

OCT 14 1957

RESEARCH LIBRARY

BANKING AND MONETARY DEVELOPMENTS IN SEPTEMBER 1957

Summary. Total loans and investments at all commercial banks increased somewhat during September reflecting growth in loans, especially those to businesses, offset in part by reductions in holdings of U. S. Government securities. Demand deposit and currency holdings of businesses and individuals increased less than seasonally. Net borrowed reserves declined somewhat.

Bank credit. Preliminary estimates indicate that total loans and investments at all commercial banks increased about \$500 million between August 28 and September 25, as shown in Table 1. Total loans increased by \$700 million while holdings of U. S. Government securities declined somewhat. Holdings of other securities continued to rise. At city banks, holdings of U. S. Government securities declined moderately during September following substantial sales in late August subsequent to bank purchases of \$1,750 million of new Treasury bills on August 21. At other banks, holdings of U. S. Government securities are estimated to have increased somewhat as is usual in September.

On September 26 (not included in September reporting figures shown on Table 1) and on October 1, commercial bank holdings of U. S. Government securities rose about \$2.5 billion as banks initially acquired over two-thirds of a new offering of Treasury securities totaling \$3.6 billion. This offering included: (1) \$2.0 billion of 4 per cent 5-year Treasury notes redeemable at the option of the holder on February 15, 1960, on three months' advance notice, dated September 26, 1957; (2) \$933 million of 4 per cent Treasury certificates of indebtedness, dated and bearing interest from August 1, 1957, and due August 1, 1958 (accrued interest was collected on the September 26 payment date); and (3) \$657 million of 4 per cent 12-year bonds, dated October 1 and payable in part on October 21.

Last year in September, total commercial bank credit increased \$900 million, somewhat more than this year. Loans and holdings of securities other than those of the U. S. Government increased more while holdings of U. S. Government securities declined by a comparable amount.

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Table 1

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

Item	1957	1956	1957	1956	1957	1956
	Aug. 29- Sept. 25	Aug. 30- Sept. 26	June 27- Sept. 25	July 1- Sept. 26	Jan. 1- Sept. 25	Jan. 1- Sept. 26
<u>Total loans (excluding interbank)</u>	+ 0.7	+ 0.9	+ 0.3	+ 1.0	+ 2.7	+ 5.2
Business	+ 0.4	+ 0.6	- 0.2	+ 0.9	+ 1.6	+ 3.8
Real estate	+ 0.1	+ 0.2	+ 0.3	+ 0.5	+ 0.4	+ 1.5
Security	<u>1/</u>	<u>1/</u>	- 0.1	- 0.4	- 0.5	- 1.0
Agricultural	+ 0.1	+ 0.2	- 0.1	- 0.1	- 0.3	- 0.3
Consumer	+ 0.1	+ 0.1	+ 0.3	+ 0.2	+ 1.1	+ 1.3
All other	<u>1/</u>	- 0.1	+ 0.1	- 0.1	+ 0.1	+ 0.1
U. S. Government securities	- 0.2	- 0.2	+ 0.4	+ 0.4	- 2.9	- 4.6
Other securities	+ 0.1	+ 0.2	+ 0.1	+ 0.1	+ 0.6	- 0.1
Total loans and investments (less interbank)	+ 0.5	+ 0.9	+ 0.8	+ 1.4	+ 0.3	+ 0.4
Item	Third Quarter					
	1955	1954	1953	1952	1951	1950
<u>Total loans (excluding interbank)</u>	+ 2.7	- 0.4	+ 1.0	+ 1.4	+ 0.8	+ 3.9
Business	+ 1.6	<u>1/</u>	+ 0.5	+ 0.9	+ 0.8	+ 2.5
Real estate	+ 0.8	+ 0.6	+ 0.3	+ 0.4	+ 0.2	+ 0.7
Security	- 0.3	+ 0.1	+ 0.1	- 0.6	- 0.3	- 0.2
Agricultural	- 0.5	- 1.2	+ 0.2	+ 0.2	+ 0.2	- 0.1
Consumer	+ 0.6	<u>1/</u>	+ 0.3	+ 0.4	<u>1/</u>	+ 0.7
All other	+ 0.4	+ 0.2	- 0.2	+ 0.1	+ 0.1	+ 0.4
U. S. Government securities	- 1.3	+ 3.8	+ 3.6	+ 0.4	+ 1.2	- 3.3
Other securities	+ 0.1	+ 0.5	+ 0.2	+ 0.3	+ 0.2	+ 0.9
Total loans and investments (less interbank)	+ 1.6	+ 3.9	+ 4.8	+ 2.1	+ 2.2	+ 1.6

1/ Less than \$50 million.

Note: Data for September 25, 1957 are estimates and subject to error. Preliminary data for September will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of October.

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Business loans increased \$400 million in September, somewhat less than in the last two years when increases were about average for the postwar period. In the two weeks ending September 18, business loan expansion of about \$550 million was larger than in any other two-week period since mid-June reflecting substantial borrowing for tax purposes. Last year in the comparable two weeks business loans increased \$325 million. Large corporations paid 15 per cent of their current year's tax liabilities in September 1957 as compared with 10 per cent last September. In the last week of September 1957, however, business loans declined whereas in the same week last year, they continued to increase.

During September, the rise in loans to food processors and trade concerns was about as large as in other recent years and accounted for about sixty per cent of the total growth in business borrowing, as shown in Table 2. Loans to commodity dealers, however, declined slightly after a larger than usual rise in August to finance the acquisition of cotton from the Commodity Credit Corporation. Net borrowing by sales finance companies increased substantially and accounted for most of the remainder of the total growth in business loans. This borrowing reflected in part the usual tax period shift in financing from paper directly placed with nonfinancial corporations to bank borrowing. Borrowing by petroleum and chemicals concerns also increased somewhat but much less than last year when one large petroleum company had borrowed heavily to finance the acquisition of a foreign subsidiary.

Since midyear, business borrowing at banks has declined \$200 million compared with generally substantial increases in the third quarter of other recent years. However, outstanding loans declined sharply in July this year following heavier-than-usual tax borrowing in June. Since the end of May business loans at all commercial banks have increased \$1.4 billion, about a third less than in the same period last year and over two-fifths less than in 1955. Nevertheless, this year's growth was larger than in most other postwar years.

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Table 2

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

Business of Borrower	1957	1956	1955	1954	1953	1952
	Aug. 29- Sept. 25	Aug. 30- Sept. 26	Sept. 1- Sept. 28	Sept. 2- Sept. 29	Aug. 27- Sept. 23	Aug. 28- Sept. 24
Food processors	+ 160	+ 196	+ 128	+ 139	+ 197	+ 176
Commodity dealers	- 18	+ 81	+ 113	+ 107	+ 34	+ 144
Trade concerns	+ 59	+ 57	+ 62	+ 73	+ 49	+ 50
<u>Total</u>	<u>+ 201</u>	<u>+ 334</u>	<u>+ 303</u>	<u>+ 319</u>	<u>+ 280</u>	<u>+ 370</u>
Sales finance	+ 197	- 107	- 126	- 94	- 174	+ 141
<u>All other - total</u>	<u>+ 38</u>	<u>+ 348</u>	<u>+ 231</u>	<u>- 28</u>	<u>+ 56</u>	<u>+ 128</u>
Metals and products	- 43	+ 16	+ 5	- 124	- 4	+ 6
Textiles, apparel and leather	- 47	+ 16	+ 75	+ 14	- 3	+ 7
Petroleum, coal, etc.	+ 65	+ 227	+ 17	+ 9	+ 39	+ 18
Other manufacturing and mining	+ 2	+ 20	+ 20	+ 11	+ 2	+ 18
Public utilities	+ 39	+ 57	+ 50	- 3	- 1	+ 50
Construction	+ 1	- 15	+ 26	+ 5	<u>2/</u>	+ 3
All other types of business	+ 21	+ 27	+ 38	+ 60	+ 23	+ 26
Classified	+ 435	+ 575	+ 407	+ 195	+ 161	+ 639
Unclassified	- 58	- 40	+ 82	+ 22	- 17	+ 35
<u>Total change</u>	<u>+ 377</u>	<u>+ 535</u>	<u>+ 489</u>	<u>+ 217</u>	<u>+ 144</u>	<u>+ 674</u>

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

^{2/} Less than \$500 thousand.

Note: Classified data are for a sample of about 210 banks reporting changes in their larger loans; these banks hold over 90 per cent of total commercial and industrial loans of all weekly reporting banks and nearly 70 per cent of those of all commercial banks. Data are preliminary for week of September 25, 1957.

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Real estate loans continued to increase moderately in September. So far this year, these loans have increased \$400 million compared with \$1.5 billion in the same period last year. Consumer loans rose an additional \$100 million in September, bringing the increase so far this year to \$1.1 billion, almost as much as last year's \$1.3 billion. Agricultural loans increased in September while security loans were unchanged.

Total loans and investments at all commercial banks have increased \$300 million so far this year, about the same as in the first nine months of 1956. Loans have increased only half as much, however, due largely to less rapid growth in business and real estate loans. On the other hand, holdings of U. S. Government securities have declined less and holdings of other securities have increased whereas last year they declined.

Deposits and currency. Preliminary estimates indicate that demand deposit and currency holdings of businesses and individuals increased \$600 million less than seasonally in September. At the monthend, these holdings were less than one-half per cent above their year-ago level. So far this year, the seasonally adjusted money supply has declined \$300 million compared with a rise of \$300 million last year. On an average basis, over the first nine months of the year, however, the money supply has averaged slightly less than one per cent above the level in the same nine months last year.

Time deposits at commercial and mutual savings banks increased \$600 million in September, somewhat more than in either July or August, as normally would be expected. So far this year, these deposits have increased \$5.5 billion, almost twice as much as in the same period last year. At commercial banks, however, the growth has been over 2-1/2 times as large while at mutual savings banks, it has been somewhat less. U. S. Government deposits declined \$500 million between August 28 and September 25 but then rose sharply in late September and early October when payments were made for new Treasury securities.

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

Item	1957	1956	1957	1956	1957	1956
	Aug. 29- Sept. 25	Aug. 30- Sept. 26	June 27- Sept. 25	July 1- Sept. 26	Jan. 1- Sept. 25	Jan. 1- Sept. 26
<u>Seasonally adjusted data 1/</u>						
Demand deposits adjusted	- 0.5	- 0.1	- 0.9	- 0.6	- 0.4	+ 0.3
Currency outside banks	- 0.1	- 0.1	- 0.1	- 0.2	+ 0.1	2/
Total	- 0.6	- 0.2	- 1.0	- 0.8	- 0.3	+ 0.3
<u>Unadjusted data 1/</u>						
Demand deposits adjusted	+ 0.5	+ 0.9	+ 0.1	+ 0.7	- 5.8	- 4.5
Currency outside banks	+ 0.1	- 0.1	+ 0.1	- 0.9	- 0.4	- 0.9
Total	+ 0.6	+ 0.8	+ 0.2	- 0.2	- 6.2	- 5.4
Time deposits - total 3/	+ 0.6	+ 0.4	+ 1.3	+ 0.7	+ 5.5	+ 2.9
Commercial	+ 0.5	+ 0.2	+ 1.2	+ 0.4	+ 4.6	+ 1.7
Mutual savings	+ 0.1	+ 0.2	+ 0.2	+ 0.3	+ 1.1	+ 1.4
U. S. Government deposits	- 0.5	- 0.3	- 0.8	- 0.1	- 0.1	+ 1.6
Total	+ 0.7	+ 1.0	+ 0.7	+ 0.4	- 0.8	- 0.9
<u>Factors affecting deposits and currency</u> (signs indicate effect on deposits and currency)						
Bank loans and investments other than U. S. Govt. sec. 4/	+ 1.0	+ 1.4	+ 0.9	+ 1.4	+ 4.6	+ 6.8
Commercial	+ 0.8	+ 1.1	+ 0.4	+ 1.1	+ 3.3	+ 5.1
Mutual savings	+ 0.2	+ 0.2	+ 0.5	+ 0.7	+ 1.7	+ 2.0
Bank holdings of U. S. Government securities:	- 0.5	- 0.4	+ 0.6	2/	- 5.0	- 6.2
Federal Reserve	- 0.2	- 0.1	+ 0.2	- 0.2	- 1.8	- 1.2
Commercial	- 0.2	- 0.2	+ 0.4	+ 0.4	- 2.9	- 4.6
Mutual saving and other	- 0.1	2/	- 0.1	- 0.1	- 0.4	- 0.3
Gold stock and foreign deposits at F. R. Banks	1/	+ 0.1	1/	+ 0.1	+ 0.6	+ 0.3
Other factors	+ 0.2	- 0.1	- 0.8	- 1.1	- 1.0	- 1.8

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 Postal Savings,

4/ 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 savings banks would not add to total change which is "net" because commercial banks exclude all interbank loans, domestic and foreign. Unadjusted data for the total July through September periods, 1957 and 1956 are not entirely comparable as the former are computed from the last Wednesday of June and the latter from the 30th of June. Demand deposits adjusted tend to decline, currency outside banks to increase and time deposits to increase between the last Wednesday of June and the 30th of June.

Note: Data for September 25, 1957 are estimates and subject to error. Preliminary data for September will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of October. On August 28, 1957, preliminary seasonally adjusted data were: Demand deposits adjusted, \$106.8 billion; currency outside banks, \$27.9 billion; and the total money supply, \$134.7 billion.

On balance, total deposits and currency increased \$700 million in September. Total credit expansion at commercial and mutual savings banks was offset in part by reductions in Federal Reserve holdings of U. S. Government securities. Miscellaneous factors also added somewhat to deposit growth over the month. So far this year, total deposits and currency have declined \$800 million, about the same as last year. Demand deposits adjusted and currency have declined more this year than last but time deposits have increased more. U. S. Government deposits (through September 25) were about unchanged whereas last year, they increased substantially.

Bank reserves. Net borrowed reserves of all member banks averaged \$445 million in September, only slightly below the August level of \$470 million, as shown in Table 4. Borrowings averaged just under \$1 billion and excess reserves around \$540 million. Reserves eased substantially at country banks and to a lesser extent at central reserve city banks at New York. At central reserve city banks in Chicago and at reserve city banks, however, net borrowed reserves increased somewhat. The effective rate on Federal funds dropped below 3-1/2 per cent on only one day in September.

Over September, as shown in Table 5, reserves supplied to banks through Federal Reserve purchases of U. S. Government securities and increases in Reserve Bank float were absorbed in large part through currency outflows and increases in required reserves. During the first two weeks of September, net borrowed reserves remained close to their late August level as System purchases of U. S. Government securities and declines in required reserves provided funds to about offset those drained through currency outflows, largely around the Labor Day holiday. In mid-September, the intra-monthly increase in Reserve Bank float and a return flow of currency supplied more funds than were drained through other factors, including sales of U. S. Government securities, and net borrowed reserves declined. Subsequently in September, float declined, sales of U. S. Government securities continued, and Treasury deposits were built up. Average net borrowed reserves increased to more than \$500 million in the two weeks ending October 2.

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

Period	All member	New York	Chicago	Reserve City	Country
1954: December	459	- 50	- 16	- 26	550
1955: December	- 245	- 161	- 83	- 338	338
1956: March	- 408	- 174	- 256	- 298	319
June	- 195	- 33	- 111	- 356	305
July	- 139	- 108	- 48	- 344	360
August	- 339	- 158	- 72	- 382	274
September	- 213	- 204	- 93	- 296	380
October	- 195	- 192	- 114	- 246	358
November	- 154	- 214	- 140	- 193	393
December	- 36	- 91	- 86	- 203	344
1957: January	117	- 41	- 40	- 172	369
February	- 126	- 123	- 53	- 249	299
March	- 316	- 101	- 253	- 242	280
April	- 505	- 300	- 210	- 263	269
May	- 444	- 104	- 165	- 367	192
June	- 508	- 185	- 48	- 488	210
July	- 383	- 181	- 28	- 452	278
August	- 471	- 289	- 26	- 400	244
September	- 444	- 254	- 114	- 431	354
<u>Quarterly averages</u>					
1955: First	254	- 29	- 75	- 99	457
Second	158	- 1	- 64	- 150	374
Third	- 127	- 112	- 67	- 323	375
Fourth	- 365	- 192	- 95	- 418	341
1956: First	- 310	- 170	- 147	- 329	336
Second	- 411	- 96	- 175	- 418	278
Third	- 230	- 157	- 71	- 341	338
Fourth	- 128	- 166	- 113	- 214	365
1957: First	- 108	- 88	- 115	- 221	316
Second	- 485	- 196	- 141	- 373	224
Third	- 433	- 241	- 56	- 427	292
1957: Aug. 28	- 472	- 256	- 27	- 355	166
Sept. 4	- 412	- 120	- 42	- 423	173
11	- 450	- 259	- 100	- 469	378
18	- 304	- 248	- 104	- 406	454
25	- 519	- 333	- 165	- 477	454
Oct. 2	- 541	- 232	- 127	- 398	216

Note: Data for second half of September and October are preliminary.

System holdings of U. S. Government securities in September averaged \$180 million above the August level, with higher outright holdings accounting for most of the difference. Between August 31 and September 30, however, System holdings of U. S. Government securities declined \$230 million as sales during most of the month, following rather substantial purchases late in August, were offset only in part by purchases at the end of September. These purchases continued into early October.

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Table 5

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

Item	September		July - Sept.		Jan. - Sept.	
	1957	1956	1957	1956	1957	1956
<u>Member bank reserve balances</u>						
<u>Total</u>	+ 122	+ 241	- 26	+ 91	- 579	- 216
Required reserves ^{1/}	+ 113	+ 222	- 73	+ 87	- 471	- 200
Excess reserves ^{1/}	+ 9	+ 19	+ 47	+ 4	- 108	- 16
<u>Principal factors</u>			(signs indicate effect on reserves)			
Currency in circulation	- 108	- 153	- 241	- 267	+ 632	+ 462
Gold stock and foreign accounts	- 28	- 13	+ 21	+ 44	+ 679	+ 294
Treasury operations	- 49	- 12	- 22	- 22	- 17	- 49
Federal Reserve float	+ 158	+ 288	- 23	- 8	- 486	- 191
Other factors	- 15	+ 38	- 84	+ 112	- 206	+ 194
<u>Effect of above factors on reserves</u>	- 42	+ 148	- 349	- 141	+ 602	+ 710
Federal Reserve loans and investments:						
<u>Total</u>	+ 163	+ 92	+ 321	+ 229	-1,181	- 923
U. S. Govt. securities	+ 179	+ 198	+ 336	+ 206	-1,440	- 874
Outright	+ 173	+ 207	+ 385	+ 209	-1,196	- 623
Repurchase agreements	+ 6	- 9	- 49	- 3	- 244	- 251
Acceptances	---	---	---	+ 1	- 29	- 1
Discounts and advances						
To member banks	- 17	- 106	- 17	+ 23	+ 300	- 47
To others	+ 1	---	+ 2	- 1	- 12	- 1

^{1/} Data for September 1957 are preliminary.

Note: Changes are based on data for August and September; June and September; and December and September.

Not for publication

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

Date	Loans and investments	U. S. Gov't. 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	18.3	9.4	2.1	1.7	3.8	2.9
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: Mar. 30	152.4	64.2	17.0	71.2	27.4	19.0	4.1	4.9	11.2	5.8
June 30	154.8	63.3	16.8	74.8	28.9	19.8	4.5	4.4	12.1	6.2
Sept. 28	156.4	62.0	16.9	77.5	30.5	20.6	4.2	3.9	12.7	6.6
Dec. 31	160.3	61.6	16.7	82.0	<u>1/33.2</u>	<u>1/20.8</u>	5.0	4.5	13.2	6.5
1956: Jan. 25	158.3	60.9	16.5	80.9	32.7	20.9	4.6	4.4	13.3	6.4
Feb. 29	157.1	59.2	16.6	81.2	32.9	21.0	4.5	4.5	13.3	6.4
Mar. 28	158.5	58.6	16.6	83.3	34.5	21.2	4.5	4.4	13.5	6.5
Apr. 25	158.7	58.2	16.6	83.9	34.8	21.4	4.4	4.3	13.7	6.6
May 30	158.4	57.3	16.4	84.7	34.8	21.6	4.5	4.4	13.9	6.7
June 30	159.3	56.6	16.5	86.2	36.1	21.8	4.4	4.3	14.3	6.7
July 25	158.3	56.2	16.3	85.8	35.8	21.9	4.3	4.2	14.4	6.6
Aug. 29	159.8	57.2	16.4	86.3	36.4	22.1	4.0	4.0	14.4	6.7
Sept. 26	160.7	57.0	16.6	87.2	36.9	22.3	4.1	4.2	14.5	6.6
Oct. 31	161.4	57.5	16.3	87.6	37.2	22.4	4.1	4.0	14.5	6.7
Nov. 28	162.7	58.2	16.3	88.2	37.8	22.5	4.0	4.1	14.5	6.8
Dec. 31	164.5	58.6	16.3	89.7	38.7	22.5	4.3	4.2	14.7	6.9
1957: Jan. 30p	161.6	57.7	16.2	87.7	37.6	22.5	3.7	4.2	14.6	6.7
Feb. 27p	161.0	56.8	16.3	87.9	37.8	22.5	3.7	4.2	14.6	6.7
Mar. 27p	161.3	55.7	16.5	89.1	39.0	22.5	3.6	4.2	14.7	6.7
Apr. 24p	163.7	57.3	16.7	89.7	39.0	22.5	3.8	4.1	15.0	6.8
May 29p	163.6	56.9	16.8	89.9	38.9	22.6	3.8	4.1	15.3	6.8
June 26p	164.0	55.3	16.8	92.0	40.5	22.6	3.9	4.0	15.5	6.9
July 31p	163.8	56.1	16.7	91.1	39.6	22.7	3.7	3.9	15.6	7.0
Aug. 28p	164.3	55.9	16.8	91.6	39.9	22.8	3.8	3.8	15.7	7.0
Sept. 25e	164.8	55.7	16.9	92.3	40.3	22.9	3.8	3.9	15.8	7.0

p - Preliminary

e - Estimated

1/ Level of business loans increased by, and real estate loans decreased by \$300 million at the end of October 1955 to correct classification errors. No back figures revised; most of the misclassification probably occurred during 1955.

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 dates. Data for September 25, 1957 are estimates and subject to error.

Banking Section, Board of Governors,
October 10, 1957