso	568	1,646	13,430	45,232	134	-19	-38	
Fort Worth	382	1,364	25,293	48,308	73	-23	-39	
Galveston	62	189	253	1,870	36	-75	-66	
Houston	1,806	7,398	51,874	189,781	17	-20	-19	
Laredo	57	239	480	3,271	-76	170	234	
Lubbock	199	563	8,814	56,109	-78	-3	1	
Midland	117	435	2,226	7,908	0	63	-49	
Odessa	145	445	1,156	7,196	-62	5	-15	
Port Arthur	99	295	274	1,122	-16	50	27	
San Angelo	80	265	1,315	4,371	-2	39	14	
San Antonio	1,494	5,420	13,447	38,405	15	-38	-55	
Sherman	41	117	489	2,006	-13	-31	11	
Texarkana	62	226	597	1,835	64	-4	-15	
Waco	234	784	1,405	4,932	120	-62	-68	
Wichita Falls	121	349	1,125	6,219	-65	-61	17	
Total—26 cities	10,411	35,615	\$215,104	\$678,286	18%	-16%	-27%	

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	Percent change from				
	Apr. 1975	Mar. 1975	Apr. 1974r	Mar. 1974r	Apr. 1974
FOUR SOUTHWESTERN STATES					
STATES	5,880.5	5,882.3	6,361.7	0.0%	-7.6%
Louisiana	1,800.0	1,801.1	2,121.7	-1	-15.2
New Mexico	260.0	261.6	270.9	-6	-4.0
Oklahoma	461.5	450.4	466.0	2.5	-1.0
Texas	3,359.0	3,369.2	3,503.1	-3	-4.1
Gulf Coast	650.3	652.0	687.9	-3	-5.5
West Texas	1,796.3	1,806.7	1,838.0	-6	-2.3
East Texas (proper)	217.7	215.6	201.7	1.0	7.9
Panhandle	58.0	58.0	60.5	0	-4.1
Rest of state	636.7	636.9	715.0	0	-11.0
UNITED STATES	8,389.4	8,394.5	8,952.4	-1%	-6.3%

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	Apr. 1975p	Mar. 1975	Feb. 1975	Apr. 1974
TEXAS				
Total industrial production	133.3	132.9	133.4r	138.2
Manufacturing	138.0	138.4	138.7	143.9
Durable	158.3	157.9	157.6	158.7
Nondurable	123.3	124.3	125.1	133.2
Mining	112.5	110.4	112.6r	117.5
Utilities	169.0	167.7	164.0r	164.9
UNITED STATES				
Total industrial production	109.4	109.8	111.2r	124.9
Manufacturing	107.7	107.8	109.3r	124.8
Durable	102.8	103.0	104.8r	120.7r
Nondurable	114.8	114.8	115.8r	130.4r
Mining	105.9	106.4	107.0r	111.3
Utilities	150.4	150.2	150.5r	148.7

p—Preliminary

r—Revised

SOURCES: Board of Governors of the Federal Reserve System
Federal Reserve Bank of Dallas

products 10 percent over a month before. Even with the upturn in April, however, the index averaged 15 percent lower than a year before. Prices for cotton, food grains, and meat animals had tumbled significantly.

Meanwhile, the index of prices paid by farmers and ranchers moved up 2 percent in April. The index was 11 percent higher than a year earlier, as prices for fertilizer and liming materials—mixed fertilizer and nitrogen, in particular—had increased markedly.

Cash receipts from farm and ranch marketings in states of the District in the first three months of 1975 totaled \$2.1 billion, 28 percent less than a year before. Crop sales were 29 percent lower, while livestock sales were down 26 percent.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States¹

(Seasonally adjusted)

Item	Thousands of persons			Percent change Apr. 1975 from	
	Apr. 1975p	Mar. 1975	Apr. 1974r	Mar. 1975	Apr. 1974
Civilian labor force	9,238.3	9,240.7	8,946.6	0.0%	3.3%
Total employment	8,571.0	8,623.5	8,527.6	-6	59.3
Total unemployment	667.4	617.2	419.0	8.1	2.5
Unemployment rate	7.2%	6.7%	4.7%	1.5	2.5
Total nonagricultural wage and salary employment					
Manufacturing	7,546.0	7,581.0	7,523.4	-5	3
Durable	1,244.6	1,252.5	1,320.4	-6	-5.7
Nondurable	699.4	705.3	745.2	-8	-6.1
Nonmanufacturing	545.2	547.2	575.2	-4	-5.2
Mining	6,301.4	6,328.6	6,203.0	-4	1.6
Construction	266.5	266.8	255.2	-1	4.4
Transportation and public utilities	487.4	500.0	519.6	-2.5	-6.2
Trade	503.9	506.0	512.1	-4	-1.6
Finance	1,808.1	1,814.0	1,776.0	-3	1.8
Service	416.9	420.1	407.8	-8	2.2
Government	1,294.1	1,300.8	1,263.1	-5	2.5
	1,524.5	1,520.9	1,469.1	2%	3.8%

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas

2. Actual change

p—Preliminary

r—Revised

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

SOURCES: State employment agencies

Federal Reserve Bank of Dallas (seasonal adjustment)

WINTER WHEAT PRODUCTION

(Thousand bushels)

Area	1975, indicated May 1	1974	1973
Arizona	20,300	15,510	15,120
Louisiana	550	600	396
New Mexico	10,696	2,835	8,526
Oklahoma	172,500	134,400	157,800
Texas	137,500	52,800	98,600
Total	341,546	206,145	280,442

SOURCE: U.S. Department of Agriculture