

FEDERAL RESERVE BANK  
of KANSAS CITY

*Mr. Jow*

L.4.3

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RESEARCH LIBRARY

BANKING AND MONETARY DEVELOPMENTS IN SEPTEMBER 1958

Summary. Total commercial bank credit declined somewhat in September as reductions in holdings of U. S. Government securities more than offset increases in all major loan categories and in holdings of other securities. Seasonally adjusted demand deposit and currency holdings of businesses and individuals declined. U. S. Government deposits were reduced and time deposits increased much less than in other recent months. Free reserves of member banks declined. The discount rate was raised to 2 per cent at all Federal Reserve Banks. The prime rate was increased and market interest rates rose further.

Bank credit. Commercial bank credit declined \$300 million during September, when a reduction in holdings of U. S. Government securities was offset only in part by loan growth and a slight rise in holdings of "other" securities, as shown in Table 1. The \$1.2 billion reduction in Governments reflected the net effect of a slightly larger decline at city banks and an increase of \$200 million at nonweekly reporting banks, as is usual in this month. Over half of the decline at city banks was in bonds, mainly those called for redemption on September 15 and not previously exchanged.

In September last year, total credit increased \$600 million. Growth in holdings of loans and "other" securities was about the same as this year but holdings of U. S. Government securities declined much less. In September of other recent years, credit has generally increased substantially. While holdings of U. S. Government securities usually have declined, offsetting in part growth in loans and other investments, the reduction has generally been much smaller than in 1958.

Business loans at all commercial banks increased \$400 million during September, about the same as last year but somewhat less than in most other recent years.

In the two weeks ending September 17, which included heavy borrowing for income tax payments, business loans at city

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Table 1  
Estimated Changes in Loans and Investments at All Commercial Banks  
 (In billions of dollars)

Item	1958:	1957:	1958:	1957:	1958:	1957:
	Aug. 28- Sept. 24	Aug. 29- Sept. 25	June 26- Sept. 24	June 27- Sept. 25	Jan. 1 - Sept. 24	Jan. 1 - Sept. 25
<u>Total loans (excluding interbank)</u>	+ 0.6	+ 0.7	- 0.9	+ 0.2	- 0.5	+ 2.6
Business	+ 0.4	+ 0.4	- 0.1	- 0.2	- 1.8	+ 1.6
Real estate	+ 0.2	+ 0.1	+ 0.6	+ 0.3	+ 1.2	+ 0.4
Security	<u>1/</u>	<u>1/</u>	- 1.7	- 0.1	- 0.5	- 0.5
Agricultural	+ 0.1	<u>1/</u>	+ 0.1	- 0.2	+ 0.6	- 0.4
Consumer	+ 0.1	+ 0.1	+ 0.2	+ 0.3	+ 0.1	+ 1.2
All other	<u>1/</u>	+ 0.1	+ 0.1	+ 0.1	+ 0.1	+ 0.2
U. S. Government securities	- 1.2	- 0.3	+ 0.3	+ 0.4	+ 6.7	- 2.7
Other securities	+ 0.2	+ 0.2	+ 0.4	+ 0.3	+ 2.5	+ 0.8
Total loans and investments (less interbank)	- 0.3	+ 0.5	- 0.2	+ 0.8	+ 8.7	+ 0.6

Item	Change during September:					
	1956	1955	1954	1953	1952	1951
<u>Total loans (excluding interbank)</u>	+ 0.9	+ 1.3	+ 0.9	+ 0.5	+ 0.9	+ 0.9
Business	+ 0.6	+ 0.6	+ 0.3	+ 0.2	+ 0.7	+ 0.6
Real estate	+ 0.2	+ 0.3	+ 0.2	+ 0.1	+ 0.1	<u>1/</u>
Security	<u>1/</u>	<u>1/</u>	+ 0.2	+ 0.1	- 0.2	<u>1/</u>
Agricultural	+ 0.2	<u>1/</u>	+ 0.1	<u>1/</u>	<u>1/</u>	<u>1/</u>
Consumer	+ 0.1	+ 0.2	<u>1/</u>	+ 0.1	+ 0.1	<u>1/</u>
All other	- 0.1	+ 0.2	+ 0.1	- 0.1	+ 0.2	+ 0.2
U. S. Government securities	- 0.2	- 0.5	<u>1/</u>	- 0.4	- 0.4	+ 0.6
Other securities	+ 0.2	<u>1/</u>	+ 0.3	<u>1/</u>	- 0.1	+ 0.2
Total loans and investments (less interbank)	+ 0.9	+ 0.8	+ 1.2	+ 0.1	+ 0.4	+ 1.7

1/ Less than \$50 million.

Note: Data for September 24, 1958, are preliminary estimates based on data reported by a sample of member banks. Revised estimates will be available at the end of October.

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Table 1 (continued)

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

Item	Third Quarter					
	1956	1955	1954	1953	1952	1951
<u>Total loans (excluding interbank)</u>	+ 1.0	+ 2.7	- 0.4	+ 1.0	+ 1.4	+ 0.8
Business	+ 0.9	+ 1.6	<u>1/</u>	+ 0.5	+ 0.9	+ 0.8
Real estate	+ 0.5	+ 0.8	+ 0.6	+ 0.3	+ 0.4	+ 0.2
Security	- 0.4	- 0.3	+ 0.1	+ 0.1	- 0.6	- 0.3
Agricultural	- 0.1	- 0.5	- 1.2	+ 0.2	+ 0.2	+ 0.2
Consumer	+ 0.2	+ 0.6	<u>1/</u>	+ 0.3	+ 0.4	<u>1/</u>
All other	- 0.1	+ 0.4	+ 0.2	- 0.2	+ 0.1	+ 0.1
U. S. Government securities	+ 0.4	- 1.3	+ 3.8	+ 3.6	+ 0.4	+ 1.2
Other securities	+ 0.1	+ 0.1	+ 0.5	+ 0.2	+ 0.3	+ 0.2
<b>Total loans and investments (less interbank)</b>	<b>+ 1.4</b>	<b>+ 1.6</b>	<b>+ 3.9</b>	<b>+ 4.8</b>	<b>+ 2.1</b>	<b>+ 2.2</b>

  

Item	January - September					
	1956	1955	1954	1953	1952	1951
<u>Total loans (excluding interbank)</u>	+ 5.2	+ 7.1	- 0.6	+ 1.9	+ 2.9	+ 3.3
Business	+ 3.8	+ 3.6	- 1.1	<u>1/</u>	+ 0.3	+ 2.6
Real estate	+ 1.5	+ 2.2	+ 1.1	+ 0.8	+ 0.8	+ 0.8
Security	- 1.0	- 0.3	+ 0.2	- 0.3	- 0.1	- 0.6
Agricultural	- 0.3	- 1.3	- 1.1	<u>1/</u>	+ 0.5	+ 0.4
Consumer	+ 1.2	+ 1.8	- 0.1	+ 1.5	+ 1.2	<u>1/</u>
All other	+ 0.2	+ 1.0	+ 0.3	<u>1/</u>	+ 0.2	+ 0.3
U. S. Government securities	- 4.6	- 7.0	+ 3.9	- 1.1	+ 0.1	- 2.3
Other securities	- 0.1	+ 0.6	+ 1.3	+ 0.4	+ 1.0	+ 0.5
<b>Total loans and investments (less interbank)</b>	<b>+ 0.4</b>	<b>+ 0.8</b>	<b>+ 4.6</b>	<b>+ 1.1</b>	<b>+ 3.9</b>	<b>+ 1.5</b>

1/ Less than \$50 million.

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banks increased \$600 million, about \$50 million more than in the comparable period last year. This year, large corporations paid 20 per cent of their current year's tax liabilities as compared with 15 per cent last September, but corporate profits have been running substantially lower than in 1957. Banks in New York City accounted for almost 45 per cent of the tax borrowing this year, about the same as in June, but generally less than in other recent tax periods. In the week of September 24, business loans declined \$220 million compared with \$200 million in the same week last year.

During the four weeks ending September 24, loans to food processors, commodity dealers, and trade concerns increased \$200 million, accounting for overhalf of the growth in total business loans. This was about the same as the increase last year, but smaller than usual. Outstanding loans of all other industry groups except sales finance companies and textile manufacturers increased somewhat, the largest being those to public utilities and "all other" business which include loans to mortgage companies for warehousing mortgages. Loans to sales finance companies declined \$90 million, bringing outstanding loans to these companies about \$1 billion below a year ago. Loans to textile manufacturers declined slightly, signaling the end of the usual seasonal upswing. This year's growth has been the smallest of any year since separate industry data became available in 1952.

Since the end of June, business loans at city banks have declined \$210 million, somewhat more than last year. In most postwar years, however, these loans have risen substantially in the third quarter. Between the end of June and September 24 (in the 10 Districts reporting this information) the volume of new loans made was only slightly less than the volume made in the comparable period last year while the volume of repayments was about the same. The volume of repayments had risen sharply between the second and third quarters of 1957, however, with the volume of new loans showing little change.

Real estate loans at all commercial banks increased further in September. So far this year, these loans have increased around \$1.2 billion, much more than last year but about the same as the average of other recent years. Consumer

Table 2

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

Business of Borrower	1958	1957	1956	1955	1954	1953	1952
	Aug. 28- Sept. 24	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	+ 167	+ 174	+ 196	+ 128	+ 139	+ 197	+ 176
Commodity dealers	+ 36	- 17	+ 81	+ 113	+ 107	+ 34	+ 144
Trade concerns	—	+ 62	+ 57	+ 62	+ 73	+ 49	+ 50
Total	+ 203	+ 219	+ 334	+ 303	+ 319	+ 280	+ 370
Sales finance	- 88	+ 184	- 107	- 126	- 94	- 174	+ 141
All other - total	+ 249	+ 27	+ 348	+ 231	- 28	+ 56	+ 128
Metals and products	+ 40	- 43	+ 16	+ 5	- 124	- 4	+ 6
Textiles, apparel and leather	- 12	- 48	+ 16	+ 75	+ 14	- 3	+ 7
Petroleum, coal, etc.	+ 33	+ 62	+ 227	+ 17	+ 9	+ 39	+ 18
Other manufacturing and mining	+ 23	+ 3	+ 20	+ 20	+ 11	+ 2	+ 18
Public utilities	+ 73	+ 33	+ 57	+ 50	- 3	- 1	+ 50
Construction	+ 22	—	- 15	+ 26	+ 5	—	+ 3
All other types of business	+ 70	+ 20	+ 27	+ 38	+ 60	+ 23	+ 26
Classified	+ 366	+ 430	+ 575	+ 407	+ 195	+ 161	+ 639
Unclassified	- 4	- 46	- 40	+ 82	+ 22	- 17	+ 35
Total change	+ 362	+ 384	+ 535	+ 489	+ 217	+ 144	+ 674

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

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.

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Table 2 (continued)

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

Business of Borrower	Changes from last Wednesday of June to last Wednesday of September						
	1958	1957	1956	1955	1954	1953	1952
Food processors	+ 155	+ 162	+ 211	+ 123	+ 144	+ 219	+ 320
Commodity dealers	+ 154	+ 181	+ 330	+ 208	+ 235	+ 81	+ 286
Trade concerns	+ 1	+ 49	+ 55	+ 122	+ 45	+ 35	+ 15
Total	+ 310	+ 392	+ 596	+ 453	+ 424	+ 335	+ 621
Sales finance	- 154	- 93	- 174	+ 112	- 142	- 53	+ 73
<u>All other - total</u>	- 288	- 286	+ 556	+ 672	- 362	+ 19	+ 62
Metals and products	- 402	- 410	- 243	- 9	- 406	- 222	- 208
Textiles, apparel and leather	- 20	+ 23	+ 93	+ 181	+ 96	+ 53	+ 64
Petroleum, coal, etc.	- 28	+ 34	+ 345	+ 55	- 38	+ 35	+ 115
Other manufacturing and mining	+ 6	+ 23	+ 155	+ 66	- 2	+ 13	+ 31
Public utilities	- 59	- 34	+ 81	+ 93	- 104	+ 46	- 77
Construction	+ 60	+ 15	- 11	+ 63	+ 37	+ 9	+ 22
All other types of business	+ 155	+ 63	+ 136	+ 223	+ 55	+ 85	+ 115
Classified	- 132	+ 13	+ 977	+ 1,237	- 79	+ 300	+ 754
Unclassified	- 75	- 143	- 120	2/- 78	3/- 790	+ 6	+ 73
Total change	- 207	- 130	+ 857	2/+ 1,159	3/- 869	+ 306	+ 827

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

2/ CCC certificates of interest which are included in data are estimated to have declined \$300 million.

3/ CCC certificates of interest which are included in data are estimated to have declined \$475 million.

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.

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loans increased moderately in September. They have shown little change so far this year compared with an average growth of \$1 billion in other recent years. Agricultural loans increased somewhat in September reflecting increases in CCC loans. Security loans fluctuated somewhat but showed little over-all change, remaining at relatively low levels.

Deposits and currency. Preliminary estimates indicate that seasonally adjusted demand deposit and currency holdings of businesses and individuals declined \$400 million in September, following a reduction of \$200 million in August. At the end of September, the money supply was a little over 2 per cent above its year-ago level. In the eight months since January, the annual rate of growth has been almost 5-1/2 per cent.

During August and September the unadjusted money supply increased \$300 million, or \$600 million less than might be expected seasonally, as shown in Table 3. However, this had followed an increase in July of \$2.1 billion more than seasonal. Time deposits at commercial banks rose only \$500 million, much less than in other recent months, and U. S. Government deposits were unchanged. Commercial bank credit increased \$1.8 billion over the two months but foreign operations, a small reduction in Federal Reserve System holdings of U. S. Government securities, and changes in miscellaneous factors drained deposits.

Demand deposits adjusted before seasonal correction increased \$700 million in September reflecting a substantial growth of \$1 billion outside weekly reporting banks and a decline of \$300 million at weekly reporting banks. U. S. Government deposits at commercial and Federal Reserve Banks declined \$1.2 billion in September, somewhat more than usual.

Growth in time deposits at all commercial banks, which had shown a record increase of \$6.2 billion during the first seven months of the year, or an average of \$900 million per month, slackened in August and September. During the latter month, time deposits increased only \$100 million as some further growth of about \$150 million at nonweekly reporting banks offset a decline of \$50 million at weekly reporting banks.

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

Item	1958	1957	1958	1957	1958	1957
	Aug. 28- Sept. 24	Aug. 29- Sept. 25	July 31- Sept. 24	Aug. 1- Sept. 25	Jan. 1- Sept. 24	Jan. 1- Sept. 25
<u>Seasonally adjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	- 0.2	- 0.6	- 0.5	- 1.8	+ 3.9	- 0.5
Currency outside banks	<u>- 0.2</u>	<u>- 0.2</u>	<u>- 0.1</u>	<u>- 0.3</u>	<u>- 0.2</u>	<u>2/</u>
Total	- 0.4	- 0.8	- 0.6	- 2.1	+ 3.7	- 0.5
<u>Seasonally unadjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 0.7	+ 0.4	+ 0.1	- 1.1	- 2.1	- 5.9
Currency outside banks	<u>2/</u>	<u>2/</u>	<u>+ 0.2</u>	<u>2/</u>	<u>- 0.3</u>	<u>- 0.5</u>
Total	+ 0.7	+ 0.4	+ 0.3	- 1.1	- 2.4	- 6.4
Time deposits	+ 0.3	+ 0.6	+ 0.9	+ 1.0	+ 8.2	+ 5.5
Commercial banks	+ 0.1	+ 0.4	+ 0.5	+ 0.7	+ 6.7	+ 4.5
Mutual savings banks	+ 0.2	+ 0.2	+ 0.4	+ 0.3	+ 1.6	+ 1.2
U. S. Government deposits	<u>- 1.2</u>	<u>- 0.4</u>	<u>+ 0.2</u>	<u>+ 0.3</u>	<u>+ 0.4</u>	<u>2/</u>
Total	- 0.2	+ 0.5	+ 1.4	+ 0.2	+ 6.2	- 1.0
<u>Factors affecting deposits and currency</u> (signs indicate effect on deposits and currency)						
Bank loans and investments other than U. S. Govt. sec. <sup>3/</sup>	<u>+ 0.9</u>	<u>+ 0.9</u>	<u>+ 1.2</u>	<u>+ 1.6</u>	<u>+ 3.9</u>	<u>+ 4.6</u>
Commercial	+ 0.8	+ 0.9	+ 1.0	+ 1.5	+ 2.0	+ 3.4
Mutual savings	+ 0.2	+ 0.2	+ 0.4	+ 0.4	+ 2.3	+ 1.7
Bank holdings of U. S. Government securities:	<u>- 1.5</u>	<u>- 0.5</u>	<u>+ 0.9</u>	<u>- 0.6</u>	<u>+ 7.2</u>	<u>- 4.8</u>
Federal Reserve	- 0.4	- 0.2	- 0.1	- 0.2	+ 0.6	- 1.8
Commercial	- 1.2	- 0.3	+ 0.8	- 0.4	+ 6.7	- 2.7
Mutual savings and other	<u>2/</u>	<u>2/</u>	+ 0.1	<u>2/</u>	- 0.1	- 0.3
Gold stock and foreign deposits at F. R. Banks	- 0.3	<u>2/</u>	- 0.4	<u>2/</u>	- 1.9	+ 0.6
Other factors	+ 0.7	+ 0.1	- 0.3	- 0.8	- 3.0	- 1.4

<sup>1/</sup> 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.

<sup>2/</sup> Less than \$50 million.

<sup>3/</sup> 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.

Note: Data for September 24, 1958, are preliminary estimates based on data reported by a sample of member banks. Revised estimates will be available at the end of October.

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Table 3 (continued)

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

Item	End of December to end of September					
	1956	1955	1954	1953	1952	1951
<u>Seasonally adjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 0.3	+ 2.8	+ 2.4	+ 1.1	+ 3.1	+ 3.3
Currency outside banks	<u>2/</u>	+ 0.3	- 0.5	+ 0.5	+ 0.9	+ 0.9
Total	+ 0.3	+ 3.1	+ 1.9	+ 1.6	+ 4.0	+ 4.2
<u>Seasonally unadjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	- 4.5	- 1.7	- 1.3	- 3.8	- 1.8	- 0.3
Currency outside banks	- 0.9	- 0.7	- 1.2	<u>2/</u>	+ 0.3	<u>2/</u>
Total	- 5.4	- 2.3	- 2.4	- 3.8	- 1.5	- 0.3
Time deposits	+ 2.9	+ 2.4	+ 4.0	+ 3.3	+ 3.0	+ 1.3
Commercial banks	+ 1.7	+ 1.3	+ 2.7	+ 2.1	+ 1.9	+ 0.9
Mutual savings banks	+ 1.4	+ 1.4	+ 1.4	+ 1.4	+ 1.3	+ 0.6
U. S. Government deposits	+ 1.6	<u>2/</u>	+ 0.4	+ 1.2	+ 2.8	+ 2.2
Total	- 0.9	<u>2/</u>	+ 2.0	+ 0.7	+ 4.2	+ 3.2
Item	End of December to end of September					
	1950	1949	1948	1947	1946	
<u>Seasonally adjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 4.1	- 0.2	- 1.1	+ 2.3	n.a.	
Currency outside banks	- 0.2	- 0.4	- 0.3	n.a.	n.a.	
Total	+ 3.9	- 0.6	- 1.4	n.a.	n.a.	
<u>Seasonally unadjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 2.2	- 2.4	- 3.2	+ 0.8	+ 5.5	
Currency outside banks	- 0.9	- 1.2	- 0.8	- 0.4	<u>2/</u>	
Total	+ 1.3	- 3.6	- 4.0	+ 0.4	+ 5.6	
Time deposits	+ 0.4	+ 0.9	+ 0.9	+ 2.1	+ 4.5	
Commercial banks	+ 0.1	+ 0.3	+ 0.5	+ 1.3	+ 3.2	
Mutual savings banks	+ 0.6	+ 0.7	+ 0.6	+ 0.7	+ 1.1	
U. S. Government deposits	+ 0.7	+ 1.3	+ 2.2	- 0.8	- 15.7	
Total	+ 2.5	- 1.5	- 1.0	+ 1.7	- 5.6	

n.a. Not available.

<sup>1/</sup> 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.

<sup>2/</sup> Less than \$50 million.

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On balance, total deposits and currency declined \$200 million in September. Reductions in total credit at commercial banks. Federal Reserve System sales of U. S. Government securities, and foreign operations absorbed more funds than were supplied through credit growth at mutual savings banks, increases in Reserve Bank float, and other miscellaneous factors.

The seasonally adjusted annual rate of turnover of demand deposits at banks outside New York and other financial centers averaged 23.2 times in the third quarter, slightly above the 23.0 average of the second quarter. Turnover is now only about two per cent below the third quarter 1957 peak. At banks in New York City, turnover declined in the third quarter to a level of 52.7 times. This was below the second quarter rate of 56.9, but 3 per cent above the third quarter of 1957.

Bank reserves. Free reserves of member banks averaged \$95 million in September compared with \$380 million August as shown in Table 4. During the earlier summer and spring months, free reserves had been averaging \$500 million. Reserves tightened at all classes of banks in September but principally in reserve cities. Borrowings rose to an average level of \$475 million, higher than at any time since last December. Excess reserves dropped to \$570 million, lower than at any time since early 1958.

Free reserves had dropped sharply in late August and early September to about the \$100 million level and subsequently showed little further change on balances. They increased somewhat after mid-September when the usual rise in Reserve Bank float provided reserves but they declined again to below \$100 million in late September and early October. The effective rate on Federal funds was generally 1-3/4 per cent early in September, rose to 2 per cent on September 12 when the discount rate increase in New York was announced, and then fluctuated during the rest of the month within a range of 1-1/8 to 2 per cent.

Over September, on a monthly average basis, reserves were absorbed principally by reductions in System holdings of U. S. Government securities (\$360 million), foreign transactions reflecting gold sales and increases in foreign deposits at the Reserve Banks (\$225 million), and currency outflow, (\$75 million). Reserves were supplied largely through reductions in required reserves (\$90 million), increases in Reserve Bank float (\$130 million), and a reduction in Treasury deposits at the

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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>					
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	- 440	- 241	- 56	- 428	286
Fourth	- 265	- 109	- 105	- 320	276
1958: First	313	- 9	- 16	- 27	365
Second	508	18	4	63	422
Third	341	- 28	1	- 55	424
1957: June	- 508	- 185	- 48	- 488	210
July	- 383	- 181	- 28	- 452	278
August	- 471	- 289	- 26	- 400	244
September	- 466	- 254	- 115	- 433	336
October	- 344	- 141	- 115	- 389	301
November	- 293	- 80	- 123	- 342	252
December	- 133	- 105	- 77	- 228	277
1958: January	122	- 46	- 25	- 144	337
February	324	- 24	- 6	1	353
March	493	42	- 18	62	406
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	- 78	- 2	- 201	377
1958: Aug. 27	302	- 33	1	- 35	369
Sept. 3	86	- 82	1	- 142	309
10	92	- 120	- 14	- 200	425
17	74	- 103	- 12	- 245	433
24	160	- 96	- 6	- 181	431
Oct. 1	61	12	5	- 196	239

Note: Data for October are preliminary.

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Reserve Banks (\$105 million. Free reserves declined \$290 million. The reduction in required reserves reflected a decline in U. S. Government deposits and a less than seasonal rise in demand deposits adjusted. Usually, in September, required reserves show a considerable increase. Currency in circulation also rose somewhat less than seasonally in September. In July and August growth had been relatively substantial.

Interest rates. By September 23, the discount rate had been raised to 2 per cent from 1-3/4 per cent at all Federal Reserve Banks. The first increase had been effective on August 15 at the Federal Reserve Bank of San Francisco. On September 12, the prime rate--the rate charged on business loans to borrowers with the highest credit rating--was increased to 4 per cent from 3-1/2 per cent at banks in New York City. This followed immediately the announcement of the increase in the discount rate at the Federal Reserve Bank of New York. Subsequently, leading banks throughout the country also increased the prime rate. In April 1958, the prime rate had been reduced to 3-1/2 per cent.

Interest rates on private open market paper increased further in September and early October. Rates on 4-6 month commercial paper rose from 2-5/8 per cent to 3-1/4 per cent, on 3-6 month finance paper from 1-7/8 per cent to 2-7/8 per cent, and on 90-day bankers' acceptances from 2-1/8 per cent to 2-3/4 per cent.

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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 - September		January-September	
	1958	1957	1958	1957	1958	1957
<u>Member bank reserve balances</u>						
<u>Total</u>	<u>- 155</u>	<u>+ 122</u>	<u>- 175</u>	<u>- 26</u>	<u>- 995</u>	<u>- 579</u>
Required reserves	- 91	+ 135	- 120	- 51	- 989	- 449
Effect of reduction in requirements	---	---	---	---	-1,440	---
Effect of deposit change	- 91	+ 135	- 120	- 51	+ 451	- 449
Excess reserves	- 64	- 13	- 55	+ 25	- 6	- 130
<u>Principal factors</u> (signs indicate effect on reserves)						
Currency in circulation	- 74	- 108	- 303	- 241	+ 590	+ 632
Gold stock and foreign accounts	- 223	- 28	- 594	+ 21	-1,809	+ 679
Treasury operations	+ 105	- 49	+ 19	- 22	+ 88	- 17
Federal Reserve float	+ 132	+ 158	+ 74	- 23	- 453	- 486
Other factors	<u>+ 42</u>	<u>- 15</u>	<u>+ 6</u>	<u>- 84</u>	<u>- 227</u>	<u>- 206</u>
<u>Effect of above factors on reserves</u>	- 18	- 42	- 798	- 349	-1,811	+ 602
Federal Reserve loans and investments:						
<u>Total</u>	<u>- 139</u>	<u>+ 163</u>	<u>+ 621</u>	<u>+ 321</u>	<u>+ 815</u>	<u>-1,182</u>
U. S. Govt. securities	- 359	+ 179	+ 301	+ 336	+1,069	-1,440
Outright	- 355	+ 173	+ 353	+ 385	+1,436	-1,196
Repurchase agreements	- 4	+ 6	- 52	- 49	- 367	- 244
Acceptances	- 4	---	- 14	---	- 14	- 30
Discounts and advances:						
To member banks	+ 224	- 17	+ 334	- 17	- 234	+ 300
To others	---	+ 1	---	+ 2	- 6	- 12

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Deposits and Currency  
(In billions of dollars)

Year or month	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	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	146.3	87.1	56.4	35.2	17.7	3.4	2.3	26.5	172.3
1948	108.8	83.5	25.3	144.6	85.5	57.5	35.8	18.4	3.3	3.6	26.1	172.7
1949	109.0	84.3	24.7	145.1	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:												
June 26	135.2	107.3	27.9	189.2	105.6	86.4	54.0	30.9	1.5	5.2	27.8	224.9
July 31	136.0	108.0	28.0	190.4	106.6	86.7	54.4	30.9	1.4	4.2	27.8	225.2
Aug. 28	134.7	106.8	27.9	189.4	105.1	87.1	54.7	31.0	1.4	4.9	27.8	224.9
Sept. 25	133.9	106.2	27.7	189.0	105.5	87.7	55.1	31.2	1.4	4.5	27.8	225.4
Oct. 30	134.2	106.5	27.7	189.7	107.2	88.1	55.5	31.3	1.4	4.0	27.8	227.0
Nov. 27	134.0	105.9	28.1	189.0	107.2	87.6	55.0	31.3	1.3	3.7	28.5	227.0
Dec. 31	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:												
Jan. 29	132.2	104.7	27.5	188.8	107.6	89.8	56.6	31.9	1.3	2.9	27.3	227.7
Feb. 26	133.1	105.5	27.6	190.7	105.6	90.9	57.6	32.1	1.3	4.2	27.4	228.1
Mar. 26	134.0	106.4	27.6	192.8	104.6	92.5	58.8	32.4	1.3	6.4	27.4	230.9
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 25	135.4	107.4	28.0	197.0	105.7	95.6	61.6	32.8	1.2	10.2	27.8	239.3
July 30p	137.5	109.5	28.0	199.8	108.1	96.4	62.3	32.9	1.2	4.8	27.8	237.1
Aug. 27p	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. 24p	136.9	109.0	27.9	199.7	108.2	97.3	62.8	33.3	1.2	5.0	28.0	238.5

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.

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	2.9
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: 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: Jan. 30	161.6	57.7	16.2	87.7	37.6	22.5	3.7	4.2	14.5	6.8
Feb. 27	161.1	56.8	16.3	87.9	37.8	22.5	3.7	4.2	14.5	6.8
Mar. 27	161.4	55.7	16.5	89.1	39.0	22.5	3.6	4.2	14.6	6.8
Apr. 24	163.8	57.5	16.7	89.7	39.0	22.5	3.8	4.1	14.9	6.9
May 29	163.8	57.1	16.8	89.9	38.9	22.5	3.8	4.1	15.1	7.0
June 26	164.3	55.5	16.8	92.0	40.5	22.6	3.9	4.0	15.4	7.1
July 31	164.1	56.3	16.8	91.0	39.6	22.7	3.7	3.9	15.5	7.1
Aug. 28	164.6	56.2	16.9	91.5	39.9	22.8	3.8	3.8	15.6	7.1
Sept. 25	165.1	55.9	17.1	92.2	40.3	22.9	3.8	3.8	15.7	7.2
Oct. 30	166.5	57.3	17.6	91.6	39.7	22.9	3.7	4.0	15.8	7.1
Nov. 27	165.9	56.9	17.4	91.5	39.6	23.0	3.6	4.0	15.7	7.2
Dec. 31	169.3	58.2	17.9	93.2	40.5	23.1	4.2	4.1	15.8	7.2
1958: Jan. 29	166.2	57.7	17.9	90.5	38.8	23.1	3.6	4.2	15.7	7.0
Feb. 26	167.1	58.3	18.2	90.6	38.6	23.2	3.9	4.4	15.5	6.9
Mar. 26	169.9	59.6	18.9	91.5	39.2	23.2	4.2	4.4	15.4	6.9
Apr. 30	174.0	62.8	19.3	91.9	38.4	23.3	5.1	4.4	15.5	7.0
May 28	173.8	63.1	19.4	91.3	38.1	23.5	4.4	4.4	15.5	7.1
June 25	178.2	64.6	20.0	93.6	38.8	23.7	5.4	4.6	15.7	7.2
July 30p	176.2	64.1	19.9	92.2	37.9	23.9	4.5	4.6	15.7	7.3
Aug. 27p	178.3	66.1	20.2	92.1	38.3	24.1	3.7	4.6	15.8	7.3
Sept. 24p	178.0	64.9	20.4	92.7	38.7	24.3	3.7	4.7	15.9	7.3

p - Preliminary

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 September 24, 1958 are preliminary estimates based on data reported by a sample of member banks. Data for 1958 have been revised in accordance with June 23, 1958 call report data.

Banking Section, Board of Governors,  
October 20, 1958