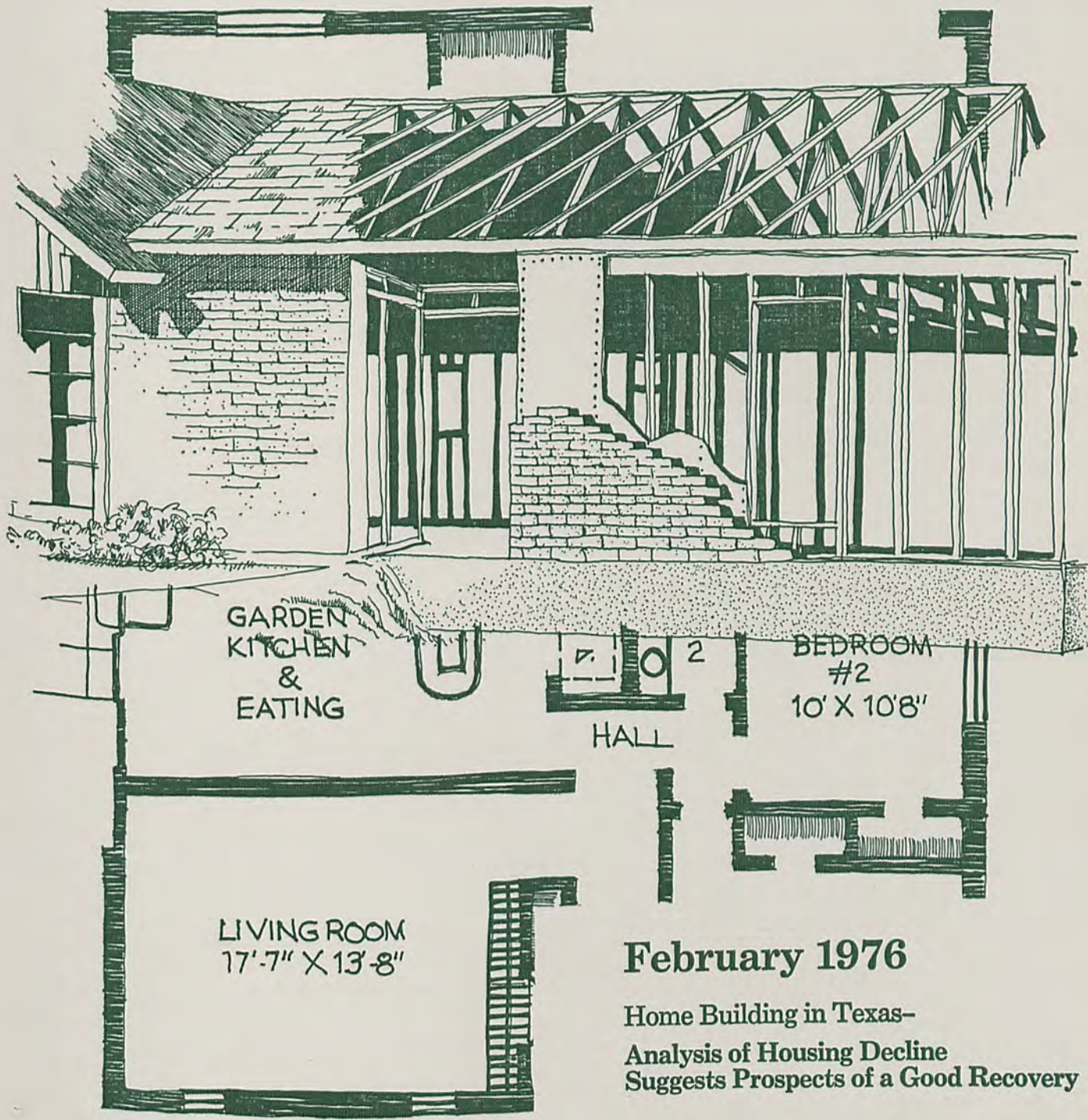


# Business Review



**February 1976**

**Home Building in Texas—  
Analysis of Housing Decline  
Suggests Prospects of a Good Recovery**



# Analysis of Housing Decline Suggests Prospects of a Good Recovery

The deep recession in construction of single-family homes in Texas from 1971 to 1975 has raised some doubts about the marketability of the type of housing being built. However, an analysis of the nature of the decline and the strength of the recovery last year suggests that, rather than indicating a dying industry, the recent slump in home building was, in basic respects, a fairly typical cyclical swing.

Two developments, the severity of the slump and the rise in new home prices, have led to the belief that the downswing was something more than a normal cyclical decline. The contraction was, indeed, unusually severe. Single-family housing starts fell 48 percent from December 1971 to January 1975—their most severe decline in the postwar period. But that was mainly because of the phasing out of the FHA-235 program, which had pushed housing starts up rapidly in 1970 and 1971. Excluding FHA-235 starts, the decline produced by the tightening of mortgage markets beginning in late 1972 was not unusually large.

The average price of new homes rose at an annual rate of 24 percent over the 12-month period ended March 1975, or roughly three times faster than the rise in per capita income in the state. As a result, some observers have concluded that an increasingly large segment of households has been priced out of the new home market, which, of course, would prevent a substantial recovery in overall residential construction.

But this sharp run-up in average prices of new homes was more sta-

tistical than real. As measured by the average prices of homes sold, prices for new homes generally rise rapidly during housing slumps, largely because of the effect of tight credit on the composition of new home sales. That is, as mortgage lending terms tighten, buyers limited by their income to less expensive homes are more apt to

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**Rather than indicating a dying industry, the recent slump in home building was, in basic respects, a fairly typical cyclical swing.**

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be squeezed out of the market than the wealthier buyers, who usually buy the larger and higher-priced homes. This change in the composition of the homes sold overstates the rise in new home prices overall.

Home building in Texas showed a strong response to the easing of mortgage terms in 1975, with housing starts increasing almost 50 percent from January to October. The recovery was also bolstered by a tight market for apartment space.

## Severity of housing slump

Any analysis of the recent slump in home building must consider the impact of the FHA-235 program on the preceding expansion. In 1970 and 1971, starts of single-family houses in the state nearly doubled, bringing home building to the highest level since the late 1950's.

The magnitude of this unusually large expansion can be seen

through a comparison with the two previous cyclical upturns in housing. After the recession in home building in 1959-60, housing starts increased 20 percent from trough to peak. And following the home building slump of 1966, starts rose 50 percent.

A major reason for the strong expansion of single-family home building in 1970-71 was passage of the Housing and Urban Development Act in 1968. Section 235 of the act, by subsidizing mortgage rates—down to as low as 1 percent—and allowing families to make downpayments as small as \$200, provided an opportunity for families with modest incomes to purchase single-family homes.

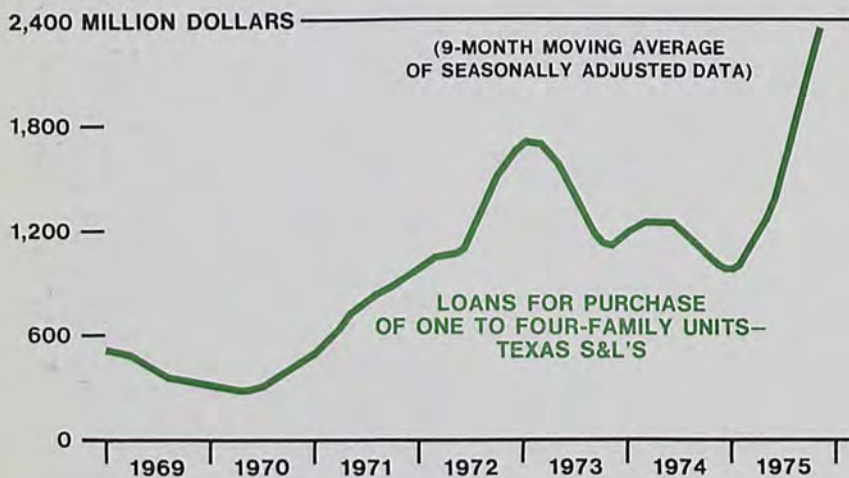
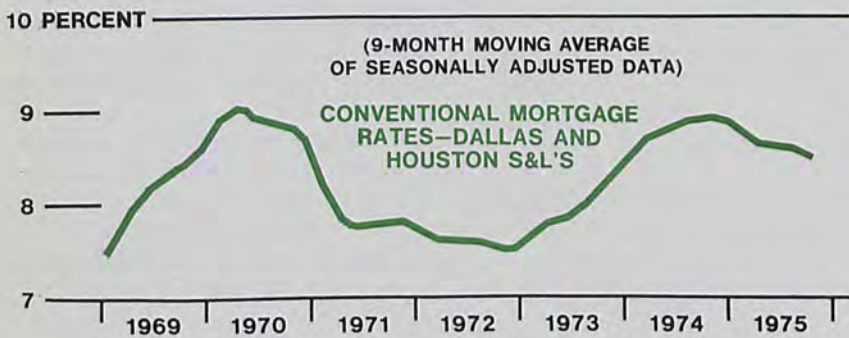
In 1970, over 7,000 FHA-235 homes were started in the state. And the following year, the program peaked when construction was begun on slightly over 12,000 units. In those two years, one of every four single-family homes built in Texas was a 235 home.

Housing starts under the program began declining rapidly after 1971, falling roughly a third in 1972 and 1973. And in 1974, only 52 FHA-235 homes were built. Although the program had been suspended by President Nixon in early 1973, construction of FHA-235 homes did not end immediately since subsidy commitments that were made when the program was still in effect were honored.

The FHA-235 program was suspended because it was "unworkable and abuse-ridden." One of the chief complaints critics voiced about the program was that families that were too poor to bear maintenance



**Deposit Inflows and Lending Activity  
At Texas Savings and Loan Associations**



SOURCES: Federal Home Loan Bank Board  
Federal Home Loan Bank of Little Rock

and operating costs were enabled to purchase homes.

If FHA-235 homes are subtracted from total housing starts in Texas, the magnitude of the expansion in the early 1970's—and, thus, of the subsequent decline—is significantly reduced. After removal of FHA-235 starts, the decline in single-family home building from December 1971 to January 1975—37 percent—was in line with the three previous housing recessions. In the housing slumps of 1959-60, 1966, and 1969, housing starts in the state fell between 36 percent and 38 percent.

**Housing downswing**

Removal of the FHA-235 starts provides a better picture of the underlying housing cycle in Texas during recent years.

**If FHA-235 homes are subtracted from total housing starts in Texas, the magnitude of the expansion in the early 1970's—and, thus, of the subsequent decline—is significantly reduced.**

Home building is generally a countercyclical industry. That means swings in housing construction usually precede cyclical movements in the overall economy. For example, while aggregate economic activity is still expanding, home building turns downward.

That was the case in Texas for the latest downswing. Housing starts (excluding 235 homes) began slowing in 1972, two years before the general recession began.

The falloff in housing activity that year occurred in two phases. Home building slowed modestly early in the year. Then, residential construction leveled off until December, when starts began a steep and prolonged decline. As is



usually the case, the countercyclical movement in home building stemmed from financial forces.

During the late stages of an expansion in aggregate business activity, demand for credit grows rapidly. The resulting strain on credit markets causes short-term interest rates to rise. When money market rates rise above the rates savings and loan associations pay, many savers withdraw their deposits and invest in money market instruments bearing higher rates of return. This process, called *disintermediation*, reduces the flow of funds to the housing industry from its main source.

Money market rates began climbing steadily in early 1972. And by the third quarter, savings and loan associations in Texas were experiencing disintermediation. Although savings inflows remained fairly constant, deposit withdrawals accelerated sharply.

This was reflected by one of the chief measures of disintermediation—the ratio of withdrawals

relative to new savings at thrift institutions. For savings and loan associations in Texas, this ratio rose steadily, from 53 percent in August 1972 to 84 percent in July 1974. The rise indicated a slowdown in net deposit inflows.

Mortgage lenders respond to slower deposit growth by tightening credit qualifications and loan terms, including raising loan rates. They began tightening lending terms in late 1972. Conventional mortgage rates in Dallas and Houston, for example, rose steadily over the next two years. In November 1972, rates in those two cities averaged slightly less than 7½ percent. In November 1974, they peaked at nearly 9 percent.

Changes in mortgage lending terms have a strong impact on the ability of potential home buyers to purchase homes. Because the size of a monthly mortgage payment is large compared with the income of most households, even a slight increase in mortgage costs slows home sales. And builders, faced

with a growing inventory of unsold homes, cut back on the construction of new homes.

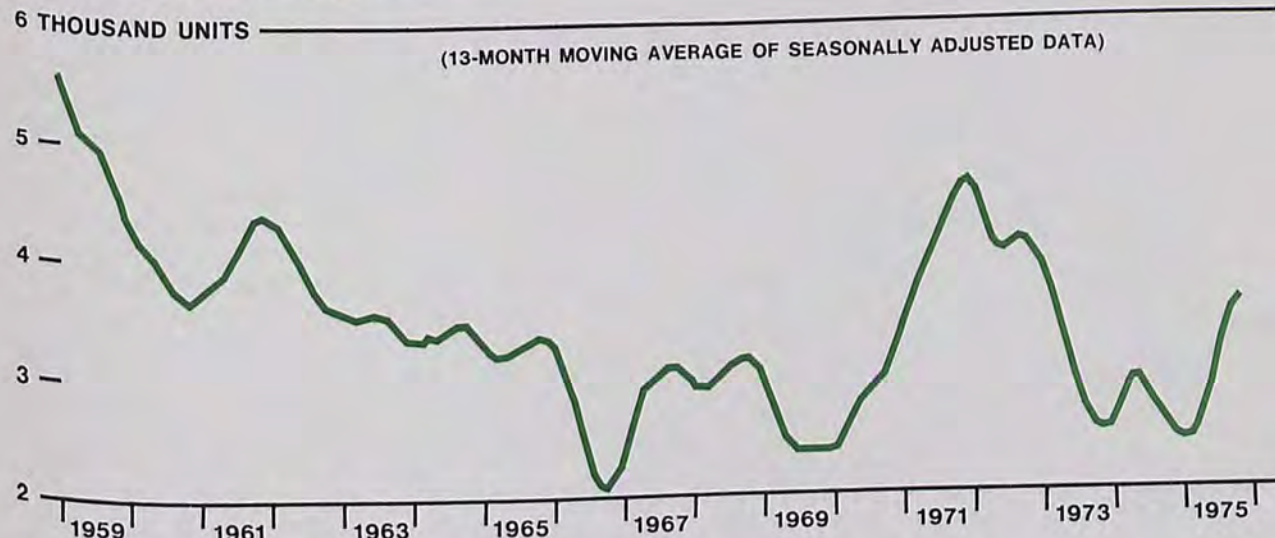
By year-end 1972, mortgage loan commitments for single-family homes were falling. And housing starts in the state had begun their steepest postwar slide.

### Housing recovery

The recovery phase of a housing cycle is also countercyclical. Home building starts picking up even as the economy as a whole is continuing to contract. When housing starts in Texas began rising in early 1975, the economy continued to slip deeper into recession.

Once again, financial markets played the primary role in the turnaround in home building. During a recession, credit demands slacken and short-term rates drop. Yields offered by savings and loan associations once more become attractive when compared with money market rates. And deposits at thrift institutions begin grow-

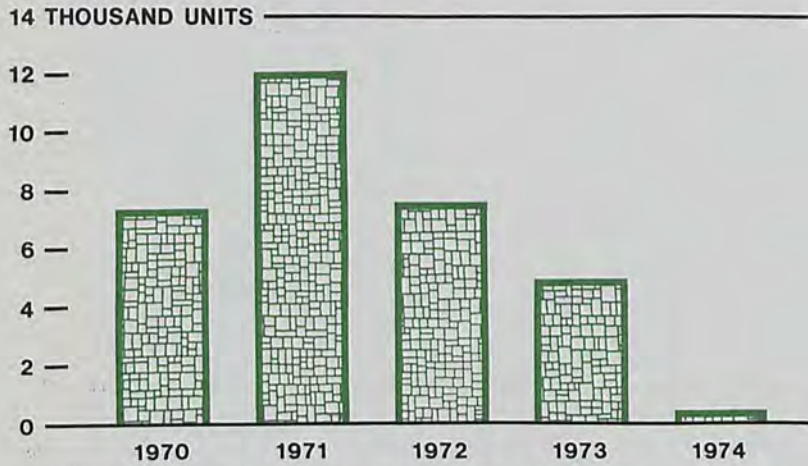
## Single-Family Housing Starts in Texas



SOURCE: Bureau of Business Research, University of Texas

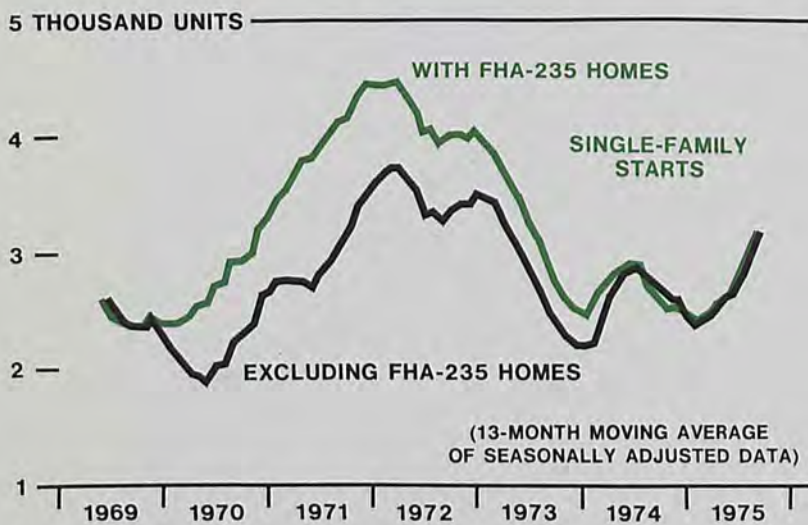


### FHA-235 Housing Starts in Texas



SOURCE: U.S. Department of Housing and Urban Development

### Impact of 235 Program on Housing Activity in Texas



SOURCE: Bureau of Business Research, University of Texas

ing. As the supply of loanable funds increases, savings and loan associations liberalize lending terms.

Money market rates reached an all-time high in the third quarter of 1974 but soon started falling as the nation's economy slowed. The rate of deposit withdrawals at Texas savings and loan associations subsequently leveled off, and the pace of savings inflows increased sharply. The ratio of withdrawals to new savings stood at 84 percent in July 1974. But by October 1975, it had fallen to 62 percent.

Mortgage rates edged downward from November 1974 to October 1975, with the average conventional mortgage rate in Dallas and Houston falling over 40 basis points. And the easing of mortgage lending terms triggered the current upswing in housing activity. At the beginning of 1975, mortgage commitments for single-family homes turned sharply upward. By October, new home loans at savings and loan associations in Texas were running at more than twice the pace at the beginning of the year.

During the first ten months of 1975, housing starts in the state rose nearly 50 percent, bringing them to within 4 percent of the previous home building peak—in December 1971—after removal of FHA-235 starts.

FHA-235 starts were very likely a net addition to demand in the earlier period. So, the fact that current starts are very near the previous peak in all other starts is evidence of a strong cyclical recovery. In fact, the recovery in 1975 was stronger than the three previous cyclical upswings. Nine months after the trough in January, starts had risen 48 percent. This is over twice the increase in home building nine months after the cyclical lows in 1960 and 1970. And this rate is slightly



ahead of the pace of the rapid recovery following the 1966 slump.

### New home prices

In Texas, at least, there is little evidence to support the contention that households have been priced out of the new home market. During the four years from 1970 through 1973, the average price of a new home sold in Dallas and Houston, the only Texas cities for which data are available, rose about 3 percent a year. This compares favorably with the growth in per capita income in the state during those years, which was increasing nearly three times as fast.

But in March 1974, the average sales price began climbing rapidly, rising 24 percent over the following 12 months. An explanation of this sharp increase is found in the effect that tightening mortgage markets have on the composition of new home sales.

The run-up in new home prices occurred as mortgage lenders further tightened lending terms. And historically, the impact of tight lending policies has fallen more heavily on low to medium-priced homes than on higher-priced homes. The potential buyers of less expensive homes can least afford tighter lending terms and have the most difficulty meeting more stringent credit qualifications.

Thus, as total home sales decline during periods of tight money, sales of less expensive homes fall more precipitously. The composition of aggregate sales changes, with higher-priced homes accounting for an increasing share of sales. So, the cost of new housing as measured by the average price of homes sold during these periods climbs, which tends to overstate the actual rise in new home prices. But once lending terms are liberalized and new home sales pick up, the composition of home sales returns to a more normal mix.

Such changes in the mix of new home sales have been quite evident in the national housing cycle. As mortgage rates rose in 1969, for example, total home sales in the nation fell. The number of homes sold that year was 9 percent below the level of 1968. But the decline was due to a 14-percent drop in the number of new homes sold for less than \$30,000. The number of

average of \$25,600, up 4 percent over 1968.

In 1970, mortgage rates fell steadily, reflecting the increased availability of loanable funds. New home sales picked up, rising 8 percent over the 1969 level. And the composition of new home sales returned to a more normal mix. The median sales price dropped to \$23,400, down 9 percent from a year before.

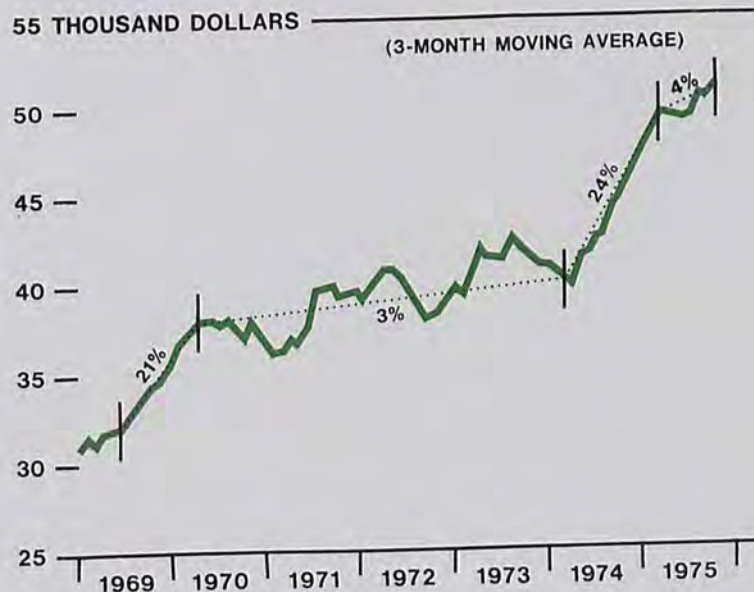
This pattern was also true in Texas last year. During the first ten months of the year, loan terms eased and loans at savings and loan associations to purchase single-family homes more than doubled. At the same time, the rise in the average price of a new home sold in Dallas and Houston slowed to an annual rate of 4 percent, down from 24 percent during most of 1974.

Because housing markets have been much stronger in Dallas and Houston than in most other Texas

**As total home sales decline during periods of tight money, sales of less expensive homes fall more precipitously. The composition of aggregate sales changes, with higher-priced homes accounting for an increasing share of sales.**

homes sold for more than that amount actually increased 5 percent. And the median sales price of a new home rose to an annual

Price of Average Home Sold in Dallas and Houston



SOURCE: Federal Home Loan Bank Board



cities, even a 4-percent annual rate probably overstates the rise in the average cost of a new home in Texas. For example, the dollar value of loans to purchase single-family homes in 1975 increased 50 percent faster in Houston than in the state as a whole. And active housing markets tend to exert upward pressure on average new home prices.

In cities where housing markets have been weaker, this measure of new home prices has probably risen far less rapidly. In fact, for the nation as a whole, the average cost of a new home has been virtually unchanged since the first quarter of 1975.

#### **The outlook**

The state's home building industry appears to have weathered another cyclical downswing. The upturn in housing activity indicates a favorable outlook for home building—at least in the short run. And home building in Texas certainly began to recover vigorously in 1975. In fact, the strong rebound in housing starts, with only modest improvement in mortgage lending terms, underscores the strength of housing demand.

Eleven months after peaking in November 1974, mortgage rates had fallen only 40 basis points. But housing starts had risen nearly 50 percent from a cyclical low in early 1975. By contrast, during the 1970-71 housing expansion, mortgage rates had fallen three times as much 11 months after their

peak in May 1970. But housing starts, excluding FHA-235 homes, were only 43 percent above the cyclical trough.

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### **The strong rebound in housing starts last year, with only modest improvement in mortgage lending terms, underscores the strength of housing demand in Texas.**

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Rapid population growth in the state is playing a major role in the strong rebound in home building. Since the beginning of the decade, population in Texas has grown nearly twice as fast as in the nation as a whole. Even so, per capita income has kept pace with the national average, indicating the strength of the state's economy. And besides supporting housing demand, strong income growth has added to total personal savings—the chief source of loanable funds for savings and loan associations.

The recovery in home building is also being bolstered by the recent severe depression in apartment construction. From December 1972 to December 1974, starts of multifamily units in Texas fell 83 percent. And the increase in 1975 was only modest.

The resulting shortage of new apartment units has tended to keep vacancy rates in existing complexes unusually low. This has lessened the competition for new renters and allowed owners to raise rents

rapidly so as to recoup rising maintenance and operating expenses. Households, therefore, are finding the principal alternative source of housing—single-family homes—increasingly attractive.

Evidence indicating that the sharp run-up in the average price of a new home sold in 1974 and early 1975 was largely a statistical artifact also lends support to a favorable outlook for home building. This is not to say that new home prices have not been rising. Rather, it points out that recent movements of this measure vastly overstate the actual rise.

Of course, proof that Texans have not been priced out of the housing market has been the vigorous rebound in home sales. At savings and loan associations in the state, loans to buy single-family homes more than doubled in 1975. By October, these loans had surpassed the previous cyclical peak—in early 1973—by more than a third.

Finally, future home building in Texas will probably not be dampened by the 32,000 FHA-235 units built between 1970 and 1974. Families that bought 235 houses were not ordinarily considered sound credit risks and would not have been in the home buying market without the 235 program. Because of the type of buyers they were built for, houses sold under this program did not “borrow” against future demand.

—Myron T. Butler



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### **New member bank**

National Bank of Commerce, Austin, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business January 19, 1976, as a member of the Federal Reserve System. The new member bank opened with capital of \$1,000,000, surplus of \$500,000, and undivided profits of \$500,000. The officers are: Julian Zimmerman, Chairman of the Board; Bill Cone, President; Harvey A. Graeber, Vice President; and Marie Hornberger, Vice President and Cashier.

### **New par banks**

Bank of Oak Grove, Oak Grove, Louisiana, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, and its Epps Branch, Epps, Louisiana, began remitting at par January 1, 1976. The officers are: Arden Jess Smith, President; Albert J. Mizell, Vice President; T. I. Powell, Vice President and Manager of Epps Branch; Harry Roberts, Assistant Vice President; Maxine Wilson, Cashier; Mary K. McKoin, Assistant Cashier; and Jane Acreman, Assistant Cashier.

Peoples Bank & Trust Company, Natchitoches, 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 January 2, 1976. The officers are: Hertzog DeBlieux, Chairman of the Board; R. Stacy Williams, President; Walter C. Jones, Executive Vice President; Houston LaCaze, Vice President; Robert N. Anderson, Vice President; Roger H. Williams, Assistant Vice President; Billy W. Weaver, Cashier; Gary S. DeBlieux, Assistant Cashier; Gerald DeVile, Assistant Cashier; Betty Hertzog, Assistant Cashier; Charles J. Rollo, Jr., Assistant Cashier; and Marilyn Williams, Assistant Cashier.

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# Eleventh District Business Highlights

Since economic recovery began in the second quarter of last year, bank loans have risen much faster in the Eleventh District than in the nation as a whole. Total loans at member banks in the District dropped sharply in only one month last year and began trending upward in April. In the last half of 1975, they rose 9.3 percent, compared with a 2.0 percent gain in the rest of the nation.

A decline in real income at the end of 1973 marked the beginning of the nationwide recession. Bank loans continued expanding for several months, as is typical during the early stages of a recession. But in January 1975, loans fell precipitously at most of the nation's member banks and continued declining through the third quarter of the year.

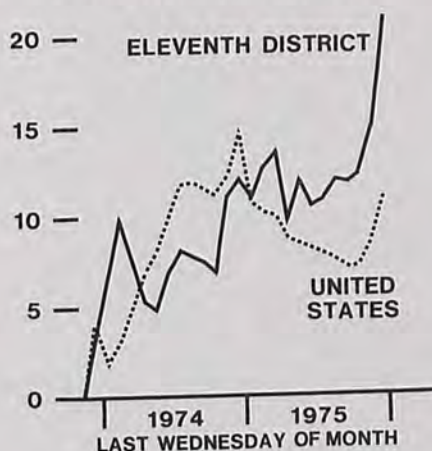
Most of the strength in District loan demand in the early months of the recovery resulted from increased use of bank credit lines by the petroleum refining and the mining industries. States of the Eleventh District supply two-thirds of the domestic production of crude petroleum, and the continued emphasis on increased domestic production of energy has sharply increased the needs for funds by energy-producing and related industries.

A slowdown in refining in the District reduced the fund requirements of these industries late in 1975. At that time, however, District retailers sharply increased their bank borrowing to finance larger inventories in anticipation of a high volume of holiday sales.

The economy of the Houston area was much stronger than the national economy in 1975. The

## MEMBER BANK LOANS

25 PERCENT CHANGE  
FROM NOVEMBER 28, 1973



heavy concentration of the petrochemical and energy industry around Houston largely insulated the area from the nationwide recession.

Although Houston's population grew over 3 percent last year, expanding employment almost completely absorbed new additions to the labor force. The unemployment rate hovered around 5.0 percent, even though there were small declines in manufacturing employment and residential construction employment.

Construction employment, which fell sharply nationwide, was only off slightly in Houston, as large building projects initiated in previous years carried over into 1975. Total industrial construction spending in Houston last year was a record \$1.8 billion.

Reflecting the relatively strong labor market and higher incomes,

consumer spending rose substantially. Department store sales grew at an annual rate in excess of 10 percent. And automobile sales were 9 percent higher than a year earlier.

Houston may be headed for an even better year in 1976. Petrochemical production appears likely to exceed last year's level by around 10 percent, and activities related to the exploration, recovery, development, and processing of petroleum products apparently will expand further in both domestic and foreign markets.

The age-old nemesis of agriculture—weather—is adversely affecting crop and livestock conditions in Texas. Insufficient precipitation since July 1975, together with cold weather in recent months, has caused range and wheat conditions to deteriorate in most areas of the state. In preparing their land for spring crops, farmers are facing a severe drought.

Prospects for winter wheat production in the Southwest have dimmed. The lack of moisture during the planting season last fall and in succeeding months and the smaller seeded acreage than in 1975 both indicate a sharply smaller crop in 1976. Winter wheat production in Texas is expected to drop more than 40 percent below the 1975 harvest, and for the nation as a whole, it is expected to fall about 9 percent despite more seeded acreage.

Range and pasture conditions across the state are generally poor, requiring supplemental feeding of cattle. And the amount of wheat pasture being grazed is about half that of a year earlier, as drought has largely restricted the grazing of winter wheat to irrigated land.  
*(Continued on back page)*



## CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

### Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Jan. 21, 1976	Dec. 17, 1975	Jan. 22, 1975	LIABILITIES	Jan. 21, 1976	Dec. 17, 1975	Jan. 22, 1975
Federal funds sold and securities purchased under agreements to resell	1,652,537	1,542,599	1,727,498	Total deposits	16,736,203	16,471,427	15,603,769
Other loans and discounts, gross	10,734,951	10,412,499	10,130,911	Total demand deposits	7,719,418	7,779,747	7,043,393
Commercial and industrial loans	5,399,940	5,241,954	4,787,138	Individuals, partnerships, and corporations	5,595,728	5,646,209	5,176,864
Agricultural loans, excluding CCC certificates of interest	223,426	210,775	230,934	States and political subdivisions	440,100	421,661	383,316
Loans to brokers and dealers for purchasing or carrying:				U.S. Government	143,131	166,591	123,041
U.S. Government securities	200	200	15	Banks in the United States	1,368,550	1,376,108	1,187,125
Other securities	56,607	71,390	30,485	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions	2,977	2,422	3,193
U.S. Government securities	5,023	670	2,546	Commercial banks	67,614	75,372	65,569
Other securities	368,435	376,521	405,771	Certified and officers' checks, etc.	101,318	91,384	104,285
Loans to nonbank financial institutions:				Total time and savings deposits	9,016,785	8,691,680	8,560,376
Sales finance, personal finance, factors, and other business credit companies	178,693	152,355	173,514	Individuals, partnerships, and corporations:			
Other	552,051	583,360	566,338	Savings deposits	7,580,005	7,428,898	7,454,970
Real estate loans	1,347,579	1,263,377	1,450,857	Other time deposits	4,893,754	4,824,678	4,768,192
Loans to domestic commercial banks	74,305	68,930	52,503	States and political subdivisions	2,164,583	2,101,168	2,397,513
Loans to foreign banks	62,854	72,143	74,506	U.S. Government (including postal savings)	11,301	26,586	17,390
Consumer instalment loans	1,128,192	1,062,208	1,075,740	Banks in the United States	476,931	442,658	248,974
Loans to foreign governments, official institutions, central banks, and international institutions	4,716	2,832	0	Foreign:			
Other loans	1,332,930	1,305,784	1,280,564	Governments, official institutions, central banks, and international institutions	19,112	20,965	18,301
Total investments	5,305,576	5,201,369	4,333,298	Commercial banks	14,324	12,843	4,600
Total U.S. Government securities	1,826,159	1,767,132	1,008,972	Federal funds purchased and securities sold under agreements to repurchase	3,351,398	3,099,522	2,618,823
Treasury bills	372,524	410,438	126,868	Other liabilities for borrowed money	20,207	30,495	125,007
Treasury certificates of indebtedness	0	148	0	Other liabilities	673,622	700,986	607,331
Treasury notes and U.S. Government bonds maturing:				Reserves on loans	209,127	202,546	194,561
Within 1 year	301,675	278,255	161,318	Reserves on securities	24,081	24,070	21,359
1 year to 5 years	1,006,410	889,294	558,142	Total capital accounts	1,533,831	1,510,362	1,405,280
After 5 years	145,550	188,997	162,644	TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	22,548,469	22,039,408	20,577,130
Obligations of states and political subdivisions:							
Tax warrants and short-term notes and bills	217,619	263,311	110,224				
All other	2,938,651	2,894,517	2,908,966				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans	13,582	13,509	16,954				
All other (including corporate stocks)	309,565	262,900	288,182				
Cash items in process of collection	1,646,049	1,694,841	1,525,674				
Reserves with Federal Reserve Bank	1,235,592	1,000,512	1,284,754				
Currency and coin	132,528	129,652	132,633				
Balances with banks in the United States	493,733	537,223	486,645				
Balances with banks in foreign countries	176,187	143,372	34,554				
Other assets (including investments in subsidiaries not consolidated)	1,171,316	1,377,341	921,163				
TOTAL ASSETS	22,548,469	22,039,408	20,577,130				

## ANNUAL BANK DEBITS AND ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

(Dollar amounts in thousands)

Standard metropolitan statistical area	Debits to demand deposit accounts <sup>1</sup>			Demand deposits <sup>1</sup>	
	1975	1974	Percent change	1975	1974
ARIZONA					
Tucson	\$22,578,277	\$16,155,541	40%	58.6	43.4
LOUISIANA					
Monroe	6,126,470	5,521,577	11	47.0	44.3
Shreveport	23,417,056	20,414,814	15	63.3	56.7
NEW MEXICO					
Roswell	1,533,242	1,390,051	10	26.7	26.0
TEXAS					
Abilene	4,578,952	4,087,306	12	29.2	26.8
Amarillo	11,478,713	10,951,860	5	43.5	45.1
Austin	23,487,065	19,627,721	20	48.8	44.5
Beaumont-Port Arthur-Orange	11,145,037	10,672,943	4	31.6	33.7
Brownsville-Harlingen-San Benito	4,290,313	3,864,340	11	32.4	31.2
Bryan-College Station	1,940,850	1,715,796	13	30.2	28.2
Corpus Christi	12,361,357	11,407,427	8	37.9	38.0
Corsicana	796,716	747,532	7	18.0	18.1
Dallas	253,573,352	261,059,331	-3	77.9	83.8
El Paso	15,006,560	13,940,209	8	42.9	42.9
Fort Worth	41,318,041	38,942,046	6	42.0	43.3
Galveston-Texas City	5,058,646	4,461,390	13	32.8	31.8
Houston	267,649,361	225,677,797	19	64.4	60.3
Killeen-Temple	2,995,670	2,634,713	14	23.2	21.8
Laredo	2,137,870	1,860,039	15	29.0	28.2
Lubbock	10,048,668	9,845,700	2	40.6	40.4
McAllen-Pharr-Edinburg	4,920,557	3,982,909	24	27.8	25.0
Midland	5,096,472	3,758,518	36	22.1	18.4
Odessa	4,474,522	2,818,772	59	31.8	23.8
San Angelo	3,201,563	2,713,410	18	30.9	28.4
San Antonio	35,539,838	30,457,243	17	36.8	33.8
Sherman-Denison	1,787,260	1,646,117	9	19.9	19.1
Texas- (Texas-Arkansas)	2,468,146	2,143,517	15	25.2	22.8
Tyler	4,007,185	3,557,813	13	25.9	25.1
Waco	6,231,652	5,208,482	20	35.7	32.7
Wichita Falls	5,165,938	4,968,554	4	27.6	29.3
Total-30 centers	\$794,415,349	\$726,233,468	9%	55.0	54.3

1. Unadjusted deposits of individuals, partnerships, and corporations and of states and political subdivisions
2. Policy basis

## CONDITION STATISTICS OF ALL MEMBER BANKS

### Eleventh Federal Reserve District

(Million dollars)

Item	Dec. 31, 1975	Nov. 26, 1975	Dec. 25, 1974
ASSETS			
Loans and discounts, gross	23,538	22,343	21,813
U.S. Government obligations	3,504	3,288	2,151
Other securities	7,580	7,493	7,028
Reserves with Federal Reserve Bank	1,666	1,777	1,612
Cash in vault	430	378	367
Balances with banks in the United States	2,077	1,537	1,586
Balances with banks in foreign countries <sup>e</sup>	140	144	33
Cash items in process of collection	2,858	2,234	2,196
Other assets <sup>e</sup>	2,397	2,426	1,817
TOTAL ASSETS <sup>e</sup>	44,190	41,620	38,603
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	2,555	1,886	1,899
Other demand deposits	15,109	13,600	12,561
Time deposits	18,395	18,274	16,515
Total deposits	36,059	33,760	30,975
Borrowings	3,581	3,301	3,195
Other liabilities <sup>e</sup>	1,768	1,763	1,791
Total capital accounts <sup>e</sup>	2,782	2,796	2,642
TOTAL LIABILITIES AND CAPITAL ACCOUNTS <sup>e</sup>	44,190	41,620	38,603

e—Estimated



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

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS <sup>1</sup>				DEMAND DEPOSITS <sup>2</sup>			
	Dec. 1975 (Annual-rate basis)	Percent change			Dec. 31, 1975	Dec. 1975	Annual rate of turnover	
		Nov. 1975	Dec. 1974	12 months, 1975 from 1974			Nov. 1975	Dec. 1974
ARIZONA: Tucson	\$30,072,386	-2%	77%	40%	\$403,630	79.0	81.6	48.0
LOUISIANA: Monroe	7,342,001	4	31	11	138,170	54.2	53.3	47.6
Shreveport	19,971,583	-8	-2	14	391,012	52.9	58.5	59.6
NEW MEXICO: Roswell <sup>1</sup>	1,530,450	3	10	10	61,651	25.0	25.3	26.4
TEXAS: Abilene	5,148,390	9	19	12	164,745	31.8	29.8	29.8
Amarillo	12,603,044	4	17	5	262,664	45.6	45.5	45.0
Austin	29,643,497	10	47	20	560,822	54.7	51.7	46.6
Beaumont-Port Arthur-Orange	11,487,724	0	10	4	375,549	31.2	31.5	32.8
Brownsville-Harlingen-San Benito	5,974,601	25	58	12	151,042	41.5	36.2	31.8
Bryan-College Station	2,132,130	5	20	13	69,694	30.5	29.2	30.1
Corpus Christi	13,658,560	2	17	8	339,550	40.2	40.1	39.5
Corsicana <sup>2</sup>	800,267	-1	3	7	45,097	17.9	18.5	19.2
Dallas	267,444,613	2	-3	-3	3,244,874	82.0	79.8	90.8
El Paso	13,357,985	-13	9	8	359,717	37.1	41.3	39.2
Fort Worth	45,341,015	11	14	6	1,034,073	44.3	40.2	43.8
Galveston-Texas City	5,219,970	1	7	13	169,067	31.5	32.5	33.7
Houston	277,839,719	-7	17	18	4,384,747	63.6	70.2	61.7
Killeen-Temple	3,562,673	18	28	14	133,286	26.1	22.1	23.3
Laredo	2,343,948	10	27	15	82,393	29.5	27.9	27.7
Lubbock	9,999,444	5	27	3	262,779	39.3	38.6	34.5
McAllen-Pharr-Edinburg	5,230,298	2	8	23	190,463	28.2	28.3	29.3
Midland	6,578,117	9	55	35	274,158	25.5	25.3	19.2
Odessa	6,460,768	6	8	58	144,450	44.8	41.8	24.1
San Angelo	4,007,892	19	41	18	111,079	36.7	32.2	29.8
San Antonio	42,653,150	11	34	17	1,031,452	41.9	38.3	35.0
Sherman-Denison	2,134,361	13	29	8	90,048	23.5	20.9	18.6
Texarkana (Texas-Arkansas)	2,696,249	6	23	15	103,854	25.6	24.4	23.4
Tyler	4,285,577	4	12	13	161,344	26.6	25.3	26.0
Waco	6,291,031	4	20	20	187,363	33.3	32.5	33.4
Wichita Falls	5,310,749	8	6	4	190,880	27.6	25.7	28.4
Total—30 centers	\$851,122,192	0%	13%	9%	\$15,139,653	56.7	57.7	56.5

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	Jan. 21, 1976	Dec. 17, 1975	Jan. 22, 1975 <sup>1</sup>
Total gold certificate reserves	422,062	422,062	651,042
Loans to member banks	10,000	9,075	73,380
Other loans	0	0	0
Federal agency obligations	322,663	310,412	212,519
U.S. Government securities	4,383,904	4,284,617	3,655,250
Total earning assets	4,716,567	4,604,104	3,941,149
Member bank reserve deposits	1,919,265	1,675,200	1,954,411
Federal reserve notes in actual circulation	2,944,533	2,944,226	2,639,611

## INDUSTRIAL PRODUCTION AND TEXAS MANUFACTURING CAPACITY UTILIZATION

(Seasonally adjusted indexes, 1967 = 100 for production)

Area and type of index	Dec. 1975p	Nov. 1975	Oct. 1975	Dec. 1974r
TEXAS				
Total industrial production	128.3	125.8	125.1	126.8
Manufacturing	135.5	131.3	130.3	130.9
Durable	135.8	132.7	129.8	134.0
Nondurable	135.3	130.2	130.6	128.4
Mining	106.8	107.7	107.8	111.5
Utilities	166.5	166.5	166.5	170.1
Capacity utilization in manufacturing (1972 = 100)	98.5	95.8	95.3	99.2
UNITED STATES				
Total industrial production	118.5	117.3	116.7	117.4
Manufacturing	117.5	116.3	115.6	116.1
Durable	109.3	108.0	107.7	112.2
Nondurable	129.5	128.3	127.0	121.9
Mining	103.7	105.4	105.8	104.4
Utilities	156.9	157.0	156.6	152.6

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

## DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	DEMAND DEPOSITS			TIME DEPOSITS	
	Total	Adjusted <sup>1</sup>	U.S. Government	Total	Savings
1973: December	14,008	10,086	244	14,154	2,883
1974: 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
June	14,333	10,529	199	17,273	3,409
July	14,501	10,698	164	17,315	3,480
August	14,514	10,745	129	17,452	3,493
September	14,748	10,608	196	17,563	3,513
October	14,725	10,752	171	17,715	3,561
November	15,072	10,947	165	18,031	3,608
December	15,418	11,217	201	18,249	3,689

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

## RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Dec. 31, 1975	4 weeks ended Dec. 3, 1975	5 weeks ended Jan. 1, 1975
Total reserves held	2,093,203	2,047,309	2,043,062
With Federal Reserve Bank	1,715,217	1,681,519	1,689,248
Currency and coin	377,986	365,790	353,814
Required reserves	2,072,442	2,035,603	2,013,948
Excess reserves	20,761	11,706	29,114
Borrowings	4,867	3,625	46,026
Free reserves	15,894	8,081	-16,912



## BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)						
	NUMBER		Percent change				
	Dec. 1975	12 mos. 1975	Dec. 1975	12 mos. 1975	Dec. 1975 from		12 months, 1975 from 1974
				Nov. 1975	Dec. 1974		
ARIZONA							
Tucson	233	5,263	\$5,847	\$86,106	-9%	-69%	-8%
LOUISIANA							
Monroe	63	870	6,538	21,423	801	278	13
West Monroe	341	8,117	5,101	70,943	-35	1	-28
TEXAS							
Abilene	104	1,294	1,969	28,477	-1	38	74
Amarillo	214	3,202	5,084	76,058	19	9	22
Austin	323	5,335	6,126	147,858	-44	-81	-44
Beaumont	127	2,543	1,761	41,149	-46	47	4
Brownsville	95	1,347	884	17,964	-32	247	-31
Corpus Christi	184	2,827	6,572	55,445	126	47	-4
Dallas	851	17,847	11,630	250,457	-29	-40	-16
Denison	9	395	131	3,029	424	-95	-29
El Paso	394	5,653	8,567	112,237	7	-12	-33
Fort Worth	359	4,412	8,626	170,256	66	8	16
Galveston	20	637	179	8,865	-81	-83	-73
Houston	1,889	22,469	62,575	601,979	78	24	-8
Laredo	58	811	475	13,493	-40	151	59
Lubbock	133	2,146	6,196	114,725	18	120	-3
Midland	95	1,322	1,871	29,311	-43	199	-14
Odessa	130	1,439	3,101	33,585	10	332	49
Port Arthur	34	1,054	312	5,092	-55	38	13
San Angelo	62	830	2,608	21,458	272	317	54
San Antonio	722	15,619	16,877	153,493	31	15	-16
Sherman	19	366	428	4,518	76	2,040	-24
Texarkana	37	746	297	5,639	9	60	-23
Waco	182	2,495	2,521	20,265	326	215	-42
Wichita Falls	91	1,200	3,069	18,539	105	127	32
Total—26 cities	6,769	110,239	\$169,345	\$2,112,364	26%	-8%	-13%

## VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	Dec. 1975	Nov. 1975	Oct. 1975	January—December	
				1975	1974r
FIVE SOUTHWESTERN STATES	875	716	913	11,852	11,962
Residential building	292	315	409	4,072	4,262
Nonresidential building	275	224	315	4,265	4,877
Nonbuilding construction	307	177	190	3,515	2,823
UNITED STATES	5,431	5,573	7,767	90,021	93,685
Residential building	2,233	2,404	3,189	31,269	33,567
Nonresidential building	1,865	1,859	2,629	30,336	33,131
Nonbuilding construction	1,334	1,309	1,949	28,416	26,988

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.

With dry weather persisting, the poor forage supplies are causing a large number of grass-fed cows and calves to be sold for slaughter or placed in feedlots. The number of cattle on feed in Texas on January 1 was 42 percent higher than a year earlier, partly reflecting the deterioration in winter grazing.

Agricultural producers in most areas of the state will need significant rainfall before the planting season to assure a good start in crop production. And with limited sub-

soil moisture, rainfall will have to be above average during the 1976 growing season to support crop production during the summer months.

Other highlights:

- Industrial production in Texas rose at a 24-percent annual rate in December. Increased manufacturing output, particularly non-durable goods production, more than offset a decline in mining output, resulting in the overall gain.

## LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

### Five Southwestern States<sup>1</sup>

(Seasonally adjusted)

Item	Thousands of persons			Percent change Dec. 1975 from	
	Dec. 1975p	Nov. 1975	Dec. 1974r	Nov. 1975	Dec. 1974
Civilian labor force	9,340.3	9,398.7	9,146.2	-0.6%	2.1%
Total employment	8,709.5	8,755.1	8,593.1	-5	1.4
Total unemployment	630.8	643.6	553.1	-2.0	14.0
Unemployment rate	6.8%	6.8%	6.1%	0	7
Total nonagricultural wage and salary employment	7,699.4	7,681.0	7,590.9	2	1.4
Manufacturing	1,279.2	1,274.3	1,302.3	4	-1.8
Durable	712.1	708.0	734.3	6	-3.0
Non-durable	567.0	566.3	568.1	1	-2
Nonmanufacturing	6,420.2	6,406.7	6,288.6	2	2.1
Mining	273.7	272.3	264.2	5	3.6
Construction	497.9	489.6	508.5	1.7	-2.1
Transportation and public utilities	503.7	500.5	508.9	6	-1.0
Trade	1,834.8	1,838.3	1,801.1	-2	1.9
Finance	425.6	424.2	417.2	4	2.0
Service	1,321.6	1,320.5	1,292.9	1	2.2
Government	1,562.9	1,561.3	1,495.8	1%	4.5%

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

Area	ACREAGE SEEDED (Thousand acres)			PRODUCTION (Thousand bushels)		
	Crop of 1976	Crop of 1975	Crop of 1974	Crop of 1976 <sup>1</sup>	Crop of 1975	Crop of 1974
Arizona	115	325	250	7,475	22,720	15,510
Louisiana	65	70	80	390	400	600
New Mexico	454	463	429	5,448	10,062	2,916
Oklahoma	7,550	7,400	7,000	113,250	160,800	134,400
Texas	6,300	6,500	5,600	75,600	131,100	52,800
Total	14,484	14,758	13,359	202,163	325,082	206,226
United States	57,227	56,163	52,354	1,495,869	1,651,209	1,390,144

1. Indicated December 1, 1975

SOURCE: U.S. Department of Agriculture

- The unemployment rate for the states of the Eleventh District was unchanged at 6.8 percent in December. However, the total number of jobless workers fell substantially.

- Total credit at weekly reporting banks in the District fell sharply in the five weeks ended January 21, as holdings of municipal securities were reduced substantially.