

Annual Report

FEDERAL RESERVE BANK OF DALLAS

1960

To the Member Banks in the
Eleventh Federal Reserve District:

The Statement of Condition and the Earnings and Expenses of the Federal Reserve Bank of Dallas for the year 1960, with comparative figures for 1959, are shown herein.

A review of economic and financial developments in the Nation and the District during 1960 is being presented in the January 1961 Annual Report Issue of the *Business Review* of this Bank.

Additional copies of these publications may be obtained upon request to the Research Department, Federal Reserve Bank of Dallas, 400 South Akard Street, Dallas 2, Texas.

Sincerely yours,



WATROUS H. IRONS
President

Statement of Condition

	Dec. 31, 1960	Dec. 31, 1959
ASSETS		
Gold certificate account	\$ 731,394,963.80	\$ 713,196,271.55
Redemption fund for Federal Reserve notes	32,693,136.17	31,036,856.17
Total gold certificate reserves	764,088,099.97	744,233,127.72
Federal Reserve notes of other Banks	24,646,600.00	33,442,100.00
Other cash	15,265,157.01	16,519,287.39
Discounts and advances	814,000.00	8,910,000.00
U. S. Government securities		
Bills	116,877,000.00	104,007,000.00
Certificates	365,108,000.00	419,376,000.00
Notes	502,996,000.00	439,465,000.00
Bonds	102,486,000.00	99,137,000.00
Total U. S. Government securities	1,087,467,000.00	1,061,985,000.00
Total loans and securities	1,088,281,000.00	1,070,895,000.00
Due from foreign banks	825.03	748.48
Cash items in process of collection	259,467,958.26	294,453,959.80
Bank premises	13,900,431.99	11,338,918.76
Other assets	8,620,432.64	10,599,025.81
TOTAL ASSETS	2,174,270,504.90	2,181,482,167.96
LIABILITIES		
Federal Reserve notes in actual circulation	835,972,900.00	815,894,820.00
Deposits		
Member bank — reserve accounts	971,083,292.56	973,362,268.70
U. S. Treasurer — general account	53,390,099.41	44,230,629.95
Foreign	12,412,000.00	18,096,000.00
Other	3,423,107.94	11,902,615.30
Total deposits	1,040,308,499.91	1,047,591,513.95
Deferred availability cash items	226,450,052.54	249,555,498.97
Other liabilities	1,027,352.45	959,280.32
TOTAL LIABILITIES	2,103,758,804.90	2,114,001,113.24
CAPITAL ACCOUNTS		
Capital paid in	23,503,900.00	22,322,450.00
Surplus	47,007,800.00	44,644,900.00
Other capital accounts	—	513,704.72
TOTAL CAPITAL ACCOUNTS	70,511,700.00	67,481,054.72
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	\$2,174,270,504.90	\$2,181,482,167.96

Earnings and Expenses

	1960	1959
CURRENT EARNINGS		
Discounts and advances	\$ 1,210,594.35	\$ 1,281,935.17
U. S. Government securities	43,466,853.37	34,008,358.32
All other	55,372.15	16,251.49
TOTAL CURRENT EARNINGS	44,732,819.87	35,306,544.98
CURRENT EXPENSES		
Current operating expenses	8,041,579.73	7,467,476.47
Assessment for expenses of Board of Governors	376,500.00	337,600.00
Federal Reserve currency		
Original cost, including shipping charges	291,479.00	300,509.00
Cost of redemption, including shipping charges	31,025.00	25,401.00
Total	8,740,583.73	8,130,986.47
Less reimbursement for certain fiscal agency and other expenses	960,036.00	1,130,417.00
NET EXPENSES	7,780,547.73	7,000,569.47
PROFIT AND LOSS		
Current net earnings	36,952,272.14	28,305,975.51
Additions to current net earnings		
Profit on sales of U. S. Government securities (net)	97,523.33	7,509.34
Transferred from reserves for contingencies	513,704.72	5,002,666.30
All other	686.83	856.80
Total additions	611,914.88	5,011,032.44
Deductions from current net earnings	1,713.83	4,408.52
Total deductions	1,713.83	4,408.52
Net additions	610,201.05	5,006,623.92
Net earnings before payments to U. S. Treasury	37,562,473.19	33,312,599.43
Dividends paid	1,380,653.36	1,307,562.25
Paid U. S. Treasury (interest on F. R. notes)	33,818,919.83	30,796,436.54
Transferred to surplus	2,362,900.00	1,208,600.64

Officers

FEDERAL RESERVE BANK OF DALLAS

WATROUS H. IRONS, *President*

HARRY A. SHUFORD, *First Vice President*

HOWARD CARRITHERS, *Vice President*

JAMES L. CAUTHEN, *Vice President*

P. E. COLDWELL, *Vice President*

J. L. COOK, *Vice President*

T. A. HARDIN, *Vice President*

CARL H. MOORE, *Vice President*

G. R. MURFF, *Vice President and Acting Secretary of the Board*

JAMES A. PARKER, *Vice President*

T. W. PLANT, *Vice President and Cashier*

L. G. PONDROM, *Vice President*

W. M. PRITCHETT, *Vice President*

*CHARLS E. WALKER, *Vice President and Economic Adviser*

ARTHUR H. LANG, *General Auditor*

*GEORGE F. RUDY, *General Counsel and Assistant Secretary of the Board*

ROBERT H. BOYKIN, *Assistant Counsel*

THOMAS R. SULLIVAN, *Assistant Vice President*

E. H. BERG, *Assistant Cashier*

ROY E. BOHNE, *Assistant Cashier*

HERMAN W. KILMAN, *Assistant Cashier and Assistant Secretary of the Board*

E. A. THAXTON, JR., *Assistant Cashier*

JAMES O. RUSSELL, *Chief Examiner*

EL PASO BRANCH

HOWARD CARRITHERS, *Vice President in Charge*

FREDRIC W. REED, *Cashier*

T. C. ARNOLD, *Assistant Cashier*

HOUSTON BRANCH

J. L. COOK, *Vice President in Charge*

B. J. TROY, *Cashier*

W. C. HARTUNG, *Assistant Cashier*

RASCO R. STORY, *Assistant Cashier*

SAN ANTONIO BRANCH

CARL H. MOORE, *Vice President in Charge*

A. E. MUNDT, *Cashier*

ALVIN E. RUSSELL, *Assistant Cashier*

FREDERICK J. SCHMID, *Assistant Cashier*

* On leave of absence.

Directors

FEDERAL RESERVE BANK OF DALLAS

ROBERT O. ANDERSON (*Chairman and Federal Reserve Agent*), *President, Hondo Oil & Gas Company, Roswell, New Mexico*
LAMAR FLEMING, JR. (*Deputy Chairman*), *Member, Board of Directors, Anderson, Clayton and Company, Inc., Houston, Texas*
MORGAN J. DAVIS, *President, Humble Oil & Refining Company, Houston, Texas*
JOHN M. GRIFFITH, *President, The City National Bank of Taylor, Taylor, Texas*
D. A. HULCY, *Chairman of the Board, Lone Star Gas Company, Dallas, Texas*
J. EDD McLAUGHLIN, *President, Security State Bank & Trust Company, Ralls, Texas*
J. B. PERRY, JR., *President and General Manager, Perry Brothers, Inc., Lufkin, Texas*
ROY RIDDEL, *President, First National Bank at Lubbock, Lubbock, Texas*
H. B. ZACHRY, *President, H. B. Zachry Company, San Antonio, Texas*

EL PASO BRANCH

FLOYD CHILDRESS, *Vice President, The First National Bank of Roswell, Roswell, New Mexico*
ROGER B. CORBETT, *President, New Mexico State University, University Park, New Mexico*
DYSART E. HOLCOMB, *Director of Research, El Paso Natural Gas Company, El Paso, Texas*
JOSEPH F. IRVIN, *President, Southwest National Bank of El Paso, El Paso, Texas*
WILLIAM R. MATHEWS, *Editor and Publisher, "The Arizona Daily Star," Tucson, Arizona*
CHARLES B. PERRY, *President, First State Bank, Odessa, Texas*
DICK ROGERS, *President, First National Bank in Alpine, Alpine, Texas*

HOUSTON BRANCH

A. E. CUDLIPP, *Vice President and Director, Lufkin Foundry & Machine Company, Lufkin, Texas*
M. M. GALLOWAY, *President, First Capitol Bank, West Columbia, Texas*
JOHN E. GRAY, *President, The First National Bank of Beaumont, Beaumont, Texas*
MAX LEVINE, *President, Foley's, Houston, Texas*
J. W. McLEAN, *President, Texas National Bank of Houston, Houston, Texas*
TYRUS R. TIMM, *Head, Department of Agricultural Economics and Sociology, A. & M. College of Texas, College Station, Texas*
(_____), VACANCY

SAN ANTONIO BRANCH

BURTON DUNN, *Chairman of the Executive Committee, Corpus Christi State National Bank, Corpus Christi, Texas*
G. C. HAGELSTEIN, *President and General Manager, Union Stock Yards, San Antonio, Texas*
DONALD D. JAMES, *Vice President, The Austin National Bank, Austin, Texas*
FORREST M. SMITH, *President, National Bank of Commerce of San Antonio, San Antonio, Texas*
JOHN R. STOCKTON, *Professor of Business Statistics and Director of Bureau of Business Research, The University of Texas, Austin, Texas*
DWIGHT D. TAYLOR, *President, Pan American State Bank, Brownsville, Texas*
HAROLD VAGTBORG, *Chairman of the Board, Southwest Research Center, San Antonio, Texas*

FEDERAL ADVISORY COUNCIL MEMBER

I. F. BETTS, *President, The American National Bank of Beaumont, Beaumont, Texas*



BUSINESS REVIEW

JANUARY 1961
Vol. 46, No. 1

ANNUAL REPORT ISSUE

1960 — ECONOMIC GAINS AND DISAPPOINTMENTS

By surface indications, 1960 was a year of moderate economic gains at very high levels, with more people employed than in any other year in America's history and with gross national product, industrial production, personal income, and retail sales at new records, averaging from 2 percent to 6 percent above 1959. Obscured by these yearly averages were the rising unemployment totals, the generally declining business pattern of the latter half of the year, and the rather sharply contrasting developments in a number of major industries. Indeed, for many businesses and individuals, 1960 was not a year of fulfillment in terms of the economic opportunities and advances widely anticipated at the end of the previous year. Instead, 1960 was a year of disappointment for many—disappointing to the producer, who had expected full utilization of increasingly efficient capacity in order to achieve rising profit levels; disappointing to the retailer, who had anticipated substantially higher sales; and, of course, disappointing to those individuals who became unemployed or underemployed by reason of production curtailments.

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

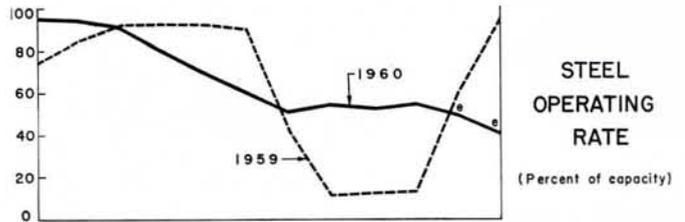
In fact, from an economic point of view, 1960 was a year of disappointment for the Nation as a whole, as the international financial problems of 1958 and 1959 were re-emphasized in the latter part of the past year and the outflow of gold — stemming mainly from the deficit in our balance of payments but reinforced by the widening differential between domestic and foreign interest rates — became a matter of national concern. The Nation's disappointment could probably be extended to include its sober realization that prolonged and arduous efforts will be required to meet the rising Communist challenge on a broad political, economic, and financial front.

The Nation's economy showed a peak early in the year, remained virtually stable for about 5 months thereafter, and then slid downward by late summer and into the fall and winter. The causes of the recent decline in the economy might be labeled by some as a continuation of the cyclical pattern evident in the postwar economy and by others as a reaction against overly optimistic expectations of the economy's performance. Even before the year started, there were many who predicted a 1961 recession and a few who believed that it would start in 1960. Perhaps the 1960 downturn was a cyclical development, but even business cycles must have their generating causes. Thus, one must consider the important underlying influences which led to an economy of adjustment in 1960, rather than the economy of abundant prosperity that was envisioned at the turn of the year.

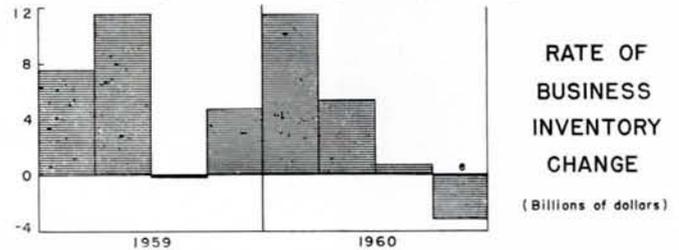
Most obvious among the group of dominant influences was the changing inventory situation, especially in the steel industry. In no other industry was there such a wide fluctuation in inventories as that which occurred in the steel industry over the past 18 months. The rapid build-up in steel stocks in anticipation of the mid-1959 strike was followed by (1) liquidation during the strike, (2) then, exceptionally rapid accumulation, and (3) renewed liquidation. Thus, the steel industry contributed substantially to the instability in the Nation's economy during the past 2 years, although the total output of the country's steel mills reached nearly 100 million tons in 1960 for a gain of more than 6 percent over the strike-reduced 1959 level.

Miscalculations as to the supply of and the potential demand for steel led to a high rate of production, averaging about 94 percent of capacity in the first quarter, and inventory accumulation at rates which proved to be excessive. The lower than expected demand was a result of many factors, including more

intensive competition from aluminum, copper, and plastics; smaller automobile requirements as compact cars became more important; slower oil drilling, which cut back pipe demand; and the realization by steel users that rapid deliveries could be expected, enabling them to reduce inventory costs.



Inventory changes were not confined to steel but spread over a wide range of industries, many of them suffering from the same overoptimism about final demand. There was a rapid rise in raw materials inventories in early 1960, followed by a period of liquidation. A more slowly developing, though persistent, increase occurred in stocks of finished products. Total business inventories rose to a seasonally adjusted peak of \$93.4 billion in June, or \$2.9 billion over January and \$4.1 billion above June 1959. The sharp fluctuations in inventories accounted for many of the changes that occurred in gross national product during 1960.



Some observers stress the inventory change as a primary influence on the economy: With rising inventory levels not matched by sales increases, orders were reduced, production had to be curtailed, factory employment declined, prices weakened, profit margins narrowed, and capital spending plans were cut back. Though it undoubtedly provides at least a partial explanation for the economy's performance in 1960, this sequence of events seems far too simple as it does not explain, for example, why consumers — with steadily rising personal incomes — were reluctant to make purchases proportionate to their increased buying power.

Thus, inventory changes are both a cause and a result of basic trends in the economy. Be that as it may, their impact is most noticeable in the industrial production sector. Total industrial production for 1960, as measured by the Board of Governors' index, averaged

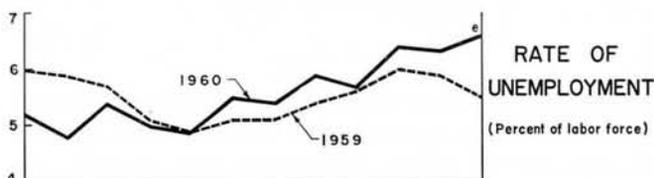
108 percent of the 1957 base, or 3 percent above the 1959 level. The strongest improvement of the year occurred in the mining sector, which rose 19 percent as iron ore and copper mines expanded output to be prepared for what was expected to be a record year for metal producers. By the end of 1960, however, the increase in stocks and ready availability of mineral supplies had markedly reduced both types of mining. Crude oil output for 1960 showed only a minor gain, and the industry sought to lower burdensome stocks.

Durable goods output rose 3 percent in 1960 but by the fourth quarter was about 9 percent below the first-quarter level. Moreover, the year's advance should be discounted by the fact that 1959 contained the sharp curtailment in durable goods production occasioned by the steel strike. Fabricated metals and machinery production provided most of the supporting strength in durables during 1960, though gains in clay, glass, and lumber and furniture output were also important.

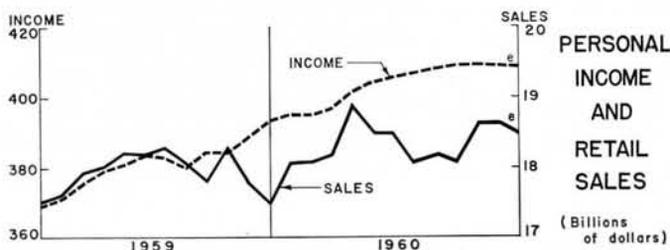
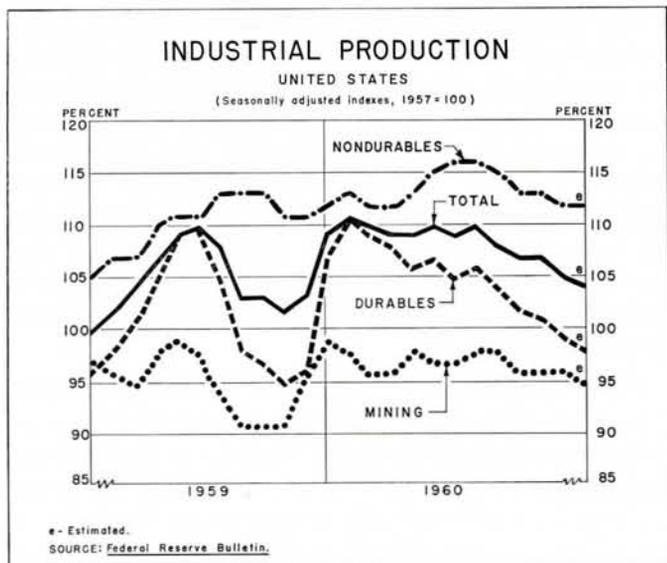
The most uniform improvement of the year occurred in nondurable goods production, which also averaged 3 percent above the 1959 total. The gains in this sector reflected steady improvement through midsummer and only a minor setback during the fall and winter months. Increases occurred throughout the range of nondurable goods, but the largest advances were in the paper and printing and food and beverage categories.

The weakening in industrial production — particularly of durable goods — resulted in increased layoffs of factory workers during 1960, amounting to more than 500,000, and contributed heavily to the rising unemployment levels. The trend of unemployment, which

totaled over 4 million by the end of 1960, was a composite of the usual frictional unemployment and structural (or semipermanent) unemployment, coupled with cyclical aggravation. Equally serious was the apparent lack of sufficient strength in the economy to absorb the rising number of new entrants into the labor force. The unemployment pattern featured heavy concentrations, especially, near the steadily declining coal and textile industries in the East and the steel centers in the Midwest.

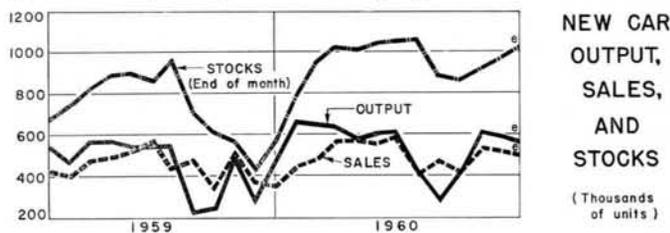


The performance of the consumer contributed not only to the inventory fluctuations but also to instability in other sectors of the economy. From a rather slow start in early 1960 — attributed partly to weather conditions, partly to the seasonally slow period of the year, and partly to an unexplained reluctance to buy — consumer purchasing accelerated rapidly in the second quarter but showed a renewed surge of caution in the summer. The cautious buying attitude was mainly reflected in the slackening in purchases of goods, in contrast with the steady rise in service outlays. This consumer reluctance brought further downward pressures upon the economy and a build-up of consumer durable goods inventories. During the fourth quarter, however, consumer expenditures strengthened, providing a more optimistic sales picture.



Despite record personal incomes (at \$404 billion) which were nearly 6 percent over the previous year, the consumer did not expand his purchases proportionately and actually reduced purchases of certain durable goods. Perhaps some of the consumer's caution was induced by the prospects of downward price adjustments, but even though there were some discounts from stated prices, the general level of consumer prices increased about 1.5 percent over 1959. The main increases were in service and housing costs, though sea-

sonal advances also developed in food prices. Inasmuch as the past year was also an election year, at least a portion of the caution on the part of the consumer and the businessman could be attributed to the uncertainties generated by the political campaign.



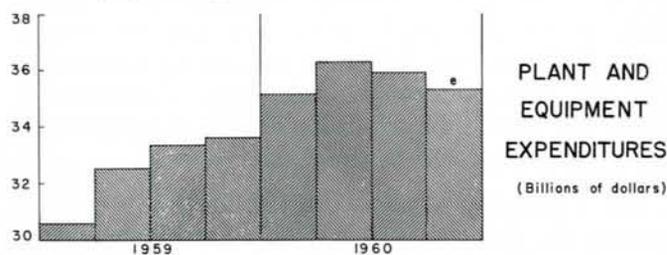
Consumer attitudes toward future purchases showed a steady lessening of confidence until the third quarter and, even at that point, exhibited a marked degree of caution. As expected in such periods, the impact of the consumer's attitude of caution was reflected mainly in his purchases of consumer durable items. Sales of new automobiles, at 6.6 million units (including about 500,000 imports), were substantially above the 1959 level, but such consumption must be viewed in the light of the greater proportion of compacts in the sales composition and the fact that in late 1959 there was a shortage of automobiles because of the steel strike. Thus, even though total sales expanded sharply over a year ago, this gain was lower than had been anticipated; and with production (totaling 6.7 million units) exceeding sales of domestic units by 500,000, the industry was plagued with exceptionally large inventories most of the year.

Purchases of other major consumer durables were down sharply in the last half of 1960, with anticipated price concessions, a fairly full consumer inventory, a decline in residential construction, and general uncertainties apparently responsible for the decline. Thus, output of appliances, television sets, and radios reached a peak in May and then decreased for the remainder of 1960.

Consumer purchases of nondurables rose in the first half of 1960 to more than 4 percent above a year earlier, then slipped somewhat in the third quarter, but recovered to the second-quarter level in the final quarter of the year. As mentioned before, service expenditures continued to expand at a fairly uniform rate. Nevertheless, total consumer spending increased less in 1960 than it did in 1959, and most of the strength was in the early part of the year.

A third major influence in the economic pattern of 1960 was the capital expenditures of United States

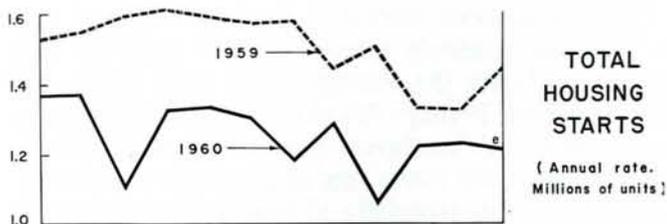
businesses. Such expenditures were programmed for an exceptionally rapid rise in the early part of 1960 and, to some extent, achieved this expected gain; however, with the development of unutilized capacity, declining orders and sales, and the intense competition which narrowed profit margins, industry began to take a new and searching look at its capital spending program. After reaching a peak in the second quarter and then declining steadily for the remainder of the year, plant and equipment expenditures totaled \$35.7 billion in 1960 and were about 10 percent above those of 1959. The largest gains occurred in manufacturing and railroad outlays, up 20 percent and 11 percent, respectively. (The only year-to-year decline among the major categories was in transportation other than railroads.) Thus, capital expenditures were an important supporting force in the economy in the early part of 1960, stimulating both industrial plant construction and, to a relatively greater degree, the demand for new machines and other capital goods. This strength is reflected in the steady output of business equipment in spite of the marked decline in farm equipment production.



Construction activity exerts an important influence on the demand for raw materials and, indirectly, on the demand for consumer durables. Since the total volume of new construction during 1960 showed only a small decline from the previous year, construction activity was not a major stimulant or depressant to the over-all economy. Gains occurred principally in public construction and in private commercial and industrial building. Federal Government expenditures for the interstate highway program were an important sustaining force, and municipal and state expenditures for educational buildings and highways increased. Industrial plant construction gains were a major feature of the private sector.

These evidences of strength in construction were more than offset, however, by the persistent decline in residential construction. Home building, suffering from an overhang of unsold new and used houses and from restraint by relatively high mortgage rates, declined irregularly throughout 1960, continuing the downward

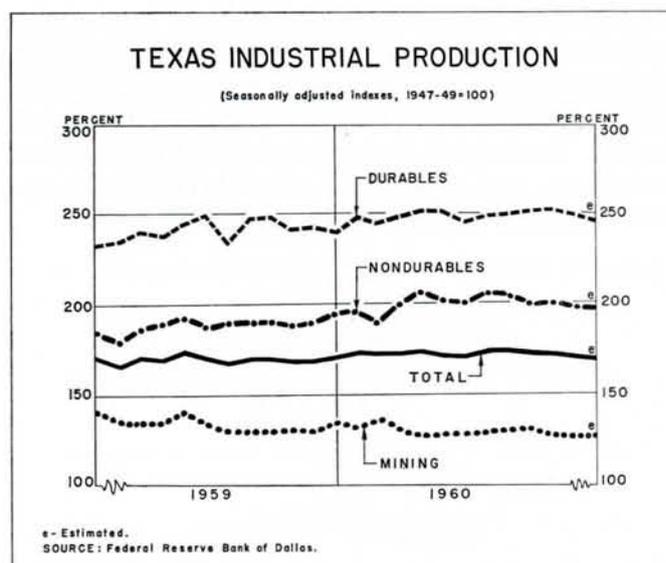
trend which began in early 1959. Private housing starts, averaging approximately 1,250,000 units in 1960, were nearly 17 percent below the year-earlier total. Custom building, rather than project or speculative construction, was a continued feature of the housing market. With the increased availability of mortgage funds in the second quarter of 1960, there was some improvement in forward contracts, but unenthusiastic consumer demand more or less checked the number of new homes scheduled for construction.



Interwoven throughout this pattern of economic developments were the influences of export-import relationships of the United States. Total exports expanded to about \$19.5 billion in 1960; special factors included some extraordinarily large exports of jet aircraft and cotton. However, there was still evidence that domestic firms were running into severe competition for many of their principal products. The advantages shown by advancing industrial technology in the United States supported, and perhaps strengthened, this Nation's hold on orders for machine tools, and foreign orders for such goods were a major sustaining force for the domestic industry. These factors — coupled with strong industrial production gains in Europe, which spilled over into foreign orders for United States products — brought an optimistic atmosphere to the export markets of this country. Imports declined to an estimated \$15 billion, with decreases especially noticeable in automobiles and steel.

The net impact of these varied forces during 1960 produced an economy struggling to maintain its level of operation without an inflation stimulus. While this might seem to be a relatively minor adjustment, the "liquidation of inflationary psychology" has proved, in reality, to be one of the most important conditioning influences for the economy this past year.

Within this context of national economic developments, the Southwest showed some similar but many dissimilar economic trends, partly because of the smaller magnitude of upward and downward movements over the previous 2 years. The Southwest's economic posture was influenced, and continues to be influenced, by its

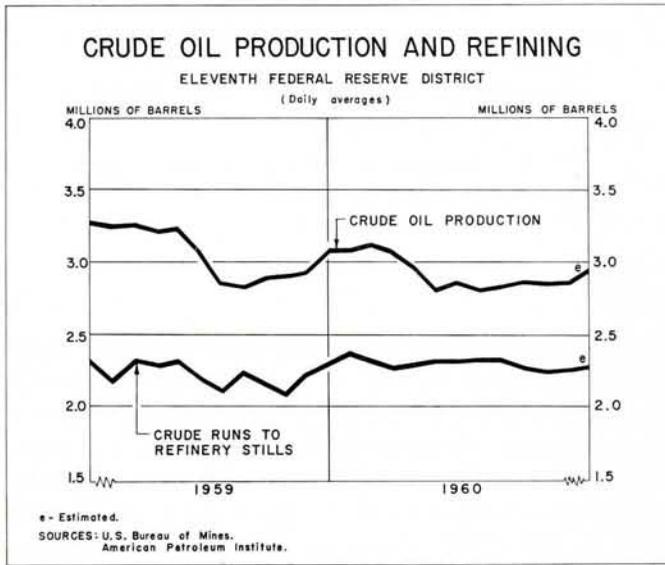


differing structure and greater or lesser emphasis upon certain individual industries. Industrial production in this area, as measured by the Texas production index, remained relatively strong throughout 1960. The gains in late 1959 and early 1960 were well below those in the Nation, although the Texas index did not decline as much in late 1960. Consequently, for the year as a whole, the 2-percent gain in the Texas index failed to meet the 3-percent rise in the national index.

Industrial production in the Southwest in 1960, concentrating in the newer electronics industries and the continually gaining chemical industry, displayed a 5-percent rise in total manufactures, which offset a 3-percent decline in mining. The apparel, paper and printing, and food industries also showed substantial growth over 1959. The structure of the Southwest's industrial complex is an important factor in this manufacturing strength, since primary metals (particularly steel) are not a major segment of the region's manufacturing capacity. Instead, although some minor declines continued to occur in defense-related industries and in lumber and furniture manufacturing, the Southwest's industrial production in 1960 was featured by a constancy relative to that in the latter part of 1959.

A major part of this steady performance can be attributed to the offsetting trends in the petroleum industry. District crude oil production was reduced 5 percent from the 1959 level as the industry sought and achieved a better balance in crude oil stocks. The number of allowable producing days for Texas was cut from 123 in 1959 to 103 in 1960. This pressure of lower output, coupled with some crude oil price reductions, brought

a 17-percent decline in drilling activity, but wildcat well completions were off only 8 percent. In contrast, refining activity advanced 3 percent, with District refineries operating at 80 to 85 percent of capacity most of the year. The natural gas industry expanded operations moderately, and copper and nonmetallic mining increased relative to the strike-reduced 1959 levels.



Agricultural production in the Southwest showed some expansion over the high levels of 1959, particularly such major crops as cotton, grain sorghums, peanuts, rice, and winter wheat. This stimulus was somewhat dissipated, however, by lower prices for these products. A continued rise in the numbers of cattle and sheep and a substantial increase in marketings of these types of livestock were more than offset by the sharp 17-percent decline in meat animal prices.

Trends in the construction industry in the Southwest did not appear to differ substantially from those described for the Nation as a whole. The overhang of unsold new houses was reportedly large in certain major markets, but it is doubted whether this was the primary restraining force on southwestern home builders. Instead, it appears that the Southwest has, for the first time in the postwar period, caught up to the immediate housing demands of the area. The existence of new uncertainties regarding the Southwest's growth trend also may have been an important factor affecting the home-building industry. With residential awards off 18 percent, the total value of construction contract awards declined 4 percent. Only a strong and rising industrial and commercial sector sustained the industry in 1960.

These factors, together with the caution exhibited by consumers and others, were partly reflected in the Southwest's employment picture. However, total nonagricultural employment in the five southwestern states rose 1.3 percent in 1960, mainly because of increases in finance, service, and government employment. Manufacturing and trade employment advanced modestly. Unemployment also increased, though, particularly in areas where petroleum production is a major local activity.

Personal incomes improved in the Southwest, but the gain was relatively minor (about 3 percent) and was sharply below the average yearly gains during the postwar period. Perhaps this slower income advance, a rate less than half that shown by the Nation, can explain, to some extent, the lower rate of consumer purchasing in the Southwest, especially of automobiles and other automotive products. Whereas the Nation showed a marked gain in the number of new automobiles sold in 1960, there was an actual decline in the Southwest.

In fact, retail sales in this region were about 2 percent below those of 1959. In addition to automotive establishments, the major types of retail outlets showing sales declines from a year ago were furniture, homefurnishings, and appliance stores and lumber, building materials, hardware, and farm equipment dealers. The strongest sales gains were at apparel, food, and general merchandise stores. Eleventh District department store sales averaged 2 percent below 1959 levels, partly because of rising competition from new discount houses and suburban specialty shops.

As in the Nation, though, the over-all performance of the southwestern economy was at a high plateau, marred principally by the low level of operations of petroleum and associated industries and the decline in home building. Even in the latter part of the year, however, the changes in general economic activity in the Southwest were, on balance, relatively modest, continuing the region's record of resisting the downturns in the national economy.

Financial Developments

Within this economic environment, national financial developments in 1960 featured the increased availability of loanable funds and a concomitant easing of demands for credit in many sectors of the economy. Thus, it appears that the total volume of credit extended in 1960 was about one-fourth lower than in 1959, with business and Federal Government requirements especially reduced.

Of course, the shifting trends and tone of the Nation's basic economic conditions were of prime importance to the 1960 financial developments, but there were several other significant factors, including subsidence of the inflationary stimulus. Foremost among these major factors was the change in the Nation's fiscal position. As the Treasury moved from a large deficit for fiscal year 1959 to a small surplus in fiscal year 1960, the change occasioned a significant diminution in the demand for credit and had some marked effects on the credit and security markets. A second important influence was the shifting but reduced credit demands of businesses, consumers, and home buyers, as well as the rising volume of private savings, which augmented the supply of loanable funds.

Monetary policy was also a major factor in the financial developments of the Nation this past year. The Federal Reserve System shifted its early-1960 policies designed to restrain the possible emergence of a speculative boom in favor of steadily easier policies pointed toward encouraging a stronger economy. As will be developed later, the policy changes were not only in direction but also in means of implementation.

The international financial relationships of the United States were an important influence upon the domestic financial scene and upon the fiscal and monetary policies formulated to accommodate the changing economic pattern as the final 6 months brought a sharp acceleration in the gold outflow. The American people interested themselves in the Nation's international financial position more in the last half of 1960 than at any other time in the postwar period.

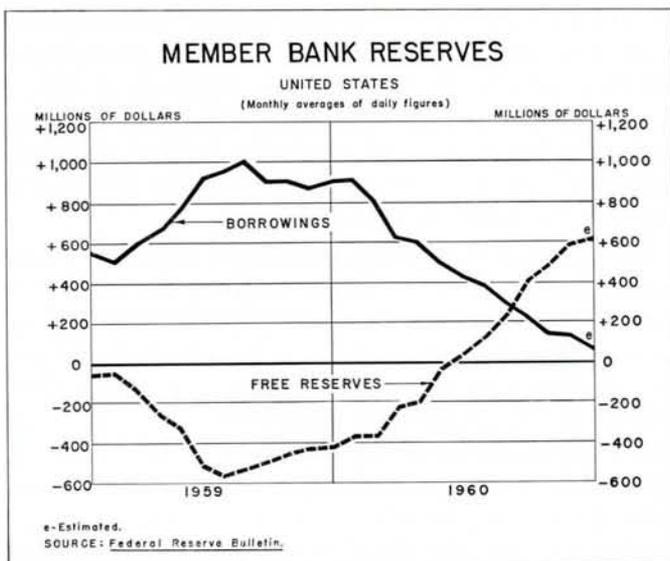
The impact of the four major factors upon the banking structure of the country is reflected in the change in bank reserve positions. Total reserves of all member banks moved downward from \$18,878 million in January to \$18,104 million in April but then reversed direction, as System policy shifted, and reached more than \$19 billion by the end of the year. Free reserves of member banks (excess reserves less borrowings) moved from a substantial negative average of about \$360 million in January and February to net free reserves of \$41 million in June and heavy average free reserves approximating \$600 million in early December.

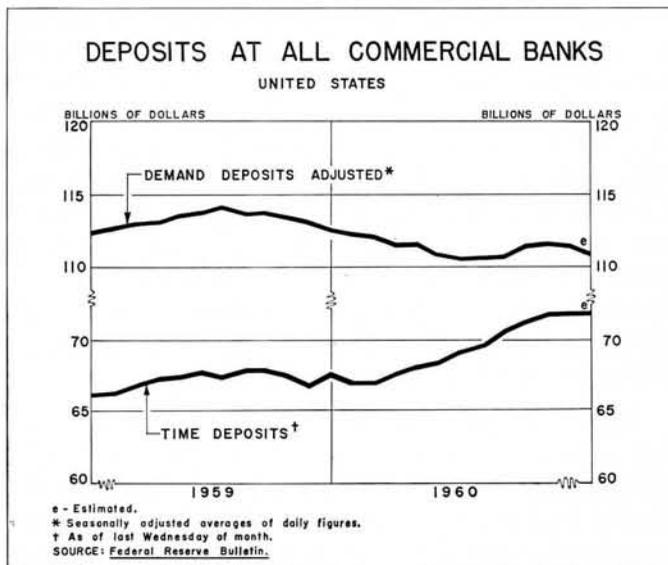
There were even greater differences in the volume of free reserves of reserve city banks and country banks. Throughout 1959 and 1960, country banks in the Nation maintained a free reserve position, although the magnitude of the free reserves shifted upward or downward largely in accordance with System policy. Of course, during 1960, the general trend of free reserves of country banks showed some improvement with the developing ease in monetary policy. In similar fashion, though showing a net borrowed reserve level, reserve city banks experienced a steadily declining net borrowed reserve position.

Federal funds were available at decreasing rates of interest as bank reserves expanded. Member bank borrowings from the Federal Reserve banks were progressively reduced in 1960 until, by early December, the total for the Nation was less than \$100 million — contrasted with more than \$1 billion in the early part of the year.

These reserve positions reflected a number of changing developments which affected aggregate banking statistics. Commercial bank deposits in the Nation improved modestly, as total demand deposits expanded slightly and time deposits advanced sharply. The expansion in demand deposits stemmed principally from the gains in deposits of individuals, partnerships, and corporations since United States Government deposits declined. Time deposits, reflecting increased personal incomes and savings, showed a substantial growth at commercial banks and a moderate growth at mutual savings banks.

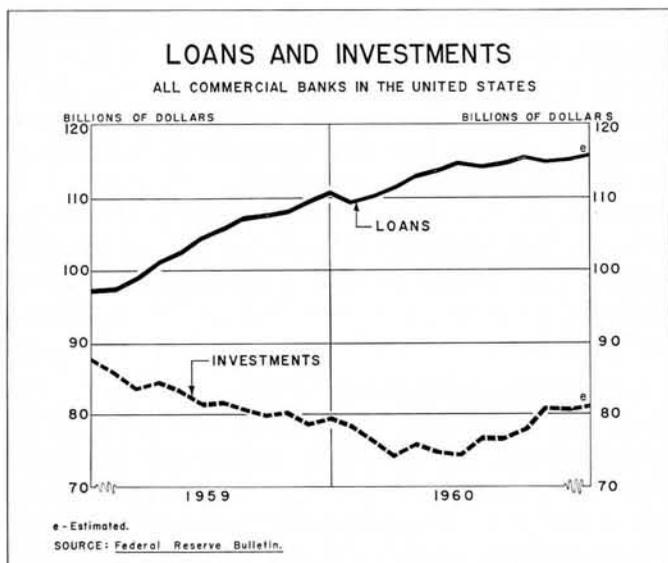
With increased availability of reserves and some improvement in deposits, banks had a greater supply of loanable funds, and total loans rose about 5 percent in 1960, with most of the advance occurring in the first half of the year. The loan picture reflected moderate gains in business, agricultural, and consumer-type loans





but declines in security and nonbank financial loans. The ratio of loans to deposits for all banks in the Nation generally increased in the first half of 1960, reaching 57.1 percent, but declined thereafter to an estimated end-of-year level of about 55 percent.

These changes in loans, deposits, and reserves allowed considerable leeway for banks to enlarge their investment portfolios in the latter half of 1960. Total investments of all commercial banks declined steadily in the last part of 1959 and the early part of 1960 to a level of \$74.1 billion in June but then expanded to more than \$81 billion by the end of the year. On balance, though, investments were less than 2 percent above the 1959 level.



In the Eleventh District, banking indicators showed a somewhat different pattern, although total changes since the first of the year were similar. District member bank deposits advanced moderately; both demand and time deposits rose, but the greatest improvement over 1959 occurred in time deposits. Total loans at these District banks expanded about 4 percent during 1960 and were increasing approximately seasonally in the final quarter of the year. Commercial and industrial loans at the District's weekly reporting banks expanded more rapidly in the second half of 1960 than a year earlier, with the strongest advances in loans in the "all other manufacturing" category and loans to transportation concerns. Compared with a year ago, loan extensions were slower to commodity dealers and manufacturers of petroleum, coal, chemicals and rubber, and metals and metal products.

The investment pattern of the District's member banks did not differ greatly from the pattern exhibited by all member banks in the Nation, in that investments were liquidated in the first half of 1960 but were increased in the latter half as bank reserve positions eased. Much of this fluctuation occurred in holdings of Government securities. In contrast, holdings of non-Governments were moderately higher.

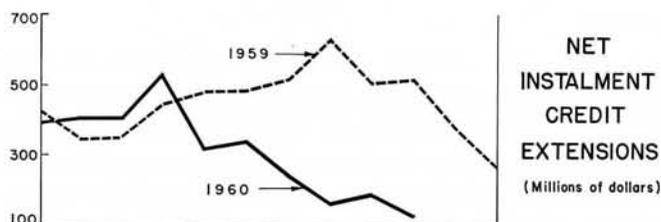
The changes in banking aggregates discussed above, both in the District and in the Nation, reflected many of the changes occurring elsewhere in the economy, particularly other financial developments. Outside the banking system, credit demands varied considerably from 1959. In the corporate market, an increase in new corporate issues, especially in the second and third quarters, brought the 1960 total to slightly more than the 1959 volume. The corporate market was congested in the latter part of the year, as weakness in the demand for long-term issues resulted in a build-up of dealer inventories of new corporate issues. The total volume of such new issues in 1960 probably reached approximately \$7 billion, or moderately above the 1959 total but well below the record in 1957.

In the municipal market, new issues offered in 1960, estimated at about \$7.1 billion, were less than the 1959 total of \$7.7 billion. However, with somewhat lower interest rates prevailing, the number of municipalities and states issuing new bonds rose sharply in the third quarter of 1960; and in the November general election, voters approved about \$3.3 billion of new municipal issues. The municipal market was affected by the same general trends influencing the other long-maturity markets but was stimulated by the necessity of meeting

road bond and utility issues, some of which had been deferred from previous years.

Mortgage loan demand, reflecting the substantially lower level of housing starts, was well below the 1959 total. Interest rates on mortgage loans, though declining somewhat, remained relatively high compared with previous years. However, the volume of mortgage credit extended failed to increase proportionately with the rising availability of mortgage funds. Increased savings of individuals and corporations provided a sharply expanding pool of funds from which mortgage loans could have been extended in much greater volume.

Consumer credit requirements shifted considerably during 1960, with the rate of instalment credit advance slowing compared with both 1959 and the early part of 1960. Net extensions of instalment credit averaged \$203 million in the third quarter of 1960, against a first-quarter average of \$403 million, and apparently were even lower in the fourth quarter. Much of the change exhibited by these figures reflected not only the decline in the volume of automobile paper but also the significant decrease in the amount of other consumer goods paper. Net instalment credit extensions for personal loans were strong throughout 1960 but were not equal to the year-earlier totals. Instalment credit rose to about \$42.5 billion, and total consumer credit reached approximately \$56.0 billion, with the year-to-year advance of more than \$4 billion in total consumer credit comparing with a \$6.5 billion gain in 1959.



The Federal Government's credit requirements also changed substantially during 1960, as its fiscal position moved from deficit to surplus. The Treasury's requirements in early 1960 reflected a more than seasonal decline, and the total outstanding public debt decreased. The usual seasonal increases of the third and fourth quarters were lower so that, for the calendar year 1960, there was a slight reduction in the net public debt — contrasted with a rise of \$8 billion during 1959. The use of advance refunding techniques to extend the average maturity of the public debt was partially successful, but the total volume extended did not exceed \$8 billion. The Treasury's actions in the market were com-

plicated by the rather large shifts in Treasury debt ownership which were taking place throughout 1960, but such financings were eased by the shift in monetary policy and the resultant increase in bank reserves. Net changes in outstanding public debt ownership during the first 9 months of 1960 showed that nonfinancial corporations sold or redeemed more than \$3.5 billion of Government securities while Government and Federal Reserve holdings increased over \$2 billion.

Monetary policy actions during 1960 were indicative of the flexibility of the central bank in the face of an uncertain economic picture and some unusual forces within the Nation's financial situation. From a policy of restraint in early 1960, which had been carried over from the previous year, Federal Reserve monetary and credit policies were gradually shifted to active ease by the end of 1960. Perhaps the most important features of this shift were the timing and the means of implementation. By the start of the second quarter of the year, the Federal Reserve began to allow market forces to ease the position of banks to such an extent that net borrowed reserves declined from over \$450 million in early January to net free reserves by late May. In large measure, this reserve change occurred because of the declining demand for bank credit.

Reserve bank discount rates were lowered from 4 percent to 3½ percent in early June and stock margin requirements were reduced in late July, as the System further recognized the lack of buoyancy in the economy and the decline in inflationary expectations. The summer months brought a further easing in bank reserve positions through both open market operations and changes in regulation D which permitted member banks to count an increasing amount of their vault cash in meeting reserve requirements on demand deposits and reduced central reserve city bank reserve requirements from 18 percent to 17½ percent. In mid-August, Reserve bank discount rates were lowered from 3½ percent to 3 percent, the level prevailing for the rest of the year.

In the fourth quarter, rather massive injections of Reserve bank credit were made by further changes in regulation D, allowing banks to count all vault cash in meeting reserve requirements and reducing central reserve city bank reserve requirements from 17½ percent to 16½ percent. These efforts by the System to increase the availability of bank reserves and the supply of loanable funds were designed to recognize the developing decline in the domestic economy, to meet seasonal requirements of businesses and consumers in the

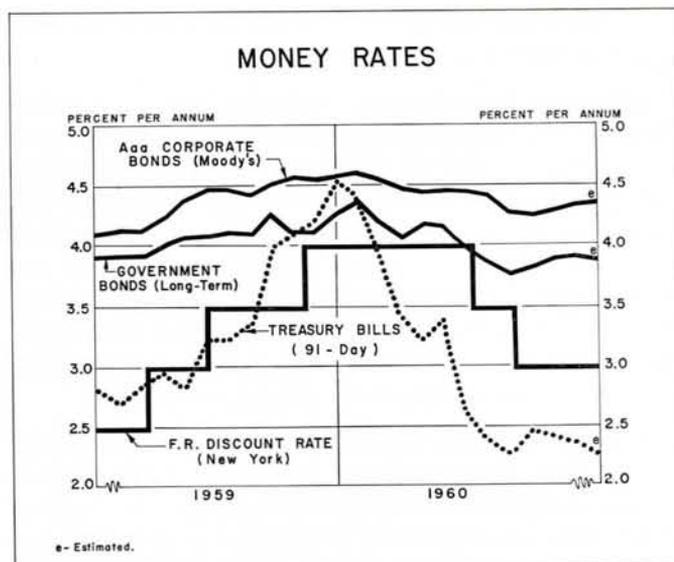
fourth quarter, and to offset the reserve effects of the enlarged outflow of gold.

International considerations were an important factor in both the financial and the economic developments of 1960. The net trade surplus, improving substantially to reach nearly \$5 billion, was more than offset by the continued outflow of funds to meet military and economic aid commitments, to support United States troops and their dependents stationed abroad, and to meet the continuing capital outflow occasioned by rising plant investment in foreign nations by United States firms.

Important in the latter half of 1960 were the short-term capital outflows attracted by the differential in interest rates of the United States and foreign nations. Short-term government obligations of foreign nations brought a net advantage of more than 1 percent to the investor; and even some longer-term obligations, particularly German issues, were of interest to many investors. Thus, a growing volume of dollar balances was moved out of United States Treasury obligations and deposits in United States banks to be invested abroad. This process occasioned a further increase in foreign government or central bank dollar balances, part of which was converted to gold. The gold outflow, which amounted to only \$134 million in the first half of 1960, expanded sharply so that, for the year as a whole, more than \$1.9 billion was transferred to foreign ownership. The net effect on the monetary gold stock was somewhat less since the International Monetary Fund sold \$300 million in gold to the Treasury in early December, but the stock was below \$18 billion at the end of 1960.

All of the factors and considerations mentioned above were brought to bear upon the money and security markets of the United States during 1960. The changes which occurred in those markets reflected, of course, not only the intensity and dominance of the individual factors at any particular time but also the differing dealer and investor interpretations of these basic market forces. In addition, dealer holdings of Government securities increased rather sharply in early August and remained high for most of the rest of the year.

Average monthly yields on 91-day Treasury bills declined from a January peak of 4.35 percent to an early-December level of about 2.27 percent, average yields on intermediates were reduced from 4.87 percent to around 3.49 percent, and yields on long-term Government securities fell from 4.37 percent to about 3.87



percent. By the end of August, most of the 1960 decline in yields on United States Government securities had already occurred.

Summary

Economic and financial developments in the Nation and the District during 1960 were hardly those which many people had anticipated in the early part of the year, but, on balance, the economy did make some further advances. The economic adjustment developing at midyear brought an unfavorable atmosphere to the domestic scene, and international balance-of-payments problems cast a cloud over the Nation's financial position.

As the year closed, the dominant forces in the domestic economy were exerting more downward than upward pressures, though the margin of difference was not substantial. Total business sales, orders, and inventories had been sliding irregularly downward for many months; home building was reduced; and unemployment increases proved to be much larger than seasonally expected. Moreover, the decline in private capital expenditures began to reflect industry's reappraisal of its substantial unutilized capacity and the marked pressures on profit margins. On the other hand, Government spending was increasing, consumer buying improved somewhat, and gains in personal income and the high level of total employment seemed to provide an undercurrent of strength. Thus, economic forecasters face a familiar problem of timing, attempting to measure the developing power of the underlying forces against the further need for adjustments to balance inventory, sales, and employment relationships.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Eleventh District department store sales in November rose less than seasonally over October and were below a year ago. Department store inventories at the end of November were slightly under the October level and were about the same as a year earlier. Total new car registrations in the District's four major centers during November were higher than in either the previous month or the same month in 1959.

Crude oil production in the District increased moderately during November and early December. Crude runs to refinery stills also advanced, but at a somewhat slower rate. As a result, crude oil stocks of District origin also rose slightly. District drilling activity remained well below a year ago, although the number of rotary rigs actively engaged rose significantly.

Changes in reserve regulations highlighted recent financial developments in the District. During November and early December, both reserve city banks and country banks enjoyed the highest free reserve level of the year. In the 4 weeks ended December 14, time deposits of the District's weekly reporting

member banks continued to grow, and loans rose substantially. Total investments were reduced, but holdings of Government bonds maturing after 5 years advanced noticeably.

The total value of construction contracts awarded in the District states during October was 9 percent below September and 11 percent lower than a year ago. Residential awards declined in October and remained under a year earlier, but "all other" awards increased.

The seasonally adjusted index of Texas industrial production declined to 171 during November but was 2 points above November 1959. Nonfarm employment in the District states held virtually steady in November and was slightly above a year earlier. Unemployment in Texas during the month increased to 5.1 percent of the nonfarm labor force.

District agricultural activity was at a low ebb during December as a result of cold, wet weather. Production of Texas citrus fruits this season is expected to be sharply above a year earlier. Pasture and livestock conditions remain favorable, although snow and rain have curtailed grazing and low temperatures have caused moderate livestock shrinkage.



Eleventh District department store sales during the December Christmas buying season failed to reach the 1959 record, though the margin of difference was small. Sales in November had continued below the year-earlier level, for the seventh consecutive month, with a 5-percent decrease, despite the fact that there was an additional trading day in November 1960. On a month-to-month basis, November sales rose 4 percent, or less than seasonally, reflecting the effect of cold, wet weather over most of the District in the latter part of November, when sales usually begin their sharp rise toward the pre-Christmas peak. The seasonally adjusted sales index declined to 163 percent of the

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1947-49 = 100)

Date	SALES (Daily average)		STOCKS (End of month)	
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1959: November.....	208	179 ^r	207	188
1960: September....	159	166	201	189
October.....	176	172	211	192
November.....	190	163	207 ^p	189 ^p

^r — Revised.
^p — Preliminary.

1947-49 average from 172 in October and 179 in November 1959. Cumulative sales for the first 11 months of 1960 were 2 percent below sales in the comparable 1959 period.

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	November 1960 from		11 months, 1960 from 1959
	October 1960	November 1959	
Total Eleventh District.....	4	-5	-2
Corpus Christi.....	-5	-12	-6
Dallas.....	6	-2	0
El Paso.....	3	-10	-12
Fort Worth.....	11	-6	-5
Houston.....	-1	-4	0
San Antonio.....	2	-7	-4
Shreveport, La.....	12	-7	-4
Waco.....	16	3	-6
Other cities.....	5	-4	1

Women's and misses' dresses, with a 2-percent increase, were one of the few types of goods which recorded a year-to-year sales gain at the District department stores during November. Sales in most of the other major departments, both soft goods and consumer durables, registered declines from November 1959. For example, sales of women's and misses' accessories were 4 percent lower, and sales of men's clothing were down 11 percent.

Preliminary data indicate that department store inventories in the District declined slightly in November and were approximately the same as at the end of November 1959. New orders placed for merchandise by the stores during November were slightly higher than in the preceding month but were 12 percent below a year ago.

Total new car registrations in the District's four most populous areas in November rose 4 percent over October and were 19 percent greater than in November 1959, when new-model production was being slowed by the steel strike. Both month-to-month and year-to-year increases were recorded in Dallas, Fort Worth, and Houston, but November registrations in San Antonio were lower than in either October 1960 or November 1959. Cumulative registrations in the four areas through November were 3 percent below those in the first 11 months of 1959.



Wet, cold weather generally blanketed most of the District during a major part of December, sharply curtailing field work and necessitating supplemental feeding of livestock. The over-all winter soil moisture conditions in the District are the best in many years; in some areas, minor flooding has occurred.

Snow over much of the High Plains and Trans-Pecos areas and in New Mexico delayed stripping of the few

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State and crop	Indicated 1960	1959	Average 1949-58
ARIZONA			
Oranges.....	1,150	1,500	1,062
Grapefruit.....	2,570	3,220	2,603
LOUISIANA			
Oranges.....	275	260	178
TEXAS			
Oranges.....	3,000	2,700	1,566
Grapefruit.....	6,700	5,200	3,090

SOURCE: United States Department of Agriculture.

remaining fields of cotton, and inclement weather hampered completion of peanut harvesting in the Cross Timbers, Edwards Plateau, and south Texas. Snow in the Plains area of the District provided adequate soil moisture for winter wheat, and oats in most sections are in good condition.

A light mid-December frost — which extended as far south as the Lower Valley of Texas — damaged some plantings of peppers, eggplants, and tomatoes in the Winter Garden, Eagle Pass, and Laredo areas. The movement of carrots, spinach, cabbage, and cauliflower is increasing in the Winter Garden section.

Citrus harvesting is making fairly good progress, despite interruptions from rains. The size of Texas citrus fruits was relatively small early in the season, but rains in October and November resulted in steady improvement in the size of the fruit. Following the severe 1951 freeze, total citrus output in Texas declined to about 500,000 boxes, contrasted with over 28 million boxes a few years earlier. Subsequently, production has gradually increased as groves have been replanted and trees have reached bearing age. The indicated 1960 output of both oranges and grapefruit in Texas is larger than the 1959 production and the 1949-58 average, but in Arizona the estimated outturns of both types of fruit this season are lower than in 1959. The Texas grapefruit crop is forecast at 6.7 million boxes, or almost 29 percent greater than a year earlier. Texas is the only major grapefruit-producing state whose output is expected to be larger than in 1959. In the Nation, grapefruit production is indicated at only 1 percent greater than in 1959 and 2 percent below average.

Livestock in the District have remained in relatively good condition, despite cold weather and wet fields and pastures. At times, livestock have had to be removed from small-grain pastures in many areas because of boggy fields; consequently, feeding activity has been stepped up significantly.



During the 4 weeks ended December 14, increased reserves and reduced investments provided the funds for a substantial expansion in loans by the weekly reporting member banks of the Eleventh Federal Reserve District. Time deposits continued to grow, and demand deposits rose. The ratio of gross loans to total deposits was virtually unchanged, while cash accounts and total assets increased.

Gross loans (excluding interbank loans) expanded almost \$49.0 million in the 4-week period, largely as a result of a \$38.1 million expansion in loans for purchasing or carrying securities. Commercial and industrial loans grew only \$1.3 million. In the comparable period of 1959, gross loans increased \$29.9 million. Government security holdings in the recent period fell \$23.8 million, but non-Government holdings advanced \$16.5 million. In the 1959 period, total investments rose \$49.3 million, as both Government and non-Government security holdings expanded. Since mid-year, the District weekly reporting member banks have added approximately \$65.9 million to their holdings of Government bonds maturing after 5 years; and although they reduced their holdings of Treasury bills and certificates by \$46.6 million between January 20 and June 15, their holdings of these securities had almost returned to the January level by December 14.

Total deposits grew \$61.7 million during the 4 weeks ended December 14, as demand deposits advanced \$29.7 million and time deposits rose \$32.0 million. Demand deposits of individuals, partnerships, and corporations and of domestic banks were substantially higher, but United States Government deposits declined markedly. The expansion in time deposits was largely accounted for by growth in the deposits of individuals, partnerships, and corporations. Time deposits have advanced steadily since June 15 and by December 14 had increased almost \$189.9 million to reach approximately \$1.5 billion.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Dec. 14, 1960	Nov. 16, 1960	Dec. 16, 1959
Total gold certificate reserves.....	669,173	711,509	711,271
Discounts for member banks.....	400	6,100	24,305
Other discounts and advances.....	348	1,276	260
U. S. Government securities.....	1,102,309	1,112,495	1,083,313
Total earning assets.....	1,103,057	1,119,871	1,107,878
Member bank reserve deposits.....	898,090	970,534	959,739
Federal Reserve notes in actual circulation.....	837,055	822,526	821,355

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 14, 1960	Nov. 16, 1960	Dec. 16, 1959
ASSETS			
Commercial and industrial loans.....	1,551,816	1,550,473	1,537,854
Agricultural loans.....	32,287	33,336	31,825
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	29,145	274	5,298
Other securities.....	23,407	21,284	12,439
Other loans for purchasing or carrying:			
U. S. Government securities.....	8,665	6,295	8,942
Other securities.....	185,046	180,272	183,645
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	94,814	95,309	142,085
Savings banks, mtge. cos., ins. cos., etc.....	132,039	135,516	113,011
Loans to foreign banks.....	185	287	440
Loans to domestic commercial banks.....	49,158	92,510	52,215
Real-estate loans.....	212,745	208,230	207,211
All other loans.....	758,396	748,273	724,252
Gross loans.....	3,077,703	3,072,059	3,019,217
Less reserves and unallocated charge-offs..	54,338	54,775	49,774
Net loans.....	3,023,365	3,017,284	2,969,443
Treasury bills.....	82,197	116,377	58,852
Treasury certificates of indebtedness.....	32,987	32,557	39,568
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	147,696	117,621	99,168
After 1 but within 5 years.....	744,617	783,150	776,550
After 5 years.....	359,624	341,263	320,853
Other securities.....	368,946	352,436	361,152
Total investments.....	1,736,067	1,743,404	1,656,143
Cash items in process of collection.....	534,172	588,618	538,627
Balances with banks in the United States.....	617,624	499,599	515,669
Balances with banks in foreign countries.....	2,023	1,923	1,953
Currency and coin.....	57,897	52,073	52,600
Reserves with Federal Reserve Bank.....	529,479	572,758	546,917
Other assets.....	214,871	208,863	219,829
TOTAL ASSETS.....	6,715,498	6,684,522	6,501,181
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations....	3,006,806	2,927,797	3,010,552
United States Government.....	60,795	157,827	127,834
States and political subdivisions.....	218,001	213,257	237,064
Banks in the United States.....	1,171,302	1,126,455	1,049,768
Banks in foreign countries.....	15,751	17,399	16,100
Certified and officers' checks, etc.....	60,004	60,212	74,085
Total demand deposits.....	4,532,659	4,502,947	4,515,403
Time deposits			
Individuals, partnerships, and corporations....	1,202,504	1,181,983	1,056,733
United States Government.....	12,513	9,913	6,255
Postal savings.....	394	394	421
States and political subdivisions.....	237,447	228,295	158,797
Banks in the U. S. and foreign countries.....	10,074	10,355	6,612
Total time deposits.....	1,462,932	1,430,940	1,228,818
Total deposits.....	5,995,591	5,933,887	5,744,221
Bills payable, rediscounts, etc.....	17,559	45,934	93,253
All other liabilities.....	129,479	134,781	123,006
Capital accounts.....	572,869	569,920	540,701
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	6,715,498	6,684,522	6,501,181

Total reserves of all District member banks increased markedly during November and early December as a result of the net effect of changes in regulation D allowing all vault cash to be counted as legal reserves but also raising the legal reserve requirements for country banks by 1 percent. Since country banks tend to hold large amounts of cash, their reserves rose more rapidly than those of reserve city banks. However, at both types of banks, excess reserves advanced, borrowings from

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Dec. 7, 1960	4 weeks ended Nov. 2, 1960	Month of Nov. 1959
RESERVE CITY BANKS			
Total reserves held.....	576,095	565,590	552,632
With Federal Reserve Bank....	554,015	555,455	—
Cash allowed as reserves.....	22,080	10,135	—
Required reserves.....	565,342	557,902	546,512
Excess reserves.....	10,753	7,688	6,120
Borrowings.....	0	72	21,254
Free reserves.....	10,753	7,616	-15,134
COUNTRY BANKS			
Total reserves held.....	485,800	459,514	461,903
With Federal Reserve Bank....	430,550	429,992	—
Cash allowed as reserves.....	55,250	29,522	—
Required reserves.....	415,199	396,573	414,061
Excess reserves.....	70,601	62,941	47,842
Borrowings.....	6,123	9,762	9,976
Free reserves.....	64,478	53,179	37,866
ALL MEMBER BANKS			
Total reserves held.....	1,061,895	1,025,104	1,014,535
With Federal Reserve Bank....	984,565	985,447	—
Cash allowed as reserves.....	77,330	39,657	—
Required reserves.....	980,541	954,475	960,573
Excess reserves.....	81,354	70,629	53,962
Borrowings.....	6,123	9,834	31,230
Free reserves.....	75,231	60,795	22,732

NOTE. — Regulations permitting member banks to count part of their vault cash in meeting reserve requirements became effective in December 1959; effective November 24, 1960, all vault cash can be counted in meeting reserve requirements. On January 1, 1960, the reserve computation period for country member banks was changed to a biweekly basis. Therefore, monthly data comparable to year-earlier material are not available.

the Reserve bank declined, and, thus, free reserves reached record levels.

Total earning assets of the Federal Reserve Bank of Dallas declined \$16.8 million between November 16 and December 14, as discounts and advances and holdings of United States Government securities were reduced. Federal Reserve notes in circulation rose \$14.5 million during the period to a level \$15.7 million above a year earlier. Gold certificate reserves decreased \$42.3 million in the 4 weeks ended December 14 and were \$42.1 million less than a year ago.

NEW PAR BANKS

The Seminary State Bank, Fort Worth, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, December 1, 1960. The officers are: Walter Wallerich, President; Bill G. Allen, Executive Vice President; and David T. Joyner, Cashier.

The First Bank and Trust of Richardson, Richardson, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, December 15, 1960. The officers are: Charles T. Boyle, Chairman of the Board; Charles W. Murphy, President; Eugene Geyer, Executive Vice President; and Maurice A. Tharp, Jr., Vice President and Cashier.



A slightly less than seasonal advance in total demand for the four major petroleum products during late November and early December concealed significant

increases in the demand for kerosene and fuel oils during the first 2 weeks in December. The market for heating oils was generally weak during November because of abnormally warm weather, and discounts from listed prices occurred; however, with the advent of cooler weather in early December, discounts were eliminated and fuel oil prices firmed. Total new supplies of refined products, measured by crude oil runs to refinery stills and refined product imports, advanced at a somewhat slower rate than is expected for this time of year. Refineries throughout the Nation operated at 80 percent of capacity in mid-December. As the increase in demand exceeded the advance in new supplies, total inventories of the four major refined products declined.

District crude oil production during the first half of December, averaging 2,959,000 barrels daily, advanced about 5 percent, primarily because of the higher Texas allowable; crude oil production in the Nation also increased. Imports of crude oil, however, decreased contraseasonally, and during the week ended December 16, crude oil imports east of California declined to the lowest level in the past 12 months. Crude oil stocks of District and national origin rose slightly but remained well below a year earlier.

Total drilling activity during November and early December in the District, as well as in the Nation, continued well below the comparable 1959 period, although the average number of rotary rigs active in the District increased significantly. Both total well completions and total footage drilled declined.

January production of crude oil in the District should rise somewhat because of a slight increase in the south-eastern New Mexico allowable; however, all other crude oil-producing states in the District have announced that January production schedules will be at the December level. Elsewhere in the Nation, output should increase slightly more than in the District.



The total value of construction contracts awarded in the five southwestern states in October amounted to \$280 million, which is 9 percent lower than in September and 11 percent below October 1959. Residen-

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	November 1960p	October 1960	September 1960	November 1959
TEXAS				
Total industrial production....	171	173	174 _r	169
Total manufactures.....	215	217	216	209 _r
Durable manufactures.....	250	253	252	241 _r
Nondurable manufactures....	199	201	200	192
Mining.....	128	130	132 _r	131
UNITED STATES				
Total industrial production....	159	162	162	156 _r
Total manufactures.....	157	160	161	154
Durable manufactures.....	161	165	166	156 _r
Nondurable manufactures....	158	159	159 _r	157
Mining.....	126	126	127 _r	126
Utilities.....	295	295	295 _r	274 _r

p — Preliminary.

r — Revised.

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Nov. 1960 from	
	November 1960 _e	October 1960	November 1959 _r	Oct. 1960	Nov. 1959
Total nonagricultural					
wage and salary workers..	4,440,000	4,443,200	4,392,300	-0.1	1.1
Manufacturing.....	779,900	780,300	784,600	-.1	-.6
Nonmanufacturing.....	3,660,100	3,662,900	3,607,700	-.1	1.5
Mining.....	241,800	241,100	248,700	.3	-2.8
Construction.....	307,000	313,400	303,200	-2.1	1.3
Transportation and public utilities.....	402,700	404,300	407,600	-.4	-1.2
Trade.....	1,100,800	1,099,300	1,092,300	.1	.8
Finance.....	201,400	201,800	193,400	-.2	4.1
Service.....	550,900	550,400	535,300	.1	2.9
Government.....	855,500	852,600	827,200	.3	3.4

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

e — Estimated.

r — Revised.

SOURCES: State employment agencies.
Federal Reserve Bank of Dallas.

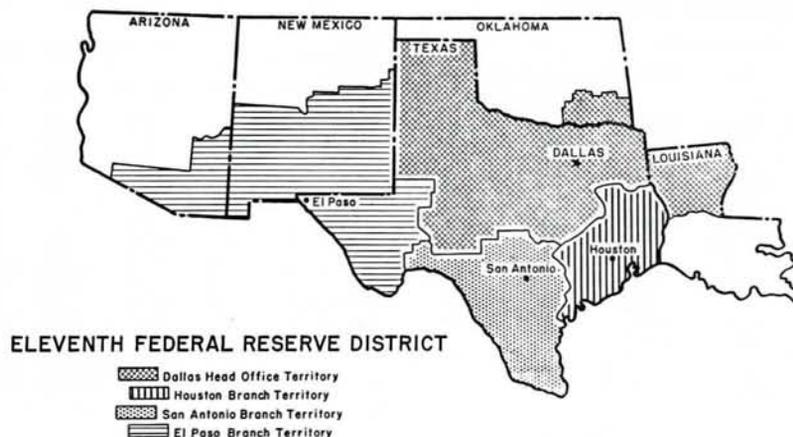
tial awards decreased one-fourth during October, while "all other" awards rose slightly above September.

Construction contracts awarded in the District states during the first 10 months of 1960 totaled almost \$3.3 billion, or 4 percent below the comparable 1959 period. The decline occurred wholly in the residential sector, which was 18 percent below January-October 1959; limiting the decline in the total value of southwestern contract awards was the 8-percent gain in the "all other" sector, which includes heavy engineering and nonresidential building.

The seasonally adjusted index of Texas industrial production during November declined to 171 from the October level of 173 but was 2 points above November 1959. Total manufacturing decreased from October as a result of slight declines in both nondurable and durable goods production but was 6 points above a year earlier. In the nondurables industries, decreases in the output of petroleum products, textiles, and paper offset advances in the output of food, apparel, printing, and chemical products. For the durable goods industries,

declines in the manufacture of transportation equipment, electrical machinery, fabricated metal products, and furniture counterbalanced substantial gains in the output of machinery and primary metals. Mining decreased because of a 2-percent reduction in crude petroleum output.

Nonfarm employment in the District states held virtually steady at 4,440,000 during November as seasonal increases in government, services, and trade more than offset declines in manufacturing, construction, finance, and transportation and public utilities. Compared with a year earlier, there were decreases in manufacturing, mining, and transportation and public utilities employment, while all other sectors showed increases. Unemployment in Texas rose moderately in November to reach 184,300, or 5.1 percent of the nonfarm labor force. Average weekly insured unemployment benefit requests during November set an all-time record for the month and were above both October and a year ago.



**BANK DEBITS, END-OF-MONTH DEPOSITS
AND ANNUAL RATE OF TURNOVER OF DEPOSITS**

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts ¹			Demand deposits ¹			
	November 1960	Percent change from		Nov. 30, 1960	Annual rate of turnover		
		Oct. 1960	Nov. 1959		Nov. 1960	Oct. 1960	Nov. 1959
ARIZONA							
Tucson.....	\$ 224,725	6	2	\$ 130,292	21.1	20.6	18.6
LOUISIANA							
Monroe.....	84,740	4	2	52,458	19.3	19.2	18.7
Shreveport.....	332,527	4	10	184,085	21.8	21.4	18.7
NEW MEXICO							
Roswell.....	45,155	3	6	31,972	17.0	17.3	16.1
TEXAS							
Abilene.....	105,317	5	8	64,246	19.0	18.1	18.1
Amarillo.....	225,255	0	-3	117,898	23.0	23.4	23.6
Austin.....	205,903	0	1	142,986	17.4	17.6	16.1
Beaumont.....	162,704	3	10	107,196	19.0	19.4	16.9
Corpus Christi.....	189,095	5	8	107,621	20.9	20.2	19.1
Corsicana.....	15,981	-18	-8	19,662	9.7	12.1	10.3
Dallas.....	2,863,600	6	7	1,156,563	29.6	27.8	28.2
El Paso.....	354,966	6	-4	169,727	25.1	24.2	26.3
Fort Worth.....	737,730	-2	1	383,066	22.9	24.0	23.3
Galveston.....	86,241	-9	-5	58,403	17.4	19.0	17.4
Houston.....	2,510,670	1	4	1,325,945	23.2	23.5	23.0
Laredo.....	26,021	-2	-2	21,542	14.5	14.9	14.3
Lubbock.....	244,347	18	-4	115,928	26.5	23.2	26.5
Port Arthur.....	60,906	-9	4	45,135	16.6	18.8	16.2
San Angelo.....	51,191	-8	-2	47,646	13.0	14.3	13.8
San Antonio.....	570,544	-2	-1	377,083	18.2	18.7	18.6
Texarkana ²	22,246	-8	7	17,133	15.5	16.9	15.6
Tyler.....	83,720	1	2	57,072	17.3	17.2	16.4
Waco.....	102,095	-7	3	70,962	17.3	19.0	17.2
Wichita Falls.....	113,084	1	-6	96,822	14.0	13.9	13.7
Total—24 cities.....	\$9,418,763	2	4	\$4,901,443	23.2	22.9	22.6

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
² These figures include only two banks in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including one bank located in the Eighth District, amounted to \$51,583,000 for the month of November 1960.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1958: November.....	7,828	3,832	3,996	2,090	1,131	959
1959: November.....	7,919	3,823	4,096	2,100	1,077	1,023
1960: July.....	7,421	3,772	3,649	2,184	1,104	1,080
August.....	7,506	3,745	3,761	2,280	1,143	1,137
September.....	7,577	3,814	3,763	2,317	1,170	1,147
October.....	7,699	3,875	3,824	2,368	1,198	1,170
November.....	7,879	3,933	3,946	2,426	1,229	1,197

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Change from				
	November 1960 ¹	October 1960 ¹	November 1959 ²	October 1960	November 1959
ELEVENTH DISTRICT	2,834.9	2,781.5	2,941.1	1.9	-3.6
Texas.....	2,465.6	2,415.5	2,560.0	2.1	-3.7
Gulf Coast.....	447.6	436.5	467.6	2.5	-4.3
West Texas.....	1,104.7	1,075.0	1,143.5	2.8	-3.4
East Texas (proper).....	125.2	121.2	136.5	3.3	-8.3
Panhandle.....	101.2	101.8	109.0	-6	-7.2
Rest of State.....	686.9	681.0	703.4	9	-2.4
Southeastern New Mexico.....	258.8	255.5	248.6	1.3	-4.1
Northern Louisiana.....	110.5	110.5	132.5	.0	-16.6
OUTSIDE ELEVENTH DISTRICT	4,134.9	4,036.3	4,040.5	2.4	2.3
UNITED STATES	6,969.8	6,817.8	6,981.6	2.2	-2

SOURCES: ¹ Estimated from American Petroleum Institute weekly reports.
² United States Bureau of Mines.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Nov. 30, 1960	Oct. 26, 1960	Nov. 25, 1959
ASSETS			
Loans and discounts.....	4,922	4,953	4,755
United States Government obligations.....	2,540	2,553	2,535
Other securities.....	852	850	850
Reserves with Federal Reserve Bank.....	882	959	975
Cash in vault.....	157	156	141
Balances with banks in the United States.....	1,297	1,057	1,063
Balances with banks in foreign countries ^a	2	2	3
Cash items in process of collection.....	579	522	542
Other assets ^a	293	296	319
TOTAL ASSETS^a.....	11,524	11,348	11,183
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,262	1,159	1,167
Other demand deposits.....	6,638	6,628	6,719
Time deposits.....	2,451	2,386	2,096
Total deposits.....	10,351	10,173	9,982
Borrowings ^a	24	48	122
Other liabilities ^a	170	160	134
Total capital accounts ^a	979	967	945
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^a.....	11,524	11,348	11,183

^a — Estimated.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	October 1960p	September 1960	October 1959	January—October	
				1960	1959
FIVE SOUTHWESTERN					
STATES ¹	280,338	306,322	313,069	3,256,857	3,397,341
Residential.....	103,327	136,495	138,423	1,316,860	1,606,533
All other.....	177,011	169,827	174,646	1,939,997	1,790,808
UNITED STATES	3,319,145	3,087,150	3,134,500	30,787,525	31,714,027
Residential.....	1,390,402	1,272,271	1,514,953	13,006,031	15,077,614
All other.....	1,928,743	1,814,879	1,619,547	17,781,494	16,636,413

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

p — Preliminary.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	Percent change						
	NUMBER		Nov. 1960 from				
	Nov. 1960	11 mos. 1960	Nov. 1960	11 mos. 1960	Oct. 1960	Nov. 1959	
ARIZONA							
Tucson.....	776	9,390	\$ 2,396	\$ 35,132	-31	-16	-4
LOUISIANA							
Shreveport.....	324	4,876	846	22,616	-32	-61	-13
TEXAS							
Abilene.....	112	1,711	1,499	21,765	-48	-18	-16
Amarillo.....	195	3,373	1,785	30,785	-18	-8	-9
Austin.....	256	3,165	2,595	40,186	-15	2	-25
Beaumont.....	274	3,349	1,984	17,174	11	50	-15
Corpus Christi.....	262	1,037	910	10,830	29	14	-41
Dallas.....	1,788	23,248	9,869	128,914	-13	-6	-19
El Paso.....	395	6,114	5,077	44,310	70	1	-27
Fort Worth.....	459	6,967	3,814	43,903	18	-38	-21
Galveston.....	114	1,418	334	5,982	147	241	65
Houston.....	882	12,892	14,356	274,414	-51	2	34
Lubbock.....	252	2,534	2,525	34,977	49	-11	-34
Port Arthur.....	188	2,030	598	9,460	68	45	2
San Antonio.....	995	12,922	3,056	52,747	19	16	5
Waco.....	235	2,381	1,235	15,857	-25	28	-4
Wichita Falls.....	109	2,561	2,606	26,330	13	653	103
Total—17 cities.....	7,616	100,168	\$55,485	\$815,382	-22	-2	-4