Federal Reserve Bank of Dallas

Business Review

July 1975

Border Industries–

Inflation in Mexico and Recession in U.S. Threaten Maquiladora Accomplishments

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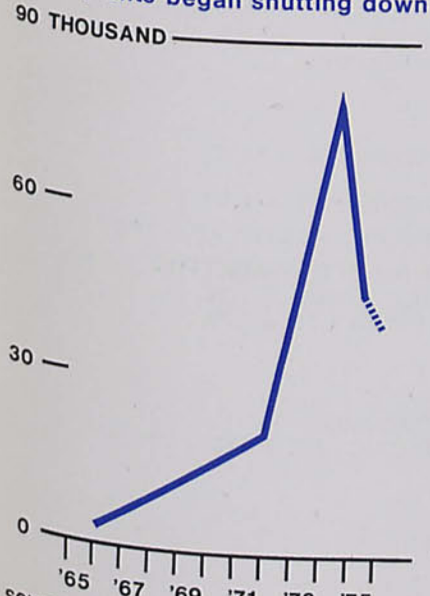
After nearly a decade of uninterrupted growth, Mexico's *maquiladora* industry is suddenly threatened by the coincidence of the downturn in the U.S. economy and the sharp rise in Mexican wages.

Formed as part of Mexico's border industry program to encourage U.S. manufacturers to establish assembly plants just south of the border, the *maquiladora* (twin-plant) industry had gone far in helping relieve that country's chronic unemployment along its northern frontier. Employment in this industry reached a peak of 80,000 last fall.

In October, the U.S. economy was sliding into a full-fledged recession, cutting demand for the consumer goods produced on the border. At the same time, Mexico's latest hike in its minimum pay scale went into effect, boosting wages 22 percent. By April, more than 30 plants had closed and another 60 had made substantial layoffs.

Maquila employment was soaring when plants began shutting down



SOURCE: American Chamber of Commerce of Mexico

As a result, employment in Mexico's twin plants (called *maquilas*) fell to about 45,000 workers. And most plants were further trimming their payrolls by reducing the workweek. All told, cutbacks on the border are believed to represent a loss in wages of 300 million pesos a year–$24 million. And with employment continuing to fall, no more than 40,000 workers are expected to be on *maquila* payrolls at year-end.

Just how critical the situation has become is pointed up in a recent statement by the president of Mexico's coordinating council of the *maquiladora* industry:

> It is a duty of the Coordinating Council and the federal government to find some formula to stabilize the existence of these plants in Mexico. Otherwise, we face the very real risk of seeing the majority of our *maquiladoras* disappear.

And just how important the situation is for states of the Eleventh District is pointed up by the location of these plants. Nearly 60 percent of the plants are across from cities from Brownsville to Tucson–and these are the big plants. Accounting for fully 85 percent of both the investment in the *maquiladora* industry and the value added in twin-plant operations, they provide nearly 75 percent of the employment. Loss of payrolls of these plants would threaten economic development made over the past ten years in cities all along the border–including cities on this side.

Border industry program

Mexico established its border industry program in 1965. Designed to encourage the location of U.S. assembly plants just south of the border, the program was intended to help deal with the high unemployment on Mexico's northern frontier. Always high along the border, unemployment had become especially severe the year before, when the *bracero* program was suspended.

The *bracero* program had been established in 1951, providing a means for Mexicans to enter the United States to do seasonal farm work. Because the lure of higher wages in the United States drew farm workers to border towns in numbers that nearly always exceeded the jobs available, surplus workers tended to stack up at the border, keeping unemployment high all along the northern reaches of Mexico.

When the program was suspended in 1964, roughly 185,000 Mexicans were suddenly thrown out of work in the United States and returned to Mexico. Unemployment along the border soared. And the Mexican government began trying to devise means of putting surplus workers to work.

Actually, Mexico had been slow in taking advantage of its labor costs, low relative to those in the United States, maintaining obstacles that made it almost impossible for a foreign-owned company to locate in that country.

When Japanese manufacturers began making inroads into U.S. markets by underselling domestic producers of labor-intensive goods, U.S. manufacturers turned to the Far East for plant sites.

Only after Mexico's Secretary of Industry and Commerce toured the Far East in early 1965, seeing goods being assembled in American-owned plants for sale in U.S. markets, did the Mexican government move to attract U.S. plants.

Recognizing the benefits to be derived from assembly plants along its northern border, Mexico moved quickly to remove barriers to entry by U.S. companies. Provisions were made for allowing foreign companies to lease land along the border. And by making extensions of leases virtually automatic, the Mexican government was able to sidestep a constitutional prohibition against the foreign ownership of land within 100 kilometers (62 miles) of its borders and coasts.

The custom code was modified to allow machinery and equipment to be imported from the United States duty free, provided the imports were used for assembling products that would be shipped back into the United States. Materials and components to be assembled in Mexico were also exempt from tariffs.

Regulations requiring that Mexican nationals share in the ownership of any foreign-owned plant–joint ownership usually being achieved by selling a negotiated percentage of shares on the Mexican stock exchange–were also waived, allowing foreign ownership of *maquila* plants.

Maquiladora industry

These obstacles removed, twin plants sprang up rapidly along the border. Before the year was out, 12 *maquilas* were operating in Mexico, providing employment for over 3,000 workers. By 1971, there were more than 200 plants, employing 29,000 workers. The peak was reached last year, when 550 *maquilas* employed 80,000 workers.

Investment in the *maquiladora* industry totaled \$63.7 million last year–or 796 million pesos. As large as that amount is, it vastly understates the importance of this industry to Mexico, since–as is usually the case with operations that are highly labor-intensive–these plants use little capital equipment, compared with most manufacturing plants in the United States.

American companies operating in Mexico have estimated that every peso invested in the *maquiladora* industry results annually in 4 pesos of payroll, 6 pesos of exports, and an addition of 12 pesos to the country's output.

Their estimates of the direct payroll from *maquila* plants last year range from \$120 million to \$136 million. These plants exported about \$145 million in value added–which accounted for about 28 percent of Mexico's foreign sales of manufactured goods and 17 percent of its total exports.

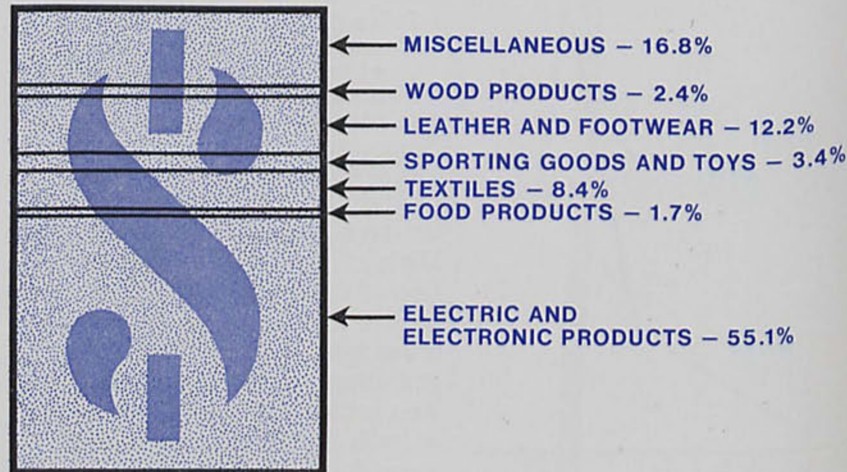
Maquila plants

The *maquiladora* industry is dominated by plants assembling electric and electronic units. Accounting for fully half the investment in *maquilas*, these plants, the largest and best equipped on the border, provide roughly two-thirds of the employment, payroll, and value added.

The next most important plants assemble ready-to-wear garments from pieces cut in the United States. Plants in this category account for nearly a third of the *maquilas*.

Although these two types of plants form the backbone of the *maquiladora* industry–accounting for not only two-thirds of the installations but four-fifths of the workers, payrolls, and value added–other industries are also well

Electric and electronic products account for over half the investment in maquila plants . . .



TOTAL, 1974 – \$63,675,440

SOURCE: Secretary of Industry and Commerce, Mexico represented. These include food processing, furniture, oil field equipment, and transportation equipment, particularly automobile accessories. There are even a few plants that punch computer cards for U.S. businesses.

Almost all the plants are in cities along the border. In the beginning, the border industry program restricted American-owned plants to locations within 12 miles of the border. And while efforts were later made to bring the benefits of industrialization to the interior of Mexico by allowing plants to operate in other areas, 95 percent of the *maquila* plants were still on the border when they began shutting down.

Although the *maquiladora* industry was initiated primarily to make use of the large pools of unemployed male farm workers left on the border when the *bracero* program ended, fully 90 percent of the workers in *maquilas* are women. Most are young, their ages ranging from 16 to 24.

Except for rare instances where need for technical skill or physical strength may give men an edge in employment markets, men are used only on night shifts.

Experience has been that after a short training period, usually one to three months, Mexican women make up a highly efficient work force. In the simple, routine tasks performed in most of these plants, Mexican women are considerably more productive than equivalent labor in the United States. In some plants, their productivity is thought to be 30 percent greater.

Attraction to Americans

The abundance of low-cost labor on the border provided the incentive for American manufacturers to set up *maquila* plants. As a rule, it was figured that a plant was feasible if more than half the cost of production in the United States went for labor.

Companies participating in the border industry program typically manufacture components of their products in this country, making the best possible use of the equipment available at their plants on this side of the border before shipping the components into Mexico for assembly. The product is then returned for sale in the United States.

To hold down transportation costs, many companies established plants to make components on this side of the border directly across from the assembly plant in Mexico–an arrangement that gave rise to the idea of twin plants. Although this was not the arrangement used by all companies–some manufacturing their components hundreds of miles from the border–it had the advantage of allowing the same management team to oversee both stages of production.

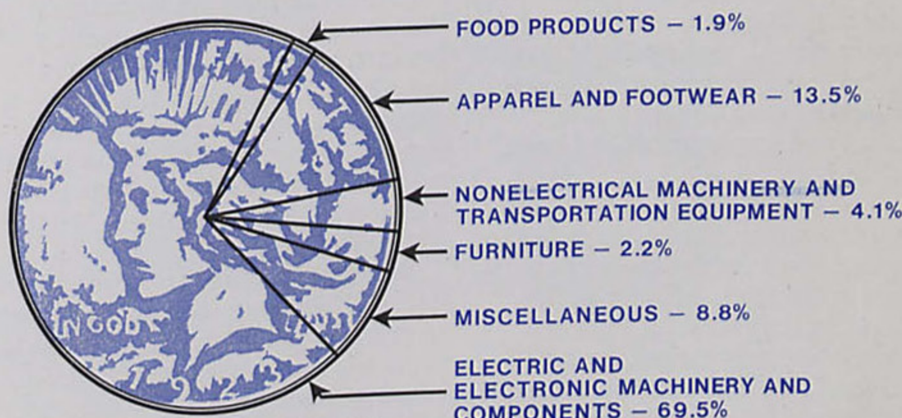
Even with low labor costs, however, foreign assembly operations are feasible only as long as import duties do not offset labor savings. Components are allowed into Mexico in bond, meaning they are imported temporarily, awaiting assembly and return to the United States. As they will not be offered for sale in Mexican markets, they can enter that country duty free.

And under Sections 806.30 and 807.00 of the U.S. tariff schedule, only the value added by foreign processing is subject to import duty when an item produced originally in the United States is returned to this country for sale. As labor costs are fairly low on the border, duties on the work done to increase the value of products at *maquila* plants add comparatively little to total costs. Even so, only products with classifications requiring custom duties of 25 percent or less of the value added are usually considered feasible for foreign assembly.

Year of reversal

Prospects were bright for the *maquiladora* industry as it went into 1974. The value of shipments from *maquila* plants increased 65 percent in both 1972 and 1973,

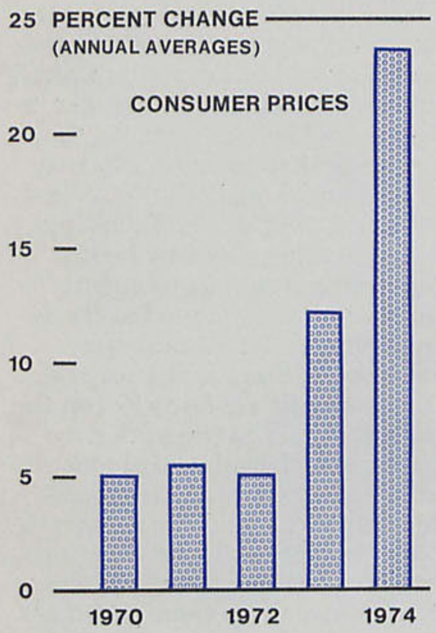
. . . and over two-thirds of the value added



TOTAL, 1974 – $144,975,200

SOURCE: Secretary of Industry and Commerce, Mexico

Prices soar in Mexico . . .



SOURCE: Bank of Mexico

and with roughly the same gain expected in 1974, there was a general belief that the border industry program was just beginning to reach its potential.

By the end of the third quarter, the value of goods returned to the United States was running 60 percent ahead of the value at that time a year before. But in the fourth quarter, two distinct problems surfaced, casting doubts on the future of the program. By year-end, more than 30 plants had closed and employment had been cut in half.

Always dependent on retail sales in this country, the industry began feeling effects of the cyclical downturn in the United States in late 1974. As the recession, particularly in its early stages, impacted primarily on consumer spending, the brunt of the downturn was felt on the border. New orders fell sharply, and cutbacks in production followed almost immediately.

At about the same time, in October, a 22-percent increase in Mexican wage rates became effective. The increase had come as the result of Mexico's inability to bring its wage-price spiral under control.

Until 1970, the Mexican government had been fairly successful in keeping inflation in check. Consumer prices had been going up throughout the previous decade, but the government had been able to hold the rise to an annual average of 4 percent.

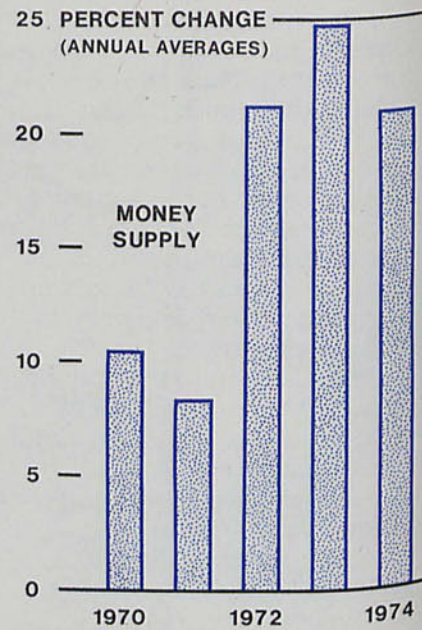
Beginning in 1970, however, prices began rising rapidly, prompting the government to undertake a restrictive economic policy. But the restrictiveness fell more on real growth than on prices. In constant pesos, the country's growth in output slowed to 3 percent in 1971, compared with 7 percent in 1970–which was the average annual growth for the 1960's.

To get the sluggish economy rolling again, policymakers then shifted to an expansionary program, allowing growth in the money supply to accelerate. For the next three years, there was no letup in the stimulus provided the Mexican economy. By 1974, the country's money supply was 84 percent greater than when the expansion began in 1971.

In early 1973, there were signs that the recovery was proceeding too fast, allowing price pressures to build. By the end of the year, consumer prices had risen an average of 12 percent–twice the average rate for the previous three years. Then in 1974, they jumped 24 percent.

Soaring prices led to incessant demand for across-the-board wage increases. And in an effort to preserve the purchasing power of Mexican workers, a series of wage hikes were allowed, pushing minimum wage rates higher and higher. Early this year, the minimum wage along the border averaged 86 percent higher than just two years before.

. . . under stimulative policies designed to spur economic growth



1974 preliminary
SOURCE: Bank of Mexico

Loss of advantages

As labor costs in the *maquiladora* industry soared, American companies with operations on the border reexamined the feasibility of continuing to conduct their assembly operations in Mexico.

In relation to pay scales in the United States, the border industry program had lost none of its attractiveness over the previous two years. In early 1973, minimum wages in principal Mexican cities along the border averaged less than 50 cents an hour, compared with $1.60 in this country. Two years later, they had reached more than 90 cents an hour. But with the minimum wage in the United States now $2.10 an hour, there was an even greater differential than before. Where labor costs could be cut at least $1.10 an hour by conducting assembly operations in Mexico in 1973, they could be cut nearly $1.20 an hour in 1975.

In terms of world labor markets, however, Mexican workers were losing most of the advantages they had offered American manufacturers. In fact, as far as U.S. companies were concerned, they were rapidly pricing themselves out of the market.

American companies looking for foreign locations today receive attractive offers from other Latin American countries and from countries in the Far East. El Salvador, Colombia, and Costa Rica aggressively pursue opportunities to attract labor-intensive operations. And Haiti has invited all twin plants operating in Mexico to relocate in that country. In every case, countries competing with Mexico offer wage rates 50 to 80 percent lower than on the border.

The result has been that established plants are relocating to other countries. An electronics plant in Nuevo Laredo, for example, has moved to the British West Indies. At its peak at Nuevo Laredo, the plant employed 800 workers.

Troublesome outlook

Of conditions affecting the *maquiladora* program, the recession in this country poses the most immediate threat. But in that regard, the situation on the border does not differ substantially from that in other areas, such as Detroit, where local production and employment are tied to demand for consumer goods. With recovery in the general U.S. economy, demand for goods produced on the border can be expected to pick up again.

More important in the long run could be efforts in this country to eliminate provisions of the tariff schedule that make foreign assembly operations possible in the first place—efforts that tie directly to the recession and resulting rise in unemployment. A bill being considered in Congress would eliminate Sections 806.30 and 807.00. A clearly protectionist mood is reflected in the following protest made in the introduction of the bill:

> Many desperately needed jobs are being farmed out by U.S. manufacturers who are able and eager to take advantage of some glaring loopholes in the U.S. tariff schedules.

This interest in protecting American jobs is reminiscent of the mood that resulted in termination of the *bracero* program ten years ago, prompting creation of the *maquiladora* program in the first place. It carries over into one bill that would keep the Government (the nation's biggest buyer) from purchasing goods brought into this country from foreign assembly plants. And the Trade Reform Act passed early this year gives the President discretionary power to suspend imports under provisions of the tariff schedule that make *maquila* plants feasible.

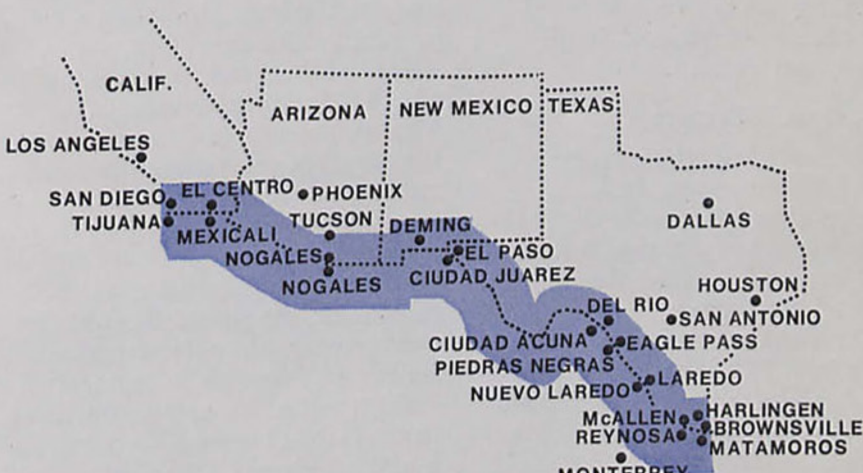
Protectionism in this country could even increase. While the recession that precipitated layoffs here and in Mexico is believed to have reached bottom, this country could face several years of relatively high unemployment rates.

In the final analysis, however—assuming no change in the tariff

MAQUILADORA INDUSTRY IN MEXICO, BY MAJOR CITIES, MID-1974

City	Plants	Workers	Payroll[1]	Value added[1]
Matamoros	45	8,964	$9,358,640	$14,005,200
Reynosa	11	856	711,440	1,626,720
Nuevo Laredo	17	5,516	6,599,200	8,581,280
Piedras Negras	15	3,094	2,817,200	4,801,120
Ciudad Acuna	9	2,374	2,142,560	2,756,800
Ciudad Juarez	89	17,484	21,334,400	37,253,760
Nogales	48	8,517	10,688,320	17,211,840
Mexicali	71	8,714	11,329,920	18,145,120
Tijuana	101	10,024	13,101,920	20,714,880

1. Annual rate
SOURCE: Secretary of Industry and Commerce, Mexico



schedule–the future of the border industry program is closely linked to the ability of Mexico to come to grips with its wage-price spiral.

The danger of continued escalation of Mexican wages was heightened early this year by provisions for annual negotiation of labor contracts. In the past, contracts have been negotiated every two years, which provided at least some dampening to the rise in labor costs. If inflation continues in Mexico, wages could now rise even faster.

If wage rates continue to rise in Mexico, more manufacturers are apt to follow companies that have left Mexico for other countries. Because *maquila* plants contain comparatively little capital equipment, they are highly mobile. One Ciudad Juarez plant completely disappeared last year over a three-day weekend.

A manufacturer with a foreign location has to make sure labor costs are low enough to more than offset transportation costs. And many of the goods produced on the border are the very kind that could be produced in other locations.

It takes considerable labor, for example, to make most electronic equipment, which is fairly inexpensive to ship. It has also been assembled for years in such places as Hong Kong, Singapore, South Korea, and Taiwan.

Impact on both sides

Cutbacks in *maquila* employment have boosted unemployment in Mexico's border cities to the highest levels in ten years–with important implications for cities on both sides of the border.

Termination of the *bracero* program in 1964 added 185,000 jobless workers to the ranks of unemployed on the Mexican side of the border. So far, layoffs at assembly plants on the border have totaled less than a fourth of that. Overall, however, the impact on the Mexican economy could be much greater.

The difference is that, unlike the mass of migrant farm workers thrown into unemployment ten years ago, workers in border assembly plants have become settled members of emerging industrial communities. Although the preponderance of these assembly workers are women, many of them are the only wage earners in their families. And the regular earnings they bring into their households have been working changes along the border that wages of the predominantly male *braceros* never could have brought.

Having come into the mainstream of industrial communities, these workers have learned to depend on regular paychecks. And just as important, the economy, nationally and locally, has learned to depend on them as participating economic units.

They and the plants where they work provide a valuable source of tax revenue in an economy where the government already finances a large part of its operations by borrowing. The plants pay sales taxes on the value added by assembling American goods. And employees pay a 5-percent payroll tax into a workers' housing fund and a 1-percent tax for education.

Loss of these tax revenues could add to inflationary pressures in Mexico. From 1972 through 1974, the Mexican government financed more than a fourth of its expenditures by borrowing. Roughly the same deficit was forecast for this year, but with plants closing on the border, the shortfall could be even greater. *Maquila* plants have accounted for some of the most stable production and employment in the country outside Mexico City and the Federal District.

Employment at *maquila* plants has also been working basic changes in local economies along the border. With more of the local labor force having dependable incomes and stable employment records, for example, arrangements for consumer credit have developed, allowing purchases of such big-ticket items as cars and household appliances.

Auto sales have been especially important in these border cities. Unlike many consumer goods that are bought freely on both sides of the border, almost all automobiles are bought from Mexican dealers. In addition to problems of financing Mexican purchases of consumer goods in the United States, there are nearly prohibitive import duties on automobiles in Mexico that keep their purchases pretty well on that side of the border. Thus, with the greater availability of credit in border cities, Mexican auto dealers have seen a marked improvement in sales.

All these economic developments come as part of significant social changes in Mexico that could be set back by curtailment of the *maquiladora* industry. Plant workers, for example, participate in a social security program that makes their families eligible for medical and other services that would be lost if they were unemployed.

But the Eleventh District does not escape implications of the slowdown on the Mexican side. The Mexican Embassy estimates, for example, that 60,000 U.S. workers are dependent on work in *maquila* plants. And more than half these workers are probably in states of the District. In El Paso alone, manufacturing of parts for assembly in *maquila* plants accounts for 2,500 industrial jobs.

And as the *maquila* plants are almost totally dependent on U.S. suppliers for materials and equipment, one of the byproducts of the border industry program has been the development of an industry, located almost exclusively in the United States, to service and supply assembly plants in Mexico. These businesses, mostly supply houses and repair shops, face the prospect of having to trim their payrolls as *maquila* plants cut back on their operations. Workers engaged in these support functions in El Paso number in the thousands.

Moreover, retail sales in almost all U.S. cities on the border are closely tied to incomes in northern Mexico. That is especially true for some cities, such as El Paso, where commuters from Ciudad Juarez spend more than three-fourths of their paychecks. For that reason, the slowdown in *maquila* employment is apt to impact more on some American merchants than on their counterparts across the border.

All told, the 80,000 Mexican workers in *maquila* plants at the peak of employment supported as many as 600,000 dependents. And most of the goods and services these people bought were provided by merchants in the Eleventh District.

In a slightly different context, the flow of illegal aliens across the border is expected to increase as employment declines in northern Mexico. This flow–which led to allowing *braceros* into the United States under a controlled program in the first place–is directly related to the availability of jobs for low-skill workers in both countries. Always a problem, illegal immigration should be taken into account now as a new mood of protectionism threatens to increase the growing problems of maintaining employment on the border. Already, the Justice Department estimates there are 500,000 illegal aliens in Texas alone.

There is a long history of income and employment problems on the border. And these problems are significant on both sides.

The *maquiladora* industry has suffered a serious setback. With loss of the competitive advantage of plants in Mexico to labor markets in other parts of the world, service industries and retail establishments across the southern reaches of the Eleventh District have also suffered setbacks.

The protectionism being promoted by suggestions to amend U.S. tariff schedules would totally negate Mexico's *maquiladora* industry. These suggestions are made without appreciation that this industry represents only the latest effort to alleviate high unemployment in a region plagued by persistent poverty on both sides of the border.

–Myron T. Butler

New member banks

Central National Bank, Arlington, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business June 9, 1975, as a member of the Federal Reserve System. The new member bank opened with capital of $400,000, surplus of $400,000, and undivided profits of $200,000. The officers are: Marvin M. Stetler, Chairman of the Board; Harold E. Patterson, President; and Nathan L. Robinett, Vice President and Cashier.

National Bank of Grand Prairie, Grand Prairie, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business June 13, 1975, as a member of the Federal Reserve System. The new member bank opened with capital of $300,000, surplus of $300,000, and undivided profits of $400,000. The officers are: John J. Tidwell, President, and Frederic W. Heinke, Vice President and Cashier.

New par bank

American State Bank, Fort Worth, Texas, a newly organized insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business June 19, 1975, remitting at par. The officers are: Elwood McKinney, President and Chief Executive Officer; Ross B. Hood, Jr., Vice President and Cashier; Greg Wilemon, Vice President (Inactive); Mildred Bell, Assistant Cashier; and Joyce Byrom, Assistant Cashier.

Research Department
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Statistical Supplement to the Business Review

Principally because of prolonged slumps in the automobile and construction industries, production of primary metals in Texas fell sharply in the first half of this year. By June, output had fallen about a third from the peak reached in November.

A significant drop in aluminum production this year has been aggravated by weakness in the automobile industry. Intermediate aluminum products, in addition to being primary building materials, are used in the manufacture of new cars.

Sharply lower demand for aluminum has impacted on payrolls. Several plants have been forced to close, and other facilities have made substantial layoffs.

Weakness in commercial and residential building has also dampened output of other primary metals. Some manufacturers of reinforcing steel bars have cut production as much as 40 percent.

Prospects for an upturn in production of primary metals in the second half of 1975 are not good. The boom in the manufacture of oil field equipment (including pipe)—which has bolstered the output of metals—appears to be slowing, indicating that production could decline further.

Orders to steel companies that supply producers of oil field equipment have declined in recent weeks. And one large steel mill in Houston, which had a large backlog of orders last year, will have liquidated its backlog by the end of the summer.

Producers of natural gas in Texas have been selling as much new gas as possible within the state, taking advantage of a price structure that favors servicing intrastate markets.

As a result, natural gas has been readily available to users in Texas, even though production in the state is declining. Where Texas consumed about half its natural gas output ten years ago, it now uses about three-fifths.

New intrastate gas, the price of which is not regulated, has been selling for about $1.90 a thousand cubic feet. By contrast, new interstate gas, which is regulated by the Federal Power Commission, has been selling for about 55 cents a thousand.

Areas of the Eleventh District that use interstate gas have been faced with shortages. Earlier this year, for example, the utility company that supplies Tucson with gas announced a moratorium on new connections. And by granting a substantial rate hike for gas service—which enabled one utility company to purchase intrastate gas—El Paso narrowly forestalled a similar moratorium.

A large supplier of interstate gas has been meeting commitments by buying gas from intrastate suppliers on a short-term basis. Strong seasonal demands or an economic recovery could strengthen the demand for gas, however, drying up short-term contracts.

Supplies of natural gas have been dwindling. In Texas, where slightly over a third of the nation's gas is produced, output has fallen about a fourth from peak levels in 1972. And despite an increase in new discoveries, production is continuing to fall.

Other highlights:

- Weekly reporting banks in the Eleventh District made substantial acquisitions of Government and municipal securities in the five weeks ended June 18. Weakness in loan demand was broadly based, although for the first time this year, consumer loans rose about in line with seasonal expectations. The overall rise in total bank credit was smaller than the average increase in comparable periods of the past five years.
- Reflecting sharp improvement in fed cattle prices this spring, the number of cattle placed on feed in Texas in May was 19 percent higher than in May 1974. But despite increased placements, the number of head on feed on June 1 was down 800,000 from the 1.9 million head a year earlier.
- The labor market in the five southwestern states continued to deteriorate in May as total employment declined more rapidly than the civilian labor force. As a result, the unemployment rate reached 7.4 percent—up from 7.2 percent in April. The decline in employment continued to be most severe for the construction industry and durable goods manufacturing, especially primary metals.
- Cash receipts from farm and ranch marketings in states of the Eleventh District in the first four months of this year were 27 percent less than in the same period last year. The drop mainly reflected steep declines in prices for both crops and livestock and livestock products.
- After advancing 1.8 percent in the previous three months, the consumer price index for Dallas slowed in March-May, increasing 1.2 percent. Much of the rise in prices stemmed from higher costs for private transportation—used cars and gasoline. The index was 8.9 percent higher than a year before.

(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	June 18, 1975	May 14, 1975	June 12, 1974
Federal funds sold and securities purchased under agreements to resell	1,559,174	1,945,167	1,506,733
Other loans and discounts, gross	10,450,045	10,471,306	10,256,438
Commercial and industrial loans	5,018,132	5,061,594	4,579,648
Agricultural loans, excluding CCC certificates of interest	185,575	190,645	263,734
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	1,222	200	1,263
Other securities	23,332	27,488	48,915
Other loans for purchasing or carrying:			
U.S. Government securities	2,023	2,226	3,851
Other securities	380,454	388,179	447,382
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	164,997	134,961	145,976
Other	581,738	588,353	754,637
Real estate loans	1,501,380	1,519,107	1,529,214
Loans to domestic commercial banks	64,651	63,532	46,037
Loans to foreign banks	86,180	91,618	70,939
Consumer instalment loans	1,110,718	1,101,941	1,045,389
Loans to foreign governments, official institutions, central banks, and international institutions	0	3	127
Other loans	1,329,643	1,301,459	1,319,326
Total investments	5,035,123	4,834,296	4,212,632
Total U.S. Government securities	1,393,359	1,264,325	956,514
Treasury bills	269,433	199,797	114,035
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	221,202	227,914	136,028
1 year to 5 years	757,047	686,426	529,747
After 5 years	145,677	150,188	176,704
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	105,948	104,958	177,564
All other	3,202,443	3,106,125	2,792,375
Other bonds, corporate stocks, and securities:			
Certificates representing participations in federal agency loans	12,420	5,450	9,920
All other (including corporate stocks)	320,953	353,438	276,259
Cash items in process of collection	1,493,004	1,486,942	1,500,440
Reserves with Federal Reserve Bank	1,236,541	1,090,545	804,057
Currency and coin	131,110	131,038	130,515
Balances with banks in the United States	604,511	448,955	446,925
Balances with banks in foreign countries	53,201	24,761	35,438
Other assets (including investments in subsidiaries not consolidated)	991,421	1,025,563	859,586
TOTAL ASSETS	21,554,130	21,458,573	19,752,764

LIABILITIES	June 18, 1975	May 14, 1975	June 12, 1974
Total deposits	16,231,460	16,168,136	14,601,928
Total demand deposits	7,628,346	7,467,365	7,048,206
Individuals, partnerships, and corporations	5,533,835	5,461,930	5,189,892
States and political subdivisions	380,296	490,626	438,208
U.S. Government	262,491	56,108	62,745
Banks in the United States	1,280,598	1,280,492	1,177,713
Foreign:			
Governments, official institutions, central banks, and international institutions	3,612	3,274	1,924
Commercial banks	54,861	64,394	65,631
Certified and officers' checks, etc.	112,653	110,541	112,093
Total time and savings deposits	8,603,114	8,700,771	7,553,722
Individuals, partnerships, and corporations:			
Savings deposits	1,342,203	1,297,828	1,157,709
Other time deposits	4,582,817	4,667,454	4,209,691
States and political subdivisions	2,275,037	2,343,225	2,066,475
U.S. Government (including postal savings)	9,630	9,724	7,177
Banks in the United States	366,180	353,872	86,087
Foreign:			
Governments, official institutions, central banks, and international institutions	23,240	23,161	13,261
Commercial banks	4,007	5,507	13,322
Federal funds purchased and securities sold under agreements to repurchase	2,925,722	2,902,332	2,871,264
Other liabilities for borrowed money	54,199	56,864	166,803
Other liabilities	633,455	631,504	573,267
Reserves on loans	202,566	202,722	179,607
Reserves on securities	22,165	22,199	19,437
Total capital accounts	1,484,563	1,474,816	1,340,458
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	21,554,130	21,458,573	19,752,764

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	June 4, 1975	Apr. 30, 1975	June 26, 1974
ASSETS			
Loans and discounts, gross	22,040	21,345	20,817
U.S. Government obligations	2,586	2,546	2,154
Other securities	7,325	7,384	6,813
Reserves with Federal Reserve Bank	1,588	1,912	1,613
Cash in vault	324	375	380
Balances with banks in the United States	1,535	1,455	1,254
Balances with banks in foreign countries e	50	33	46
Cash items in process of collection	1,859	1,821	1,767
Other assets e	1,941	1,884	1,576
TOTAL ASSETS e	39,248	38,755	36,420
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,935	1,695	1,655
Other demand deposits	12,478	12,592	11,948
Time deposits	17,347	17,194	15,384
Total deposits	31,760	31,481	28,987
Borrowings	2,974	2,938	3,329
Other liabilities e	1,801	1,625	1,541
Total capital accounts e	2,713	2,711	2,563
TOTAL LIABILITIES AND CAPITAL ACCOUNTS e	39,248	38,755	36,420

e—Estimated

DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

	DEMAND DEPOSITS			TIME DEPOSITS	
Date	Total	Adjusted[1]	U.S. Government	Total	Savings
1973: May	13,136	9,502	341	13,336	2,859
1974: 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
May	14,106	10,374	195	17,303	3,348

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

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	5 weeks ended June 4, 1975	4 weeks ended Apr. 30, 1975	5 weeks ended June 5, 1974
Total reserves held	1,989,038	2,022,415	1,944,878
With Federal Reserve Bank	1,655,666	1,674,984	1,624,941
Currency and coin	333,372	347,431	319,937
Required reserves	1,977,334	2,008,628	1,963,935
Excess reserves	11,704	13,787	−19,057
Borrowings	1,651	4,439	126,241
Free reserves	10,053	9,348	−145,298

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

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS[1]				DEMAND DEPOSITS[1]			
		Percent change				Annual rate of turnover		
		May 1975 from						
	May 1975 (Annual-rate basis)	Apr. 1975	May 1974	5 months, 1975 from 1974	May 31, 1975	May 1975	Apr. 1975	May 1974
ARIZONA: Tucson	$19,716,584	11%	19%	11%	$383,228	52.3	47.2	45.2
LOUISIANA: Monroe	5,689,019	−6	10	9	133,745	43.5	46.9	40.5
Shreveport	26,543,989	17	23	20	368,454	72.8	62.9	57.1
NEW MEXICO: Roswell[2]	1,652,924	9	8	4	62,544	28.8	28.3	28.7
TEXAS: Abilene	4,500,800	2	7	7	158,266	29.9	30.0	26.8
Amarillo	11,534,755	6	−4	−6	277,361	43.7	42.4	47.6
Austin	22,115,928	14	18	9	452,490	53.1	48.2	45.4
Beaumont-Port Arthur-Orange	10,427,197	−8	4	5	349,241	29.8	32.3	31.4
Brownsville-Harlingen-San Benito	4,657,272	15	12	10	142,193	34.4	31.5	31.7
Bryan-College Station	1,937,074	−2	12	8	60,805	31.8	32.0	27.5
Corpus Christi	11,104,777	−7	−1	1	335,366	34.9	39.0	37.5
Corsicana[2]	789,893	1	3	8	43,928	18.0	17.8	17.9
Dallas	241,896,323	−12	−13	2	3,302,040	75.0	85.7	87.5
El Paso	14,916,371	−7	13	4	349,783	44.6	49.1	41.6
Fort Worth	38,637,794	−6	0	2	984,753	40.1	43.3	43.0
Galveston-Texas City	4,603,856	−12	11	25	152,872	30.6	34.7	30.1
Houston	247,639,577	−5	13	23	4,111,846	61.6	65.3	58.8
Killeen-Temple	2,858,365	−4	9	6	128,464	22.6	24.5	21.6
Laredo	2,001,240	−9	1	11	74,873	27.4	31.2	29.7
Lubbock	11,238,652	7	14	−11	244,056	46.9	43.4	39.4
McAllen-Pharr-Edinburg	4,879,973	−4	28	24	178,948	27.7	29.7	23.9
Midland	4,468,888	−6	21	30	219,908	20.4	21.6	18.1
Odessa	3,707,866	2	38	34	141,090	27.0	26.5	23.1
San Angelo	2,982,598	−6	12	14	104,648	29.5	31.4	28.3
San Antonio	33,380,411	−3	10	10	940,127	36.1	37.7	33.6
Sherman-Denison	1,872,787	5	9	3	89,269	21.2	20.5	19.9
Texarkana (Texas-Arkansas)	2,326,355	−2	11	10	92,755	25.0	25.1	22.6
Tyler	3,833,783	1	6	14	148,637	25.8	25.2	25.6
Waco	6,174,395	2	10	18	170,553	35.6	35.3	34.9
Wichita Falls	4,840,199	−4	0	10	185,759	26.3	27.7	27.6
Total—30 centers	$752,929,645	−5%	2%	10%	$14,388,002	53.6	57.3	54.8

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	Jun. 25, 1975	Jun. 26, 1974	May 21, 1975
Total gold certificate reserves	422,062	470,160	422,062
Loans to member banks	30,340	75,871	0
Other loans	0	0	0
Federal agency obligations	259,945	112,626	263,884
U.S. Government securities	4,276,461	3,508,905	4,311,707
Total earning assets	4,566,746	3,697,402	4,575,591
Member bank reserve deposits	1,642,521	1,612,911	1,972,160
Federal reserve notes in actual circulation	2,742,670	2,514,054	2,705,572

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	May 1975	Apr. 1975	Mar. 1975	January—May	
				1975	1974
FIVE SOUTHWESTERN STATES[1]	1,691	1,724	1,167	6,022	4,791r
Residential building	366	410	325	1,600	1,946r
Nonresidential building	618	596	619	2,481	1,895r
Nonbuilding construction	707	718	223	1,941	951
UNITED STATES	9,143	9,598	6,574	35,134	38,158r
Residential building	3,073	3,029	2,316	11,522	15,637r
Nonresidential building	2,877	2,987	2,402	12,539	13,080r
Nonbuilding construction	3,193	3,582	1,856	11,074	9,441r

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

r—Revised

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

SOURCE: F. W. Dodge, McGraw-Hill, Inc.

BUILDING PERMITS

Area	NUMBER		VALUATION (Dollar amounts in thousands)				
					Percent change		
					May 1975 from		
	May 1975	5 mos. 1975	May 1975	5 mos. 1975	Apr. 1975	May 1974	5 months, 1975 from 1974
ARIZONA							
Tucson	577	2,470	$6,298	$43,529	−71%	−36%	6%
LOUISIANA							
Monroe-West Monroe	73	351	918	6,049	−33	−21	−21
Shreveport	987	3,126	5,509	24,332	−34	6	−37
TEXAS							
Abilene	122	494	1,907	13,291	−70	21	116
Amarillo	332	1,301	6,485	22,650	15	57	−9
Austin	500	2,159	11,538	53,299	−14	−18	−45
Beaumont	223	1,029	5,028	15,241	146	170	−38
Brownsville	130	580	1,841	4,778	114	117	−62
Corpus Christi	250	1,211	3,649	27,880	−77	−80	−13
Dallas	1,960	8,163	14,170	105,189	−24	−68	−33
Denison	56	206	438	1,264	113	168	51
El Paso	570	2,216	8,605	53,837	−36	−54	−41
Fort Worth	429	1,793	12,321	60,629	−52	75	−30
Galveston	45	234	419	2,289	65	−99	−92
Houston	1,726	9,124	28,919	218,700	−45	−67	−32
Laredo	40	279	370	3,641	−23	−75	50
Lubbock	190	753	6,645	62,754	−25	−12	−1
Midland	118	553	1,392	9,300	−38	19	−45
Odessa	149	594	2,896	10,092	150	229	7
Port Arthur	119	414	383	1,505	39	60	34
San Angelo	58	323	1,859	6,230	41	128	34
San Antonio	1,557	6,977	20,418	58,823	51	55	−40
Sherman	35	152	285	2,291	−42	−81	−31
Texarkana	62	288	344	2,179	−43	−52	−25
Waco	254	1,038	1,718	6,650	22	−40	−64
Wichita Falls	90	439	736	6,955	−35	−60	−3
Total—26 cities	10,652	46,267	$145,091	$823,377	−33%	−46%	−31%

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	May 1975	Apr. 1975	May 1974r	Percent change from Apr. 1975	Percent change from May 1974
FOUR SOUTHWESTERN STATES	5,902.1	5,880.5	6,324.5	0.4%	−6.7%
Louisiana	1,840.5	1,800.0	2,080.9	2.3	−11.6
New Mexico	256.3	260.0	272.1	−1.4	−5.8
Oklahoma	448.9	461.5	493.8	−2.7	−9.1
Texas	3,356.4	3,359.0	3,477.7	−.1	−3.5
Gulf Coast	649.8	650.3	686.9	−.1	−5.4
West Texas	1,798.6	1,796.3	1,826.3	.1	−1.5
East Texas (proper)	214.9	217.7	200.6	−1.3	7.1
Panhandle	57.9	58.0	59.3	−.2	2.4
Rest of state	635.2	636.7	704.6	−.2	−9.8
UNITED STATES	8,422.1	8,389.4	8,902.9	.4%	−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[1]

(Seasonally adjusted)

Item	Thousands of persons May 1975p	Apr. 1975	May 1974r	Percent change May 1975 from Apr. 1975	May 1974
Civilian labor force	9,206.1	9,240.0	8,997.5	−0.4%	2.3%
Total employment	8,521.4	8,572.3	8,569.0	−.6	−.6
Total unemployment	684.7	667.7	428.4	2.6	59.8
Unemployment rate	7.4%	7.2%	4.8%	[2].2	[2]2.6
Total nonagricultural wage and salary employment	7,531.7	7,546.9	7,507.4	−.2	.3
Manufacturing	1,242.2	1,244.6	1,315.5	−.2	−5.6
Durable	695.2	699.4	740.4	−.6	−6.1
Nondurable	546.9	545.2	575.1	.3	−4.9
Nonmanufacturing	6,289.5	6,302.3	6,191.9	−.2	1.6
Mining	267.2	266.5	257.4	.3	3.8
Construction	478.2	487.7	509.6	−1.9	−6.2
Transportation and public utilities	502.8	504.6	510.2	−.4	−1.5
Trade	1,805.4	1,807.7	1,773.8	−.1	1.8
Finance	417.6	417.4	407.4	.1	2.5
Service	1,293.3	1,294.7	1,258.6	−.1	2.8
Government	8,521.4	8,572.3	8,569.0	−.6%	−.6%

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

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	May 1975p	Apr. 1975	Mar. 1975	May 1974
TEXAS				
Total industrial production	132.8	133.1	133.3r	140.4
Manufacturing	137.5	138.0	138.4	145.6
Durable	158.7	158.3	157.9	160.4
Nondurable	122.2	123.3	124.3	134.9
Mining	113.2	112.6	112.9r	117.8
Utilities	163.9	165.7	163.6r	178.9
UNITED STATES				
Total industrial production	109.2	109.5	109.8	125.7
Manufacturing	107.3	107.5	107.6r	125.7r
Durable	101.2	102.7	103.0	122.1r
Nondurable	116.0	114.6	114.2r	130.9r
Mining	107.8	108.6	109.3r	111.0r
Utilities	149.4	149.7	150.6r	149.1r

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

TOTAL OIL WELLS DRILLED

Area	First quarter 1975	Fourth quarter 1974	Percent change, first quarter 1975 from Fourth quarter 1974	First quarter 1974
FOUR SOUTHWESTERN STATES	2,090	1,498	14.4%	39.5%
Louisiana	224	185	—	21.1
Offshore	45	58	21.6	−22.4
Onshore	179	127	−4.3	40.9
New Mexico	115	64	13.9	79.7
Oklahoma	403	211	8.9	91.0
Texas	1,348	1,038	19.1	29.9
Offshore	0	1	—	—
Onshore	1,348	1,037	19.1	30.0
UNITED STATES	3,738	2,590	3.1%	44.3%

SOURCE: American Petroleum Institute

• Measured by the value of construction contracts, building in the five southwestern states has increased sharply since the beginning of the year. Contracts in May totaled $1.4 billion, more than twice the level in January. Most of the gain has been in total nonresidential construction, which also doubled. Construction of two electric utility plants—each projected to cost about $500 million—and manufacturing facilities on the Texas Gulf Coast has boosted the volume of contracts.

• The number of cattle and calves slaughtered in Texas in the first five months of this year was 43 percent higher than in the same period last year. The gain stemmed from increased marketings of cows and grass-fed calves.