

FEDERAL RESERVE BANK
of KANSAS CITY

JUN 22 1959

RESEARCH LIBRARY
AND MONETARY DEVELOPMENTS IN MAY 1959

File

Summary. Total credit at commercial banks showed little further change in May as continued sharp loan expansion was about offset by reductions in holdings of U. S. Government securities. The seasonally adjusted active money supply increased somewhat further. Member bank reserve positions continued to tighten. The prime rate was increased to 4-1/2 per cent and private short-term money market rates rose further. Effective between May 29 and June 12, with the approval of the Board of Governors, the discount rate was raised to 3-1/2 per cent from 3 per cent at all Reserve Banks.

Bank credit. Loans and investments at all commercial banks showed little further change in May as shown in Table 1. Loans rose \$1.2 billion, the largest expansion for this month in the postwar period. Holdings of U. S. Government securities were reduced \$1 billion, more than in any other year since 1946. Bank holdings of U. S. Government securities rose over \$500 million in the first two weeks of the period ending May 13 reflecting bank acquisitions of new Treasury bills on May 11 offset in part by sales of other issues. In the subsequent two weeks, holdings declined \$1.6 billion largely as a result of sales. Bank holdings of Governments were probably little changed as a result of the May 15 Treasury financing as bank takings of new issues were about offset by redemptions of maturing issues. 1/

Loan expansion in May exceeded that in any other postwar year at both weekly reporting and country member banks (data available beginning in 1948). At country banks securities showed a record decline, but at city banks reductions were smaller than in 1956, 1955, and 1946. Total credit at city banks declined slightly in May 1959 but considerably less than in any of the past four years. On the other hand, total credit at country banks increased slightly in May but generally less than in other recent years.

1/ Treasury financing operations in May included: (1) the offering of \$2.0 billion of 340-day Treasury bills dated May 11 of which commercial banks subscribed to \$1.9 billion; (2) the offering of \$1.5 billion of 221-day Treasury bills dated May 15 of which commercial banks subscribed to \$520 million (not payable in tax and loan accounts); (3) the redemption for cash of \$2.7 billion Treasury bills maturing May 15, of which, at the end of April, commercial banks held \$550 million; and (4) the offering of one-year certificates of indebtedness in exchange for the \$1.8 billion of certificates maturing May 15; commercial banks were allotted \$370 million of the new issue and they held \$380 million of the old issue at the end of April.

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Estimated Changes in Loans and Investments at All Commercial Banks
(In billions of dollars)

Item	Last Wednesday in April to Last Wednesday in May					
	1959	1958	1957	1956	1955	1954
<u>Total loans (excluding interbank)</u>	+ 1.2	- 0.6	+ 0.2	+ 0.8	+ 1.0	- 0.1
Business	+ 0.5	- 0.3	- 0.1	<u>1/</u>	+ 0.4	- 0.2
Real estate	+ 0.3	+ 0.2	<u>1/</u>	+ 0.2	+ 0.3	+ 0.1
Security	- 0.2	- 0.6	<u>1/</u>	+ 0.1	<u>1/</u>	+ 0.5
Agricultural	<u>1/</u>	<u>1/</u>	<u>1/</u>	+ 0.1	<u>1/</u>	- 0.5
Consumer	+ 0.4	+ 0.1	+ 0.2	+ 0.2	+ 0.2	<u>1/</u>
All other	+ 0.2	<u>1/</u>	+ 0.1	+ 0.1	+ 0.2	<u>1/</u>
U. S. Government securities	- 1.0	+ 0.3	- 0.4	- 0.9	- 0.6	+ 1.2
Other securities	- 0.1	+ 0.1	+ 0.1	- 0.2	- 0.3	+ 0.1
Total loans and investments (less interbank)	+ 0.1	- 0.2	<u>1/</u>	- 0.3	+ 0.1	+ 1.2

	Last Wednesday in April to Last Wednesday in May					
	1953	1952	1951	1950	1949	1948
<u>Total loans (excluding interbank)</u>	- 0.1	+ 0.2	+ 0.2	+ 0.4	- 0.4	+ 0.6
Business	- 0.2	- 0.3	- 0.1	- 0.1	n.a.	n.a.
Real estate	+ 0.1	+ 0.1	+ 0.1	+ 0.1	n.a.	n.a.
Security	<u>1/</u>	+ 0.2	+ 0.1	<u>1/</u>	n.a.	n.a.
Agricultural	- 0.1	<u>1/</u>	<u>1/</u>	<u>1/</u>	n.a.	n.a.
Consumer	+ 0.2	+ 0.2	<u>1/</u>	+ 0.3	+ 0.1	+ 0.1
All other	- 0.1	+ 0.1	+ 0.1	+ 0.1	n.a.	n.a.
U. S. Government securities	- 0.6	+ 0.2	- 0.4	+ 0.6	+ 1.2	- 0.4
Other securities	<u>1/</u>	+ 0.1	- 0.1	<u>1/</u>	+ 0.1	<u>1/</u>
Total loans and investments (less interbank)	- 0.7	+ 0.7	- 0.2	+ 1.0	+ 0.9	+ 0.2

1/ Less than \$50 million.

Note: Data for May 27, 1959, are preliminary estimates based on data reported by a sample of member banks. Revised data will be available at end of June.

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Table 1

Estimated Changes in Loans and Investments at All Commercial Banks
(In billions of dollars)

	December 31 to last Wednesday of May					
	1959 <u>2/</u>	1958	1957	1956	1955	1954
<u>Total loans (excluding interbank)</u>	+ 3.0	- 1.9	+ 0.3	+ 2.7	+ 2.4	- 1.2
Business	+ 0.5	- 2.4	+ 0.2	+ 1.6	+ 1.1	- 1.2
Real estate	+ 1.3	+ 0.4	<u>1/</u>	+ 0.8	+ 1.1	+ 0.3
Security	- 0.5	+ 0.2	- 0.5	- 0.5	- 0.2	- 0.1
Agricultural	- 0.1	+ 0.3	- 0.1	- 0.1	- 0.8	<u>1/</u>
Consumer	+ 1.1	- 0.3	+ 0.6	+ 0.7	+ 0.8	- 0.3
All other	+ 0.6	- 0.1	<u>1/</u>	+ 0.2	+ 0.5	<u>1/</u>
U. S. Government securities	- 3.9	+ 4.9	- 1.5	- 4.3	- 4.0	- 0.1
Other securities	+ 0.2	+ 1.5	+ 0.5	- 0.3	+ 0.4	+ 0.6
Total loans and investments (less interbank)	- 0.6	+ 4.4	- 0.7	- 1.9	- 1.2	- 0.7

Item	December 31 to last Wednesday of May					
	1953	1952	1951	1950	1949	1948
<u>Total loans (excluding interbank)</u>	+ 0.6	+ 0.4	+ 1.9	+ 1.0	- 1.8	+ 1.4
Business	- 0.3	- 1.0	+ 1.6	- 0.4	n.a.	n.a.
Real estate	+ 0.4	+ 0.3	+ 0.5	+ 0.7	n.a.	n.a.
Security	- 0.5	+ 0.5	- 0.5	+ 0.3	n.a.	n.a.
Agricultural	- 0.2	+ 0.1	+ 0.1	- 0.2	n.a.	n.a.
Consumer	+ 1.1	+ 0.4	<u>1/</u>	+ 0.6	+ 0.2	+ 0.5
All other	+ 0.1	+ 0.1	+ 0.3	<u>1/</u>	n.a.	n.a.
U. S. Government securities	- 5.0	- 0.8	- 3.9	- 0.9	+ 0.6	- 3.3
Other securities	+ 0.3	+ 0.5	+ 0.1	+ 0.8	+ 0.1	+ 0.2
Total loans and investments (less interbank)	- 4.3	+ 0.1	- 1.9	+ 0.9	- 1.1	- 1.8

1/ Less than \$50 million.

2/ Structure changes increased total credit about \$640 million; loans about \$370 million; Government securities, about \$200 million; and other securities about \$70 million.

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Table 1 (continued)
Changes in Loans and Investments and Deposits at City and Country Banks
(In millions of dollars)

Item	Last Wednesday in April to last Wednesday in May					
	1959	1958	1957	1956	1955	1954
<u>Weekly reporting banks</u>						
Total loans	+ 646	- 927	- 316	+ 272	+ 445	+ 128
U. S. Government securities	- 558	+ 545	- 94	- 636	- 687	+ 881
Other securities	- 150	- 1	- 64	- 252	- 256	+ 22
Total loans and investments	- 62	- 383	- 474	- 616	- 498	+1,031
Demand deposits adjusted	-1,094	- 265	-1,546	-1,387	- 532	+ 250
<u>Country member banks</u>						
Total loans	+ 434	- 38	+ 353	+ 340	+ 404	- 97
U. S. Government securities	- 382	- 148	- 63	- 133	+ 17	+ 244
Other securities	+ 6	+ 43	+ 63	+ 6	+ 9	+ 27
Total loans and investments	+ 58	- 143	+ 353	+ 213	+ 430	+ 174
Demand deposits adjusted	- 555	-1,120	- 611	- 374	- 323	- 87
Item	Last Wednesday in April to last Wednesday in May					
	1953	1952	1951	1950	1949	1948
<u>Weekly reporting banks</u>						
Total loans	- 155	+ 69	- 50	+ 117	- 311	+ 474
U. S. Government securities	- 474	+ 257	- 362	+ 534	+1,194	- 238
Other securities	- 52	+ 159	- 82	- 62	+ 83	- 106
Total loans and investments	- 681	+ 485	- 494	+ 589	+ 966	+ 130
Demand deposits adjusted	- 287	+ 539	- 180	+ 384	+ 208	+ 186
<u>Country member banks</u>						
Total loans	+ 42	+ 147	+ 93	+ 95	- 98	+ 140
U. S. Government securities	- 124	+ 15	+ 5	+ 104	+ 224	- 55
Other securities	+ 37	+ 10	+ 12	+ 46	+ 14	+ 50
Total loans and investments	- 45	+ 172	+ 110	+ 245	+ 140	+ 135
Demand deposits adjusted	- 105	- 198	+ 124	+ 302	+ 63	+ 123

Note: Data for country banks include interbank loans, but interbank loans outstanding at these banks have generally been less than \$100 million although on March 12, 1959, they were close to \$200 million. Data for weekly reporting banks include interbank loans prior to 1952.

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Table 1 (continued)
Changes in Loans and Investments and Deposits at City and Country Banks
(In millions of dollars)

Item	End of December to last Wednesday in May 1/					
	1959 2/	1958	1957	1956	1955	1954
<u>Weekly reporting banks</u>						
Total loans	+ 1,067	- 2,590	- 1,021	+ 1,510	+ 1,283	- 1,805
U. S. Government securities	- 3,176	+ 4,670	- 776	- 3,249	- 3,606	+ 241
Other securities	+ 139	+ 1,033	+ 114	- 273	+ 97	+ 557
Total loans and investments	- 1,970	+ 3,113	- 1,683	- 2,012	- 2,226	- 1,007
Demand deposits adjusted	- 2,335	- 1,453	- 3,065	- 3,361	- 2,008	- 1,859
<u>Country member banks</u>						
Total loans	+ 1,394	+ 218	+ 849	+ 1,112	+ 911	+ 282
U. S. Government securities	- 697	+ 205	- 454	- 1,027	- 717	- 324
Other securities	+ 33	+ 366	+ 320	+ 60	+ 244	+ 54
Total loans and investments	+ 730	+ 789	+ 715	+ 145	+ 437	+ 12
Demand deposits adjusted	- 1,709	- 2,153	- 2,136	- 1,897	- 1,211	- 1,821
Item	End of December to last Wednesday in May 1/					
	1953	1952	1951	1950	1949	1948
<u>Weekly reporting banks</u>						
Total loans	- 282	- 181	+ 829	+ 139	- 1,860	+ 306
U. A. Government securities	- 4,192	- 508	- 3,231	- 1,013	+ 1,158	- 1,990
Other securities	+ 148	+ 432	- 18	+ 556	+ 232	- 61
Total loans and investments	- 4,326	- 257	- 2,420	- 318	- 470	- 1,745
Demand deposits adjusted	- 1,484	- 533	- 1,608	- 720	- 1,411	- 1,828
<u>Country member banks</u>						
Total loans	+ 683	+ 597	+ 822	+ 582	- 26	+ 889
U. S. Government securities	- 814	- 109	- 830	+ 182	- 133	- 633
Other securities	+ 53	+ 84	+ 93	+ 180	- 56	+ 208
Total loans and investments	- 78	+ 572	+ 85	+ 944	- 214	+ 464
Demand deposits adjusted	- 1,635	- 1,562	- 912	+ 42	- 1,173	- 1,076

Country bank data are for June and December call dates.

2/ Country bank assets and liabilities were increased about \$350 million in April as a result of inclusion of a national bank in Hawaii and the shifting of six national banks in Alaska from nonmember banks. (Loans +200; U.S. Govt. +100; other sec.+50; dem.dep.adj.+200; time +150)
Note: Data for country banks include interbank loans, but interbank loans outstanding at these banks have generally been less than \$100 million although on March 12, 1959, they were close to \$200 million. Data for weekly reporting banks include interbank loans prior to 1952.

So far this year, total credit at commercial banks has declined \$1.2 billion (after adjustment for bank structure changes), slightly more than the average decline since 1947 but roughly comparable with reductions in 1955 and 1956. The \$4.1 billion reduction in holdings of U. S. Government securities and the \$2.6 billion increase in loans have been about the same as in 1955 and 1956 but each has been considerably larger than in most other recent years. Loan growth at country banks in the year to date has been slightly larger than in any other year but that at weekly reporting banks has been somewhat less than in 1955 and 1956.

Business loans at city banks increased \$420 million in May, about half again as much as the increase in 1955. In all other postwar years except 1946 and 1948, when expansion was small, business loans declined in May. Loans to metals manufacturers showed record growth for this month following a slowdown in April. Loans to public utilities which had been declining earlier in the year increased somewhat in May. Seasonal loan repayments by food processors and commodity dealers continued smaller than in other years. Loans to sales finance companies declined as is usual.

During the first five months of the year, business loans at city banks increased \$250 million, much less than in several other postwar years. Since the end of March, however, they have increased \$450 million exceeding growth in 1956, 1955, and 1946--the only other postwar years when business loans increased in this period. During the January-May period, loans to trade concerns exceeded those of any other year and loans to textile manufactureres were also at near-record levels. Borrowings by metals processors were substantial but smaller than in 1956 and 1952. On the other hand seasonal repayments by food processors and commodity dealers were less than usual, while repayments by public utilities exceeded those of any other year.

Real estate loans at all commercial banks are estimated to have increased \$300 million in May, about the same as in 1955 and probably more than in any other year. So far this year, these loans have increased around \$1 billion (after adjustment for bank structure changes), also about the same as in 1955 and exceeding any other year. Consumer loans at all commercial banks are estimated to have increased \$400 million further in May, probably more than in May of any other year. The \$1.1 billion increase

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Table 2

Changes in Commercial and Industrial Loans ^{1/}
(In millions of dollars)

Business of Borrower	Last Wednesday of April to Last Wednesday of May							
	1959	1958	1957	1956	1955	1954	1953	1952
Food processors	- 6	- 81	- 96	- 81	- 102	- 78	- 104	- 116
Commodity dealers	- 80	- 41	- 137	- 107	- 31	- 25	- 124	- 118
Trade concerns	+ 43	- 14	+ 10	+ 20	+ 54	+ 18	+ 23	- 7
Total	- 43	- 136	- 223	- 168	- 79	- 85	- 205	- 241
Sales finance	- 30	- 133	- 176	- 101	+ 47	- 12	- 96	+ 35
All other - total	+ 388	- 90	+ 135	+ 208	+ 229	- 96	+ 29	- 17
Metals and products	+ 133	+ 9	+ 98	+ 53	+ 35	- 124	+ 34	+ 29
Textiles, apparel and leather	+ 34	- 17	- 35	+ 38	- 6	- 10	- 19	- 57
Petroleum, coal, etc	- 9	- 87	+ 7	- 7	+ 6	+ 60	+ 6	- 34
Other manufacturing and mining	+ 45	+ 24	- 6	+ 32	+ 50	- 16	+ 30	---
Public utilities	+ 82	- 119	+ 61	- 44	+ 43	- 39	- 21	+ 19
Construction	+ 29	+ 25	- 1	+ 33	+ 39	+ 28	+ 3	+ 22
All other types of business	+ 74	+ 75	+ 11	+ 103	+ 62	+ 5	- 4	+ 4
Classified	+ 315	- 358	- 264	- 62	+ 197	- 193	- 271	- 223
Unclassified	+ 106	- 47	- 3	+ 5	- 101	- 136	- 26	- 46
Total change	+ 421	- 404	- 267	- 57	+ 96	- 329	- 297	- 269

^{1/} Prior to week ending January 11, 1956, included changes in agricultural loans.

^{2/} Includes CCC certificates of interest which are estimated to have declined \$165 million.

^{3/} Includes CCC certificates which are estimated to have declined \$60 million.

Note: Classified data are for a sample of about 210 banks reporting changes in their larger loans, these banks hold over 95 per cent of total commercial and industrial loans of all weekly reporting banks and about 75 per cent of those of all commercial banks.

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Table 2

Changes in Commercial and Industrial Loans 1/

Business of Borrower	First Five Months							
	1959	1958	1957	1956	1955	1954	1953	1952
Food processors	- 402	- 658	- 474	- 327	- 511	- 474	- 556	- 833
Commodity dealers	- 307	- 278	- 473	- 290	- 400	- 327	- 541	- 581
Trade concerns	+ 261	- 170	- 50	+ 206	+ 103	- 43	+ 205	- 110
Total	- 448	-1,106	- 997	- 411	- 808	- 844	- 892	-1,524
Sales finance	- 15	- 911	+ 51	- 381	+ 350	- 242	- 97	- 287
All other - total	+ 597	- 214	+ 935	+1,896	+ 973	- 198	+ 649	+1,014
Metals and products	+ 669	+ 10	+ 640	+ 966	+ 107	- 271	+ 374	+1,018
Textiles, apparel and leather	+ 175	+ 78	+ 107	+ 176	+ 180	+ 50	+ 110	- 75
Petroleum, coal, etc	- 115	- 171	+ 89	+ 254	+ 277	+ 8	+ 56	+ 132
Other manufacturing and mining	+ 156	+ 101	+ 117	+ 264	+ 109	- 23	+ 56	+ 60
Public utilities	- 336	- 250	+ 162	+ 143	+ 142	- 58	+ 79	- 61
Construction	+ 51	+ 27	- 40	+ 31	+ 66	+ 53	+ 8	+ 3
All other types of business	- 3	- 9	- 140	+ 62	+ 92	+ 43	- 34	- 63
Classified	+ 133	-2,232	- 11	+1,105	+ 518	-1,284	- 341	- 795
Unclassified	+ 115	- 245	- 176	+ 56	2/- 300	3/-242	- 213	- 100
Total change	+ 248	-2,477	- 187	+1,161	2/+218	3/4,526	- 554	- 895

1/ Prior to week ending January 11, 1956, included changes in agricultural loans.

2/ Includes CCC certificates of interest which are estimated to have declined \$470 million.

3/ Includes CCC certificates of interest which are estimated to have increased \$65 million.

Note: Classified data are for a sample of about 210 banks reporting changes in their larger loans; these banks hold over 95 per cent of total commercial and industrial loans of all weekly reporting banks and about 75 per cent of those of all commercial banks.

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so far this year has been slightly larger than in any other year except 1953. Security loans fluctuated somewhat in May but declined over the month. So far this year, they have declined \$500 million, about the same as in 1957 and 1956 and more than in 1955.

Total loan growth this year has been entirely at banks outside central reserve cities. At banks in New York and Chicago, total loans at the end of May were still below the end of year level and only about 4 per cent higher than a year ago. The limited loan growth at New York and Chicago banks reflects in part the relative unimportance in their portfolios of consumer and real estate loans--the two categories which have accounted for most of this year's loan expansion. In addition, at banks in New York, heavy business loan repayments by public utilities and petroleum and chemicals concerns, which have been relatively concentrated at these banks have more than offset the expansion they have experienced in other business loan categories.

Deposits and currency. Seasonally adjusted demand deposit and currency holdings of businesses and individuals rose \$300 million further in May. This followed an increase of \$2.2 billion in the February-April period and a decline of \$900 million in January. So far this year, the money supply has increased at an annual rate of about 2-1/2 per cent. Between the end of January and the end of May, however, it increased at an annual rate of about 5 per cent. At the end of May 1959, the money supply was 4 per cent above the year-ago level.

Time deposits at commercial banks increased \$500 million further in May bringing growth so far this year (after adjustment for bank structure changes) to \$1.3 billion, much less than in 1958 and 1957, but considerably more than in most earlier years. Deposits at mutual savings banks rose \$100 million further in May; so far this year, they have increased \$700 million, less than last year, but about average for other recent years. U. S. Government deposits increased \$700 million in the first five months of the year compared with \$1.4 billion last year.

Deposit turnover. The seasonally adjusted annual rate of demand deposit turnover rose slightly further at banks outside New York City and other financial centers in May. Over April and May the rate averaged 24.6 times, almost 10 per cent higher than in the same two months last year and almost 5 per cent above the third quarter 1957 peak.

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Table 3

Estimated Changes in Deposits and Currency
(In billions of dollars)

Item	1959	1958	1959	1958	Year Ending	
	Apr. 30 May 27	May 1 May 28	Jan. 1 4/ May 27	Jan. 1 May 28	May 27 1959	May 28 1958
<u>Seasonally adjusted data</u> 1/						
Demand deposits adjusted	+ 0.2	+ 0.4	+ 1.4	+ 2.5	+ 5.1	+ 1.0
Currency outside banks	+ 0.1	+ 0.1	+ 0.2	- 0.2	+ 0.4	- 0.1
Total	+ 0.3	+ 0.5	+ 1.6	+ 2.3	+ 5.5	+ 0.9
<u>Seasonally unadjusted data</u> 1/						
Demand deposits adjusted	- 1.7	- 1.4	- 4.7	- 4.5	+ 5.0	+ 1.0
Currency outside banks	+ 0.2	+ 0.2	- 0.6	- 0.5	+ 0.3	- 0.1
Total	- 1.5	- 1.2	- 5.3	- 5.0	+ 5.3	+ 0.9
Time deposits	+ 0.7	+ 1.0	+ 2.2	+ 5.5	+ 5.9	+ 8.9
Commercial banks	+ 0.5	+ 0.8	+ 1.8	+ 4.6	+ 4.3	+ 7.1
Mutual savings banks	+ 0.1	+ 0.2	+ 0.4	+ 1.0	+ 1.7	+ 2.1
U. S. Government deposits	+ 0.5	+ 0.1	+ 0.7	+ 1.4	- 0.5	+ 0.3
Total	- 0.3	- 0.1	- 2.4	+ 2.0	+10.7	+10.1
<u>Factors affecting deposits and currency</u>	(signs indicate effect on deposits and currency)					
Bank loans and investments other than U. S. Govt. sec. 3/	+ 1.2	- 0.3	+ 3.3	+ 0.8	+12.3	+ 6.8
Commercial	+ 1.2	- 0.5	+ 3.2	- 0.4	+10.6	+ 4.0
Mutual savings	+ 0.1	+ 0.3	+ 0.6	+ 1.3	+ 2.1	+ 2.6
Bank holdings of U. S. Government securities:	- 0.8	+ 0.7	- 4.3	+ 4.6	+ 0.9	+ 6.4
Federal Reserve	+ 0.3	+ 0.4	- 0.4	- 0.2	+ 1.8	+ 1.1
Commercial	- 1.1	+ 0.4	- 3.9	+ 5.0	- 0.7	+ 6.1
Mutual saving and other	2/	- 0.1	2/	- 0.2	- 0.3	- 0.8
Gold stock and foreign deposits at F. R. Banks	- 0.2	- 0.4	- 0.4	- 1.1	- 1.5	- 0.9
Other factors	- 0.1	- 0.1	- 1.0	- 2.3	- 1.0	- 2.2

1/ Seasonally adjusted data are for last Wednesday throughout; unadjusted data are for last Wednesday except in case of June and December call dates, when available.

2/ Less than \$50 million.

3/ Total includes foreign loans on gold, holdings of bankers' acceptances at the Federal Reserve, and loans to foreign banks; changes in these items are generally relatively small. In addition even if there were no changes in these items, changes at commercial and mutual savingsbanks would not add to total change which is "net" because commercial banks exclude all interbank loans, domestic and foreign.

4/ In April 1959 as a result of the addition of a bank in Hawaii, demand deposits adjusted increased about \$100 million and time deposits increased about \$100 million. In January 1959 as a result of the addition of all banks in Alaska, time deposits at commercial banks increased almost \$100 million and demand deposits adjusted increased about \$100 million. As the result of the absorption of a mutual savings bank, time deposits at commercial banks increased \$300 million, and those at mutual savings banks declined \$300 million.

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Table 3 (continued)

Estimated Changes in Deposits and Currency
(In billions of dollars)

Item	1957	1956	1955	1954	1953	1952
	Jan. 1- May 29	Jan. 1- May 30	Jan. 1- May 25	Jan. 1- May 26	Jan. 1- May 27	Jan. 1- May 28
<u>Seasonally adjusted data 1/</u>						
Demand deposits adjusted	- 0.1	+ 0.3	+ 2.3	+ 0.6	+ 1.1	+ 2.2
Currency outside banks	+ 0.3	+ 0.1	+ 0.1	- 0.3	+ 0.3	+ 0.5
Total	+ 0.2	+ 0.3	+ 2.4	+ 0.3	+ 1.4	+ 2.7
<u>Seasonally unadjusted data 1/</u>						
Demand deposits adjusted	- 6.6	- 5.7	- 3.3	- 3.8	- 4.0	- 2.9
Currency outside banks	- 0.4	- 0.9	- 1.1	- 1.3	- 0.5	- 0.3
Total	- 7.0	- 6.6	- 4.3	- 5.0	- 4.5	- 3.2
Time deposits	+ 3.5	+ 1.2	+ 1.2	+ 2.1	+ 1.8	+ 1.6
Commercial	+ 3.0	+ 0.6	+ 0.6	+ 1.3	+ 1.0	+ 1.0
Mutual	+ 0.6	+ 0.8	+ 0.8	+ 0.8	+ 0.8	+ 0.7
U. S. Government deposits	+ 1.3	+ 1.8	+ 0.8	+ 0.8	- 2.1	+ 1.0
Total	- 2.2	- 3.6	- 2.2	- 2.1	- 5.0	- 0.6
Item	1951	1950	1949	1948	1947	1946
	Jan. 1- May 29	Jan. 1- May 31	Jan. 1- May 25	Jan. 1- May 26	Jan. 1- May 28	Jan. 1- May 31
<u>Seasonally adjusted data 1/</u>						
Demand deposits adjusted	+ 1.0	+ 1.9	+ 0.2	- 1.2	3/	3/
Currency outside banks	+ 0.5	2/	- 0.1	- 0.3	3/	3/
Total	+ 1.5	+ 1.9	+ 0.1	- 1.5	3/	3/
<u>Seasonally unadjusted data 1/</u>						
Demand deposits adjusted	- 2.8	- 0.8	- 3.0	- 4.3	- 1.8	+ 2.7
Currency outside banks	- 0.5	- 0.7	- 1.1	- 1.1	- 0.6	- 0.2
Total	- 3.3	- 1.5	- 4.1	- 5.4	- 2.4	+ 2.6
Time deposits	+ 0.1	+ 0.9	+ 0.7	+ 0.5	+ 1.2	+ 2.7
Commercial	2/	+ 0.5	+ 0.3	+ 0.3	+ 0.7	+ 1.9
Mutual	+ 0.2	+ 0.5	+ 0.4	+ 0.4	+ 0.4	+ 0.7
U. S. Government deposits	+ 1.7	- 0.3	- 1.0	+ 1.9	- 0.5	- 7.4
Total	- 1.5	- 0.9	- 4.5	- 3.0	- 1.7	- 2.1

1/ Seasonally adjusted data are for last Wednesday throughout; unadjusted data are for last Wednesday except in case of June and December call dates, when available.

2/ Less than \$50 million.

3/ Not available.

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Bank reserves. Net borrowed reserves of member banks averaged \$310 million in May compared with \$260 million in April, as shown in Table 4. During the first two weeks of June, they rose further to \$525 million. In May, and also in early June, the tightening occurred at reserve city and country banks. Reserve positions were about unchanged at central reserve city banks. During May, member bank borrowings from the Federal Reserve averaged \$770 million and excess reserves \$460 million. By the second week of June, however, borrowings had increased to \$980 million while excess reserves had remained about unchanged.

Over the month, as shown in Table 5, reserves were absorbed mainly by increases in currency in circulation and further gold outflows. The currency drain totaled \$185 million, somewhat more than in May last year. So far this year, currency inflow has supplied \$900 million of reserves, \$250 million less than last year. Foreign transactions, however, absorbed \$175 million of reserves in May compared with \$385 million in May last year; in the year to date, the gold drain has been about \$550 million less than in the comparable 1958 period.

During May reserves were supplied principally by System purchases of U.S. Government securities and declines in required reserves. System holdings of Government securities increased \$260 million reflecting outright purchases offset in part by reductions in holdings under repurchase contracts. Required reserves declined \$125 million as steady reductions over most of the month offset some increase in mid-May reflecting deposit growth associated with Treasury financing.

Interest rates. Effective May 18, the prime rate--the rate charged on business loans to borrowers with the highest credit rating--was increased to 4-1/2 per cent from 4 per cent at banks in New York City. Subsequently, leading banks throughout the country also increased the prime rate. In September 1958 the rate had been increased to 4 per cent from the recession low of 3-1/2 per cent. The current rate of 4-1/2 per cent, which also prevailed in late 1957 and early 1958, is higher than that at any other time since the early Thirties.

Effective between May 29 and June 12, with the approval of the Board of Governors, the discount rate was raised to 3-1/2 per cent from 3 per cent at all Reserve Banks.

Interest rates on private open market paper increased further in May and early June. Rates on 4-6 month prime commercial paper rose to 3-3/4 -- 3-7/8 per cent from 3-1/2 per cent; rates on 3-6 month finance company paper rose to 3-3/8 -- 3-3/4 per cent from 3-3/8 -- 3-1/2 per cent; and rates on 90-day bankers' acceptances rose to 3-1/4 per cent from 3-1/8 per cent.

Table 4

Free Reserves

(excess reserves minus member bank borrowings;
based on average of daily figures; in millions of dollars)

	All member	New York	Chicago	Reserve City	Country
<u>Quarterly averages</u>					
1958: First	314	- 10	- 16	- 27	366
Second	508	18	4	63	422
Third	341	- 28	1	- 55	424
Fourth	25	- 44	- 17	- 194	280
1959: First	- 82	- 25	- 67	- 215	225
1958: January	122	- 46	- 25	- 144	337
February	324	- 25	- 6	1	353
March	495	42	- 18	62	408
April	493	- 3	- 7	44	459
May	547	51	7	89	399
June	484	7	12	57	408
July	546	16	4	56	471
August	383	- 22	---	- 22	426
September	95	- 79	- 3	- 201	378
October	96	- 8	- 3	- 198	305
November	20	- 43	- 16	- 189	268
December	- 41	- 80	- 32	- 197	268
1959: January	- 59	- 65	- 53	- 223	281
February	- 47	- 28	- 26	- 195	202
March	- 140	16	- 122	- 228	194
April	- 258	- 89	- 64	- 284	178
May	- 308	- 52	- 41	- 361	146
April 29	- 288	- 19	- 22	- 292	45
May 6	- 316	- 53	- 32	- 343	112
13	- 255	- 32	- 45	- 331	153
20	- 235	- 87	- 73	- 400	325
27	- 304	- 49	- 15	- 310	70
June 3	- 523	- 45	- 38	- 469	29

Note: Data for last half of May and June are preliminary.

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Table 5

Changes in Member Bank Reserves, with Relevant Factors
(Monthly average of daily figures; in millions of dollars)

	May		Jan. - May		Year ending May	
	1959	1958	1959	1958	1959	1958
<u>Member bank reserve balances</u>						
<u>Total</u>	- 84	- 171	- 319	-1,197	+ 357	- 604
Required reserves ^{1/}	- 126	- 214	- 261	-1,286	+ 564	- 805
Effect of reduction in requirements	---	- 314	---	-1,440	---	-1,440
Effect of deposit change	---	+ 100	---	+ 154	---	+ 635
Excess reserves ^{1/}	+ 41	+ 43	- 58	+ 89	- 207	+ 201
<u>Principal factors</u> (signs indicate effect on reserves)						
Currency in circulation	- 185	- 144	+ 881	+1,135	- 692	- 152
Gold stock and foreign accounts	- 177	- 384	- 358	- 909	-1,572	- 482
Treasury operations	- 17	+ 35	- 45	+ 12	+ 20	+ 218
Federal Reserve float	- 2	- 23	- 561	- 602	+ 94	- 205
Other factors	- 51	+ 66	- 55	- 187	- 130	- 85
<u>Effect of above factors on reserves</u>	- 432	- 450	- 138	- 551	-2,280	- 706
Federal Reserve loans and investments:						
<u>Total</u>	+ 347	+ 280	- 183	- 644	+2,635	+ 104
U. S. Gov't. securities	+ 259	+ 290	- 392	- 43	+1,981	+ 898
Outright	+ 344	+ 301	- 334	+ 324	+1,943	+ 943
Repurchase agreements	- 85	- 11	- 58	- 367	+ 38	- 45
Acceptances	- 2	+ 1	- 11	- 4	- 11	+ 18
Discounts and advances:						
To member banks	+ 91	- 11	+ 210	- 591	+ 648	- 790
To others	- 1	---	+ 10	- 6	+ 17	- 22

^{1/} Data for May 1959 are preliminary.

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Deposits and Currency
(In billions of dollars)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Year or month	Seasonally adjusted money supply 1/			Seasonally adjusted money supply and time dep. at com'l. banks (1+7)	Demand deposits adjusted	Time deposits				U. S. Gov't. deposits 2/	Cur- rency outside banks	Total deposits and currency (5+6+10 +11)
	Total (2+3)	Demand deposits adjusted	Cur- rency outside banks			Total (7+8+9)	Commer- cial	Mutual savings	Postal savings			
End of Dec.												
1947	111.1	85.2	25.9	116.3	87.1	56.4	35.2	17.7	3.4	2.3	26.5	172.3
1948	108.8	83.5	25.3	114.6	85.5	57.5	35.8	18.4	3.3	3.6	26.1	172.7
1949	109.0	84.3	24.7	115.1	85.8	58.6	36.1	19.3	3.2	4.1	25.4	173.9
1950	114.3	89.8	24.5	150.6	92.3	59.2	36.3	20.0	2.9	3.7	25.4	180.6
1951	120.1	94.5	25.6	158.0	98.2	61.5	37.9	20.9	2.7	3.9	26.3	189.9
1952	124.7	97.8	26.9	165.4	101.5	65.8	40.7	22.6	2.5	5.6	27.5	200.4
1953	126.8	99.5	27.3	170.5	102.5	70.4	43.7	24.4	2.4	4.8	28.1	205.7
1954	129.7	102.8	26.9	176.5	106.6	75.3	46.8	26.3	2.1	5.1	27.9	214.8
1955	133.2	105.8	27.4	181.6	109.9	78.4	48.4	28.1	1.9	4.4	28.3	221.0
1956	134.4	106.7	27.7	185.0	111.4	82.2	50.6	30.0	1.6	4.5	28.3	226.4
1957	133.2	105.1	28.1	189.3	110.3	89.1	56.1	31.7	1.3	4.7	28.3	232.3
1958:												
Apr. 30	135.0	107.2	27.8	194.9	107.2	93.6	59.9	32.5	1.2	6.0	27.6	234.4
May 28	135.5	107.6	27.9	196.2	105.8	94.6	60.7	32.7	1.2	6.1	27.8	234.3
June 23	135.4	107.4	28.0	196.9	106.2	95.5	61.5	32.8	1.2	10.0	27.8	239.5
July 30	137.6	109.5	28.1	199.9	108.1	96.4	62.3	32.9	1.2	4.8	27.9	237.2
Aug. 27	137.3	109.2	28.1	200.0	107.5	97.0	62.7	33.1	1.2	6.2	28.0	238.7
Sept. 24	136.7	108.9	27.8	199.4	108.1	97.2	62.7	33.3	1.2	5.0	27.9	238.1
Oct. 29	138.1	110.2	27.9	201.0	111.0	97.4	62.9	33.4	1.2	4.2	28.0	240.6
Nov. 26	138.8	110.6	28.2	200.9	111.9	96.7	62.1	33.5	1.1	6.3	28.8	243.7
Dec. 31	139.4	111.3	28.1	202.6	115.5	98.3	63.2	34.0	1.1	4.9	28.7	247.5
1959:												
Jan. 28p 3/	138.5	110.7	27.8	201.9	113.8	98.4	63.4	33.8	1.1	5.3	27.6	245.1
Feb. 25p	139.1	111.2	27.9	202.8	111.3	98.7	63.7	34.0	1.1	5.0	27.7	242.7
Mar. 25p	140.3	112.2	28.1	204.4	110.3	99.5	64.1	34.3	1.1	4.4	27.9	242.0
Apr. 29p 4/	140.7	112.5	28.2	205.2	112.5	99.9	64.5	34.3	1.1	5.1	27.9	245.4
May 27p	141.0	112.7	28.3	206.0	110.8	100.5	65.0	34.4	1.1	5.6	28.1	245.0

p Preliminary

1/ Seasonally adjusted series begins in 1947 and is available only for last Wednesday of the month. 2/ At commercial, savings, and Federal Reserve Banks. 3/ As a result of the addition of all banks in Alaska, time deposits at commercial banks increased almost \$100 million and demand deposits adjusted increased about \$100 million. As a result of the absorption of a mutual savings bank, time deposits at commercial banks increased \$300 million and those at mutual savings banks declined \$300 million. 4/ As a result of inclusion of a national bank in Hawaii, demand deposits adjusted increased about \$100 million and time deposits at commercial banks about \$100 million.

Loans and Investments at All Commercial Banks
(In billions of dollars)

Date	Loans and investments	U. S. Govt. securities	Other securities	Total loans	Business	Real estate	Secu-rity	Farm	Con-sumer	All other
1947: Dec. 31	116.2	69.2	9.0	37.9	18.2	9.4	2.1	1.7	3.8	2.8
1948: Dec. 31	114.2	62.6	9.2	42.4	18.9	10.8	2.3	2.9	4.8	3.1
1949: Dec. 31	120.1	67.0	10.2	42.9	17.1	11.5	2.6	3.1	5.8	3.4
1950: Dec. 31	126.6	62.0	12.4	52.2	21.9	13.5	2.9	2.9	7.4	4.2
1951: Dec. 31	132.5	61.5	13.3	57.6	25.9	14.6	2.6	3.4	7.5	4.5
1952: Dec. 31	141.5	63.3	14.1	64.0	27.9	15.7	3.2	3.9	9.4	4.9
1953: Dec. 31	145.5	63.4	14.7	67.4	27.2	16.7	3.6	5.0	10.9	5.1
1954: Dec. 31	155.7	69.0	16.3	70.4	26.9	18.4	4.5	5.2	10.9	5.6
1955: Dec. 31	160.3	61.6	16.7	82.0	33.2	20.8	5.0	4.5	13.2	6.5
1956: Dec. 31	164.5	58.6	16.3	89.7	38.7	22.5	4.3	4.2	14.6	7.0
1957: Dec. 31	169.3	58.2	17.9	93.2	40.5	23.1	4.2	4.1	15.7	7.3
1958: Jan. 29	166.2	57.7	17.9	90.5	38.8	23.1	3.6	4.2	15.5	7.2
Feb. 26	167.1	58.3	18.2	90.6	38.6	23.2	3.9	4.4	15.3	7.1
Mar. 26	169.9	59.6	18.9	91.5	39.2	23.2	4.2	4.4	15.2	7.1
Apr. 30	174.0	62.8	19.3	91.9	38.4	23.3	5.0	4.4	15.3	7.2
May 28	173.8	63.1	19.4	91.3	38.1	23.5	4.4	4.4	15.4	7.2
June 23	178.2	64.2	20.1	93.9	38.9	23.7	5.6	4.6	15.5	7.5
July 30	176.2	64.1	19.9	92.2	37.9	23.9	4.5	4.6	15.6	7.4
Aug. 27	178.3	66.1	20.2	92.1	38.3	24.1	3.6	4.6	15.6	7.6
Sept. 24	177.9	64.7	20.6	92.6	38.7	24.3	3.7	4.7	15.6	7.5
Oct. 29	180.1	66.2	20.5	93.4	38.9	24.7	3.6	4.8	15.6	7.7
Nov. 26	182.7	67.7	20.3	94.7	39.3	25.0	3.9	4.9	15.6	8.0
Dec. 31	184.4	66.4	20.6	97.5	40.4	25.3	4.7	5.0	15.8	8.3
1959: 1/ Jan. 28p	183.8	67.5	20.4	95.9	39.2	25.6	4.2	5.0	15.9	8.1
Feb. 25p	181.9	65.5	20.4	96.0	39.2	25.7	4.0	5.0	16.0	8.2
Mar. 25p	181.1	63.2	20.6	97.4	40.2	25.9	3.9	4.8	16.1	8.4
2/ Apr. 29p	183.7	63.5	20.9	99.3	40.4	26.3	4.4	4.9	16.5	8.7
May 27p	183.8	62.5	20.8	100.5	40.9	26.6	4.2	4.9	16.9	8.9

1/ Total credit increased over \$400 million in January as a result of bank structure changes.

2/ Total credit increased about \$200 million as a result of bank structure changes.

Note: Data exclude interbank loans. Total loans are after and types of loans before deductions for valuation reserves. Consumer and "other loans" are partly estimated for all dates. Other data are partly estimated on all but June and December call dates. Data for May 27, 1959 are preliminary estimates based on data reported by a sample of member banks.

Not for publication

June 17, 1959