FEDERAL RESERVE BULLETIN

VOL. 22 SEPTEMBER 1936 No. 9

REVIEW OF THE MONTH

Increase in reserve requirements

The action of the Board of Governors, announced on July 14, increasing by 50 percent the reserve requirements of all member banks, went into effect after the close of business August 15, 1936. On that date member banks held about $6,200,000,000 of reserve balances with Federal Reserve banks and their required reserves on the old basis were estimated at $2,940,000,000, leaving excess reserves of $3,260,000,000. The increase in requirements raised required reserves by $1,470,000,000 to $4,410,000,000 and reduced excess reserves by the same amount to $1,790,000,000. Subsequently, member bank reserves increased somewhat, and excess reserves increased to $1,890,000,000 on August 26. This is a larger amount than was held by member banks at any time before the middle of 1934. A chart showing changes in member bank reserve balances in recent years is given on page 688 of this BULLETIN.

Effect of increase on member banks

Excess reserves were so widely distributed among the member banks that few banks had an insufficient amount to meet the increase in requirements. In the week including the increase a few scattered banks borrowed at the Reserve banks but the total amount borrowed was negligible. Total bills discounted at the Reserve banks declined by $2,000,000 in the week ending August 19, reflecting the repayment of one loan of $3,500,000 made in the preceding week and small borrowings by other banks. Some banks drew upon their balances with other banks in order to meet the increase in requirements. In the week ending August 19 deposits of domestic banks with reporting member banks in leading cities declined by about $210,000,000, of which $110,000,000 was withdrawn from New York City banks and the remainder from banks in other cities. In the last half of July there had been declines of approximately the same amounts that may have reflected preparation by banks for the increase in requirements. Inasmuch as bankers' balances at reporting banks had increased by $700,000,000 in June and the first half of July and on August 19 still totalled about $5,750,000,000, or more than at any time prior to last March, these withdrawals were of relatively minor importance.

Recent changes in member bank reserves

From July 15 to August 19 total reserve balances of member banks increased by about $360,000,000, reflecting principally large disbursements by the Treasury from its funds held on deposit with Federal Reserve banks. The reduction in Treasury deposits reflected an excess of current expenditures over receipts, offset in part by repayments obtained by the Reconstruction Finance Corporation and the proceeds of a public sale of its notes by the Commodity Credit Corporation. On August 15, however, additional disbursements were made from Treasury funds in retiring about $50,000,000 of Home Owners' Loan Corporation obligations. Expenditures on account of adjusted service payments, which totalled $850,000,000 in June, amounted to $340,000,000 in July, and to about $60,000,000 from August 1 to 19.

Money in circulation

In the last three weeks of June, when large adjusted service payments were being made, the amount of money in circulation increased by $310,000,000 and since that time has shown only a moderate decline. There is usually some seasonal increase in the amount

of money in circulation during this period, averaging in past years about $50,000,000. Some of the additional increase this year may reflect increasing wage payments and expanding amount of retail trade, but the larger part evidently resulted from adjusted service payments in the form of currency.

From July 1 to 29 slightly more currency returned from circulation than is usual, indicating some return of this unusual outflow. The actual return during this period amounted to $130,000,000, whereas usually there has been a return flow of about $80,000,000. In the first three weeks of August there was an outflow of $60,000,000, which is about the usual amount. Taking various factors into consideration, it appears that approximately one-half of the outflow arising from adjusted service payments has not yet returned to the banks.

Additional light is thrown upon the nature of this movement by changes in the various denominations of money in circulation, which are shown in the following table. In June currency of all denominations up to and including $100 increased more than in the same month last year, but the largest increases were in denominations of from $10 to $100. In these denominations alone the increase amounted to $230,000,000. Since the adjusted service bonds were issued in denominations of $50, it is likely that currency of these denominations was largely used in cashing them. In July the return from circulation in the smaller denominations was of about the usual seasonal amount, while the $10 to $100 denominations showed a total return of $75,000,000, which is considerably larger than usual, but in every denomination up to $100 the return flow was less than the increase in June.

PAPER CURRENCY IN CIRCULATION, BY DENOMINATIONS
[In millions of dollars]

Denominations	May 31, 1936	June 30, 1936	July 31, 1936	Increase or decrease	
				In June	In July
$1–$5	1,303	1,345	1,337	+42	− 8
$10	1,402	1,468	1,459	+66	− 9
$20	1,369	1,466	1,431	+97	−35
$50	363	398	383	+35	−15
$100	648	683	667	+35	−16
$500 and over	398	397	399	− 1	+ 2

Condition of all member banks

During the first half of 1936 member bank reserves showed little change, following rapid growth in 1934 and 1935, but member banks continued to put into active use a portion of their large supply of idle funds. As shown by the call report for June 30, they increased their loans and investments by $2,300,000,000. As during the three previous years, most of this increase was in United States Government obligations, but a much larger amount than usual was in long-term United States Government bonds, and in further contrast to previous years member banks substantially increased their holdings of domestic corporate securities and made a larger volume of new loans to their customers. The increase in loans and investments resulted in a further growth of deposits at banks. On June 30, 1936, demand and time deposits of the general public at all member banks amounted to $30,800,000,000, an increase of nearly $2,000,000,000 in the half-year and the largest amount of such deposits ever reported by member banks. Interbank deposits showed a smaller increase than in other recent years, when reserves were rapidly expanding. Detailed statistics from the call reports are published in this issue of the BULLETIN on pages 703-704 and 718-719.

Since June 30, while the reserves of member banks have increased substantially, deposits have shown little change, and at weekly reporting member banks in leading cities total loans and investments were $360,000,000 smaller on August 19 than on July 1. The latter decline reflects in part a reduction in loans on securities, including brokers' loans, and in part a decrease at New York City banks in holdings of Government obligations, which had increased considerably in June.

Loans to customers, which include loans for industrial, commercial, and agricultural purposes, increased further at reporting banks outside New York City.

Growth in deposits

The growth in deposits in the first half of this year was, as shown in the following table, fairly evenly divided among the various classes of member banks. From June 1933 to the end of 1935 country banks showed a slightly larger rate of increase in deposits than central reserve city banks. That deposits at banks in central reserve cities are now so much larger than in 1929 while those at country banks are still smaller is due to the fact that the decline in deposits from 1929 to 1933 was much greater at country banks than at the large city banks.

TOTAL ADJUSTED DEPOSITS AT MEMBER BANKS [1]
[In millions of dollars]

	June 30, 1936	Dec. 31, 1935	June 30, 1933	Dec. 31, 1929
Central reserve city banks:				
New York	7,367	6,796	5,034	5,894
Chicago	1,990	1,814	1,271	1,347
Reserve city banks	10,790	10,223	6,914	10,034
Country banks	10,614	10,009	6,973	12,234
All member banks	30,761	28,842	20,191	29,509

[1] Total demand and time deposits minus United States Government, Postal Savings and interbank deposits and cash items in process of collection.

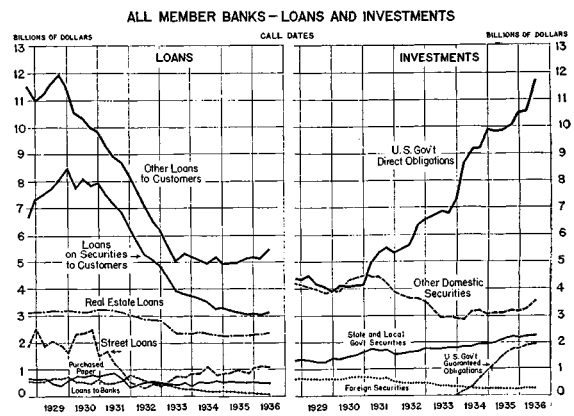
Increase in investments

About $1,200,000,000 of the increase in investments of member banks during the first half of 1936, as shown in the following table and in the chart, was in United States Government direct obligations, nearly $200,000,000 in guaranteed obligations, and $500,000,000 in other securities. The increase in other securities reflected principally substantially larger purchases of domestic corporate securities by banks than in any other period since 1930. All of the various reserve classes of banks shared in this increase. Member bank holdings of obligations of State and local governments, which have increased steadily with few interruptions since 1929, showed a further small growth in the first half of this year, as did holdings of Federal land bank and intermediate credit bank obligations. From July 1 to August 19 there was some decline in investment holdings of weekly reporting member banks in leading cities, reflecting in part distribution to other holders of new Treasury bonds bought by banks in June and the retirement of $50,000,000 of Home Owners' Loan Corporation bonds on August 15.

INVESTMENTS OF MEMBER BANKS
[In millions of dollars]

	June 30, 1936	Dec. 31, 1935	June 31, 1933
U. S. Government obligations:			
Direct	11,722	10,501	6,887
Fully guaranteed	1,950	1,768	-------
Obligations of State and local governments	2,264	2,159	1,744
Other domestic securities	3,530	3,138	2,942
Foreign securities	250	244	355
Total investments	19,717	17,810	11,928

Growth in member bank holdings of direct obligations of the United States Government was exceptionally large in the first half of this year, reflecting the substantial volume



of new issues sold by the Treasury in March and June. The total interest-bearing debt of the United States Government, excluding adjusted service bonds and other issues not offered for public sale, increased by about $2,500,000,000 between December 31, 1935, and June 30, 1936. Member banks increased their holdings by nearly half of this amount. Growth in the public debt in this period was

principally in long-term bonds. New Treasury bonds, maturing in 1951 and 1954, were sold in the amount of $2,850,000,000, while about $400,000,000 of maturing Treasury notes were retired. United States Savings bonds, which are currently offered for sale in small denominations through the post offices, showed an increase of $160,000,000. Corresponding to these changes in the public debt, the increase in member bank holdings of United States Government obligations, as shown in the following table, was almost wholly in Treasury bonds maturing after 1949. All classes of banks shared in this increase in holdings of long-term bonds but it was relatively larger at city banks, which generally hold mostly short-term obligations. New York City banks also increased their holdings of shorter-term bonds (maturing before 1950), while holdings of these bonds by other classes of banks declined. Holdings of Treasury notes declined somewhat, while those of Treasury bills showed little change. Notwithstanding these changes, member banks, particularly in the cities, continued to hold substantial amounts of short-term Government obligations.

CHANGES IN HOLDINGS OF DIRECT OBLIGATIONS OF THE UNITED STATES GOVERNMENT

	Holdings all member banks June 30, 1936	Increase or decrease since December 31, 1935			
		All member banks	Central reserve city banks	Reserve city banks	Country banks
Bonds:					
Maturing after 1949	2,783	+1,373	+596	+503	+274
Other	2,512	+ 17	+152	− 74	− 62
Treasury notes	5,161	− 243	− 71	−185	+ 13
Treasury bills	1,265	+ 74	+ 47	+ 30	− 3
Total	11,721	+1,221	+724	+274	+223

Increase in bank loans

The growth in member bank loans during the first half of 1936, as shown in the following table, occurred principally in the category of "other loans," which include loans to customers for commercial, industrial and agricultural purposes. These loans, which declined slightly in the first two months of this year, in the next four months showed an increase of nearly $400,000,000, larger than was reported in any other period since 1929, and, as previously mentioned, weekly reporting banks have shown a further increase since June. The growth from March to June was divided among banks in New York City, those in other reserve cities, and country banks. The total amount of such loans outstanding is now larger than at any time since the banking holiday in 1933 but much smaller than in earlier years. Real estate loans in the first six months of the year showed an increase of nearly $60,000,000, most of which was at country banks and on real estate other than farm lands.

CHANGES IN LOANS OF MEMBER BANKS

	Outstanding all member banks June 30, 1936	Increase or decrease Dec. 31, 1935, to June 30, 1936			
		All member banks	Central reserve city banks	Reserve city banks	Country banks
To brokers and dealers in securities	1,345	+102	+ 57	+32	+ 13
To others on securities	2,863	− 30	+ 16	−13	− 32
To banks	81	− 17	− 14	− 2	− 1
Real estate loans	2,340	+ 56	+ 6	+ 7	+ 44
Acceptances and commercial paper[1]	557	− 94	− 91	−19	+ 16
Other loans	5,355	+349	+178	+90	+ 81
Total loans	12,542	+367	+151	+95	+121

[1] Includes own acceptances held, as well as those bought in the open market.

New statistics of stock-market credit

Loans to brokers and dealers in securities in New York City increased $30,000,000 in the first half of 1936, and similar loans outside New York increased $70,000,000. During this period there were wide fluctuations in these loans, as shown by the weekly figures for reporting member banks in leading cities. Some of these fluctuations, particularly the increases early in March and June and subsequent decreases, reflected to a large extent changes in borrowings by dealers in Government securities, rather than in

borrowings by brokers carrying margin accounts. Monthly statistics of borrowings, together with other related information, compiled from the statements reported by members of the New York Stock Exchange who carry margin accounts for customers, are published for the first time in this issue of the BULLETIN (see pages 693-695). They indicate that there were increases in brokers' borrowings in March and April, the March increase being principally to finance additional advances to their customers, while that in April appeared to be in anticipation of the effective date of the Board's Regulation U, which fixed for the first time margin requirements on loans by banks, including loans to brokers, for purchasing or carrying stocks. Borrowings by these reporting brokers declined in May and have since shown little change, although loans by banks to both brokers and dealers in securities increased sharply early in June and subsequently declined by fully as much.

Designation of Vice Chairman of Board of Governors

Effective as of August 6, Ronald Ransom was designated by the President as Vice-Chairman of the Board of Governors of the Federal Reserve System for a term of four years. Mr. Ransom has been a member of the Board since February 3, 1936.

Annual Report

The complete edition of the Annual Report of the Board of Governors for 1935 is now available. This edition includes the text of the report and the record of action on questions of policy by the Board of Governors and by the Federal Open Market Committee which were available earlier this year in the brief edition of the Annual Report and in addition contains the usual statistical tables and other matters of record usually published in the complete edition.

FEDERAL RESERVE BULLETIN

VOL. 23 JUNE, 1937 No. 6

REVIEW OF THE MONTH

Recent banking developments

On May 1 the final increase of 14 2/7 percent in member bank reserve requirements went into effect, and as a consequence excess reserves declined by about $700,000,000, although the total volume of member bank reserves at Federal Reserve banks showed little change. In connection with the final increase in requirements there was some shifting of reserves among member banks, effected principally by withdrawals of interbank deposits and in small part by interbank borrowings. Open-market rates on bankers' acceptances and the average rate on weekly sales of Treasury bills declined slightly in May, while other open-market money rates and rates on customers' loans showed little or no change. High-grade bond prices, which declined sharply in March and early April, advanced somewhat in May, while stock prices declined further.

Total deposits at weekly reporting member banks continued to decrease in April and May, reflecting declines in bankers' balances and in United States Government deposits. Other deposits, which had declined somewhat in March, increased slightly in the following weeks. Sales of securities by banks have been the most important factor in accounting for the decrease in deposits in recent months. Member bank holdings of United States Government obligations continued to decline at New York City banks during April and May, but the decline was less rapid than in earlier months, and holdings of other reporting banks showed little change. Commercial loans by banks increased further, although after the first week of April the rapid growth of previous weeks slackened.

Reserve position of member banks

After the May 1 increase in reserve requirements member banks held excess reserves of more than $900,000,000, or about 16 percent of required reserves. The following table shows the reserve position of the various classes of banks in the week ending May 21 and changes since the last week of January, covering the effects of both the March and May increases in requirements. Fluctuations in excess reserves at the various classes of banks since the beginning of 1934 are shown on the chart on the next page.

RESERVE POSITION OF MEMBER BANKS

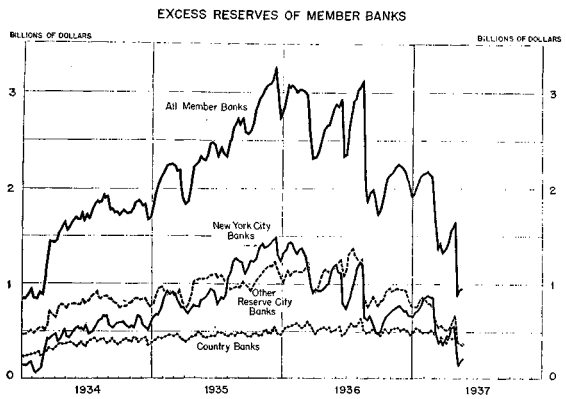
[Amounts in millions of dollars. Averages of daily figures, partly estimated]

Class of bank	Change between weeks ending Jan. 29, and May 21, 1937			Excess reserves week ending May 21	
	Total reserve balances	Required reserves	Excess reserves	Amount	Per cent of required reserves
Central reserve city banks					
New York	−107	+523	−630	212	9
Chicago	+25	+122	−97	58	11
Reserve city banks	+119	+466	−347	317	16
Country banks	+144	+279	−135	357	35
All member banks	+181	+1,390	−1,209	944	16

The increase of approximately $180,000,000 in total reserve balances from the end of January reflected principally purchases during April of about $100,000,000 of United States Government securities by the Federal Reserve banks and declines in Treasury and other nonmember deposits at the Reserve banks, offset in part by an increase in money

in circulation. The increase in required reserves was the result of the increased ratios of requirements. As the consequence of this increase, offset in part by the effects of a decrease in the amount of deposits and shifts in their distribution among member banks of the different reserve classifications, the actual addition to required reserves amounted to about $1,390,000,000 and the decrease in excess reserves to about $1,210,000,000. During the week ending May 21 member banks still had excess reserves of $940,000,000.

In the period covered by the table reserve balances increased at reserve city banks and country banks, reflecting in part withdrawals of bankers' balances, while reserves of New York City banks declined and those of Chicago banks showed little change, notwithstanding substantial liquidation of investment holdings by banks in these cities. The ratios of excess reserves to required reserves in the week ending May 21 ranged from 9 percent



Averages of daily figures for weeks ending Friday; figures for country banks and for all member banks are estimated.

at New York City banks to 35 percent at country banks. The amounts of excess reserves held by the various classes of banks in May were closely similar to those held in the early weeks of 1934, as is shown in the chart, but these amounts constituted a much smaller proportion of required reserves, which have increased as the result of a considerable growth in deposits, as well as of the increase in reserve percentages.

Since the beginning of 1937 there has been some decline in the total amount of member bank deposits, accompanied by important shifts in the distribution of deposits. These changes in deposits had the result of reducing required reserves by more than $100,000,000 below what they would otherwise have been. The declines occurred principally in deposits of the United States Government and in interbank balances. Adjusted demand deposits, which represent principally deposits of individuals, corporations, local governmental bodies, etc., declined somewhat at New York City and Chicago but showed little change elsewhere, while time deposits and deposits of foreign banks increased. Changes in various types of deposits at reporting member banks in leading cities from the end of December to May 19 are shown in the table and from the beginning of September 1934 in the chart.

Recent changes in bank deposits

CHANGES IN DEPOSITS AT REPORTING MEMBER BANKS IN LEADING CITIES, DEC. 30, 1936, TO MAY 19, 1937

[In millions of dollars]

	All reporting banks	New York City	Chicago	Other cities
Adjusted demand	−146	− 56	−78	− 12
U. S. Government	−520	−162	+ 7	−365
Interbank:				
Domestic	−894	−464	−50	−380
Foreign	+100	+ 99	+ 1	
Time	+138	+ 83	− 5	+ 60
Total	−1,322	−500	−125	−697

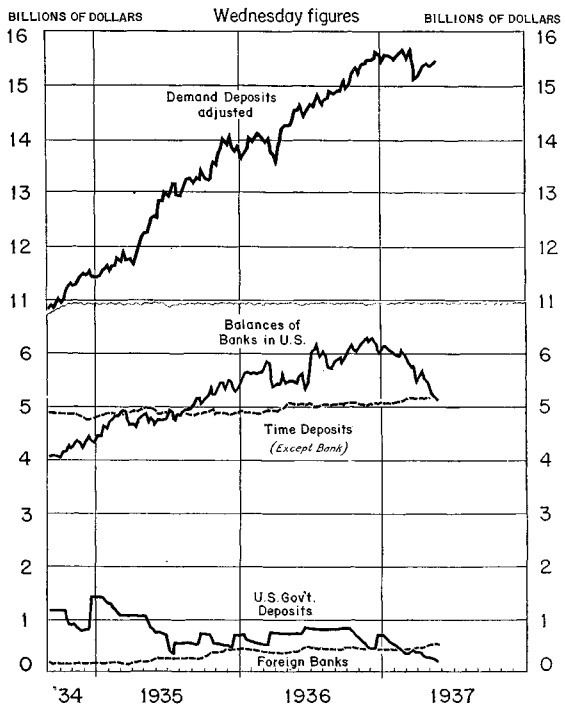
At country banks, for which call report figures as of March 31 are the latest available by types of deposits, adjusted demand deposits showed little change in the first three months of this year, while United States Government deposits declined by $120,000,000, and there was a small decline in bankers' balances. Time deposits increased by about $100,000,000.

Interbank deposits, which had increased considerably from 1933 to 1936, with the large growth in excess reserves held by banks, have been substantially reduced in 1937. Balances of domestic banks at mem-

Withdrawals of bankers' balances

ber banks in leading cities amounted to more than $6,000,000,000 at the end of 1936, as compared with an average of about $3,000,000,000 held for many years prior to 1933. By May 19, 1937, they had been reduced to about $5,100,000,000. Much of the previous accumulation of bankers' balances represented the redeposit by banks with their city correspondents of funds received on deposit from other banks. In previous years there had been at banks in leading cities outside New York large increases in balances due from banks as well as in balances due to banks, and this year there were decreases in both. Reporting member banks in leading cities reported balances with other banks of less than $1,800,000,000 on May 19, a decline of $560,000,000 since the end of December. It would appear that in this period nonreporting banks withdrew on balance more than $300,000,000 of their deposits from city correspondents.

DEPOSITS AT MEMBER BANKS IN LEADING CITIES



These withdrawals of bankers' balances reflected principally adjustments by member banks to the increased reserve requirements. Country banks in recent years have carried a portion of their idle funds in excess reserves with Federal Reserve banks and a portion on balance with correspondents. Banks having insufficient excess reserves with the Reserve banks to meet the increases in requirements drew upon their balances with other banks. Some banks probably also withdrew balances to meet withdrawals of United States Government deposits in this period. Also in the early spring banks in agricultural sections customarily draw upon their balances to meet payments in urban areas for seed, machinery, and other supplies and equipment required by farmers in that season.

These withdrawals of bankers' balances had the effect of increasing total reserves at country and reserve city banks and of decreasing reserves at central reserve city banks, but at the same time they reduced required reserves at the central reserve city banks and, since balances with correspondents are deductible from gross demand deposits in computing net deposits subject to reserve requirements, they resulted in an increase in required reserves at other banks. At country banks the increase in required reserves resulting from withdrawals of balances from city correspondents largely counteracted a reduction resulting from the loss of Government deposits.

Decrease in Treasury deposits

Treasury balances with depositaries other than Federal Reserve banks declined from nearly $1,000,000,000 at the end of December to about $200,000,000 on May 19. Deposits paid out by the Treasury were redeposited at banks by the recipients so that there would have been an increase in other deposits, had this increase not been offset through purchases by depositors of securities sold by banks. The reduction in bank deposits, therefore, corresponded to decreases in bank holdings of United States

Government obligations. Holdings of United States Government obligations by reporting member banks showed a decline of $930,000,000 between December 30 and May 19. Since the volume of outstanding United States obligations increased during the period, it is apparent that purchases of United States obligations by non-banking investors increased substantially. Most of the purchases of securities by investors were probably made with funds that had been held idle, so that these transactions did not result in a decrease in the volume of active deposits.

Shifts in holdings of Government securities

The member bank call report for March 31, which has recently become available, gives information on changes in the various types of United States Government securities held by all classes of member banks. For the first quarter of the year total holdings of all member banks decreased by about $800,000,000, following a reduction of somewhat more than $100,000,000 in the last half of 1936. While the decline last year was entirely at banks in New York, the decline this year was at banks in Chicago and the other reserve cities as well. A part of the decline shown at Chicago banks on March 31 was temporary, reflecting sales to customers over a tax period. The following table shows holdings on March 31, 1937, of different types of Government securities by the various classes of member banks and by Federal Reserve banks, compared with the total outstanding amount of the kinds of debt that banks customarily purchase, together with changes during the first quarter of this year.

Holdings of Treasury bonds by member banks decreased by about $150,000,000, holdings of notes by $500,000,000, and of bills by $130,000,000. Sales of bonds by banks in this period were larger than the decrease shown as many banks exchanged notes for bonds in March when notes were refunded into bonds. Of the net reduction of $128,000,000 in holdings of bonds by New York banks, $107,000,000 consisted of bonds maturing after December 31, 1949, holdings of which had increased in the last half of 1936. The decline in holdings of Treasury notes may be largely accounted for by the March refunding, which reduced the amount of notes outstanding, although banks as a group, including Federal Reserve banks, also sold notes from their portfolios. The decline in Treasury bill holdings is largely explained by the sale of bills by Chicago banks to their customers prior to the April 1 tax date. The New York banks also reduced their holdings of bills, while reserve city banks increased their holdings. Changes in holdings of Government securities at country banks were small.

The increase in the public debt outstanding during the first quarter of 1937 was in United States Savings bonds and various special issues; obligations usually purchased by banks showed no increase until April. The amount of Treasury bonds outstanding increased by about $500,000,000, while notes decreased by a similar amount. Since bank holdings decreased during the period, it appears that other investors substantially increased their holdings of Government obligations, especially of bonds.

BANK HOLDINGS OF DIRECT OBLIGATIONS OF THE UNITED STATES GOVERNMENT

[In millions of dollars]

	Total holdings Mar. 31 1937	Change from Dec. 31, 1936			
		Total	Bonds	Notes	Bills
Member banks:					
Central reserve city banks:					
New York	3,356	−383	−128	−175	−80
Chicago	853	−254	−20	− 73	[2] −161
Reserve city banks	4,250	−176	−3	−268	+95
Country banks	2,397	+29	−3	+ 18	+14
Total	[1]10,856	−783	[1]−154	−497	−132
Federal Reserve banks	2,430	-------	+146	−122	−24
Total "open-market" public debt outstanding[3]	32,000	−22	+484	−506	-------

[1] Includes a small amount of U. S. Savings bonds purchased.
[2] The decline in Chicago banks' holdings of bills is largely due to temporary sales to customers over a tax period.
[3] United States Government interest-bearing debt excluding U. S. Savings bonds, Postal Savings bonds, and other special issues not generally purchased by banks.

Increase in bank loans

Increased borrowing at banks by commerce and industry, which became substantial in 1936, continued during the early months of 1937. Most of the increase in member bank loans dur- the first quarter of 1937, as shown by the call report for March 31, was in loans to customers for commercial, industrial, and agricultural purposes and in holdings of acceptances and commercial paper bought in the open market. There was also a small increase in real estate loans, mostly at country banks. Loans to brokers and dealers in securities have shown a rising tendency since last autumn, according to weekly figures, but were about the same at the end of March as at the end of December.

Commercial loans to customers, as measured by loans other than those on securities or on real estate, have shown substantial increases at member banks in the central reserve and reserve cities for the past year or more. The following table gives the changes in such loans by classes of banks during the first quarter of 1937 and in the period since March 4, 1936, the date of the spring call of last year made about the time commercial loans at member banks were beginning to expand.

COMMERCIAL, INDUSTRIAL, AND AGRICULTURAL LOANS TO CUSTOMERS BY MEMBER BANKS

[Amounts in millions of dollars]

	Amount outstanding Mar. 31, 1937	Increase since Dec. 31, 1936		Increase since Mar. 4, 1936	
		Amount	Per cent	Amount	Per cent
Central reserve city banks:					
New York	1,600	73	5	488	44
Chicago	407	5	1	155	62
Reserve city banks	2,276	45	2	471	26
Country banks	1,937	56	3	147	8
All member banks	6,220	179	3	1,260	25

NOTE.—Includes all loans other than loans on securities and on real estate and loans to banks, acceptances and commercial paper bought, foreign bills and own acceptances held by reporting banks.

At all member banks commercial, industrial, and agricultural loans increased by about $180,000,000 in the first quarter of 1937, and from March 31 to May 19 there has been a further increase of about $140,000,000 at weekly reporting member banks. A large part of this growth was at New York City banks. The largest percentage increases in these loans at reserve city banks in the quarter were in the Cleveland, New York, and Chicago districts, while decreases occurred in the Dallas and Minneapolis districts. As compared with March 1936 there were substantial increases in New York City and Chicago, and in the reserve cities of each district except in the Minneapolis district.

At country banks the growth in commercial, industrial, and agricultural loans, as measured by so-called "other" loans, amounted to over $50,000,000 in the first quarter of 1937. The increase since March of last year was much smaller at country banks than at reserve city banks, both in dollar volume and on a percentage basis. During the year, however, country banks in most districts increased their loans on real estate and their holdings of open-market paper, in addition to their other loans to customers. From March 4, 1936, to March 31, 1937, total loans of country banks increased by about $300,000,000 or by nearly 8 per cent. Loans on securities declined by about $30,000,000, while loans on real estate increased by over $100,000,000, most of which was on urban property, other loans to customers increased by nearly $150,000,000, and holdings of open-market paper increased by $70,000,000.

The largest increases in loans at country banks during the first quarter of this year were in the Federal Reserve districts of Boston, New York, Chicago, and Dallas. Increases also occurred in all other districts except San Francisco. From March 4, 1936, to March 31, 1937, there were substantial increases in loans at country banks in all Federal Reserve districts except the three Northeastern districts and the Minneapolis district.

Increase in money in circulation

The amount of money in circulation has continued to increase this year, reflecting in large part increased demands for trade and for payrolls. The amount of growth from the seasonal low point on January 27 to May 19—about $80,000,000—was somewhat less than in the corresponding period of 1935 and 1936, but larger than was customary in that period in pre-depression years. One factor accounting for a smaller increase this year was a decline in vault cash holdings of banks, which had increased slightly in the same period of 1935 and 1936. Reporting member banks in leading cities showed a decline in vault cash of $60,000,000 from January 27 to May 19. In this period currency outside reporting member banks increased by about $140,000,000, compared with an increase of nearly $190,000,000 in the same period of 1936 and one of $120,000,000 in 1935.

Banks have held larger amounts of currency in recent years than was formerly customary because with abundant excess reserves they had less incentive to return unneeded currency promptly to the Reserve banks. The recent increases in reserve requirements have been responsible for the reduction in vault cash this year.

The principal increase in currency in circulation this year, as shown in the following table giving end-of-month figures, was in coin and paper currency in denominations of $20 and less, which are largely used for payrolls and in retail trade. Currency of denominations of $50 and $100 decreased this year, compared with increases in 1935 and 1936, and the largest denominations showed a smaller increase than in those years.

CHANGES IN MONEY IN CIRCULATION, BY DENOMINATIONS, JANUARY 30-APRIL 30

[In millions of dollars]

Denominations	1934	1935	1936	1937
$20 and under	+98	+60	+113	+89
$50 and $100	−20	+13	+21	−27
$500 and over	+1	+22	+15	+10
Total[1]	+79	+98	+149	+77

[1] Total excludes unassorted amounts held in Treasury and Federal Reserve banks and $1,000,000 of unknown denominations reported by the Treasury as destroyed, which are included in the figures by denominations.

Appointment of Chairman and Federal Reserve Agent and of Deputy Chairman of the Federal Reserve Bank of Atlanta

Effective May 27, 1937, Mr. William H. Kettig was designated as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Atlanta for the period ending December 31, 1937.

Effective May 27, 1937, Mr. F. H. Neely was appointed as Deputy Chairman of the board of directors of the Federal Reserve Bank of Atlanta for the remainder of the current year.