

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date June 24, 1948

To Governor Eccles

Subject: \_\_\_\_\_

From Woodlief Thomas

Attached are tables giving figures you wanted, together with some others that may be of interest to you.

You will note in the first table that loans of all commercial banks increased by an estimated 1.3 billion in the first five months of this year compared with an increase of 2 billion in the same period last year. The total of currency and deposits, especially when U. S. Government deposits are excluded, has declined by somewhat more in the first five months of this year than they did in the same period last year.

Loans at member banks in leading cities, shown in the second table, account for little of the increase in total loans at all commercial banks. Loans on real estate and consumer loans at city banks have increased this year by about as much as they did in the same period last year. Commercial loans have shown a small decline compared with a small increase last year. We do not yet have data on types of loans at banks outside leading cities where most of the loan increase has occurred.

The third table gives the tabulations from John Langum's statement. The increase in loans and security holdings (excluding U. S. Government securities) at commercial banks in the two years March 1946 to March 1948 amounted to 14.3 billion, corresponding to the net excess of Treasury cash receipts over payments to the public other than debt transactions. In this period, however, the Treasury redeemed 8.5 billion of debt held outside of the banking system. As a consequence the expansion in bank credit considerably more than offset net withdrawals of funds from the public by the Treasury. For this reason, together with gold movements and some of the other factors shown, there was a continued increase in deposits and currency held by the public.

Other tables show changes in wholesale prices, industrial production, and gross national product. The wholesale price index is now back to the January peak. The consumer price index (cost of living) has risen to a new high level. Industrial production remains close to the postwar maximum. The gross national product continues to increase, reflecting mostly price rises.

M. J.

Attachments

Principal Assets and Liabilities of All Commercial Banks  
 Figures partly estimated  
 (In billions of dollars)

	May 26, 1948	Dec. 31, 1947	Change, Dec. 1947 to May 1948	May 28, 1947	Dec. 31, 1946	Change, Dec. 1946 to May 1947
Loans and investments, total	<u>114.5</u>	<u>116.3</u>	-1.8	<u>112.9</u>	<u>114.0</u>	-1.1
U.S. Government securities	65.9	69.2	-3.3	71.5	74.8	-3.3
Other securities.....	9.2	9.0	+0.2	8.3	8.1	+0.2
Loans.....	39.4	38.1	+1.3	33.1	31.1	+2.0
Reserves, cash and bank balances.....	32.8	37.5	-4.7	31.7	34.2	-2.5
Deposits						
Interbank.....	10.7	13.0	-2.3	11.5	12.7	-1.2
U. S. Government.....	2.4	1.5	+0.9	2.2	3.1	-0.9
Demand, adjusted.....	83.3	87.1	-3.8	81.5	83.3	-1.8
Time.....	35.5	35.2	+0.3	34.5	33.8	+0.7
Capital accounts.....	10.3	10.1	+0.2	9.8	9.6	+0.2
<u>Memoranda</u>						
Deposits and currency, total.....	<u>168.1</u>	<u>171.3</u>	-3.2	<u>165.0</u>	<u>167.1</u>	-2.1
U.S. Government deposits.	2.4	1.5	+0.9	2.2	3.1	-0.9
Total, excluding U. S. Government deposits.....	<u>165.7</u>	<u>169.9</u>	-4.2	<u>162.8</u>	<u>164.0</u>	-1.2
Demand deposits, ad- justed.....	83.3	87.1	-3.8	81.5	83.3	-1.8
Time deposits, total.....	<u>57.0</u>	<u>56.4</u>	+0.6	<u>55.2</u>	<u>54.0</u>	+1.2
Commercial banks.....	35.5	35.2	+0.3	34.5	33.8	+0.7
Mutual savings banks.....	18.1	17.7	+0.4	17.3	16.9	+0.4
Postal savings.....	3.4	3.4	---	3.4	3.3	+0.1
Currency outside banks.....	25.4	26.4	-1.0	26.1	26.7	-0.6

Banking Section,  
 BOARD OF GOVERNORS  
 June 24, 1948

**Loans at Member Banks in Leading Cities**  
(In billions of dollars)

	June 16, 1948	Dec. 31, 1947	Change, Dec. 1947 to June 1948	June 18, 1947	Dec. 31, 1946	Change, Dec. 1946 to June 1947
Loans, total.....	<u>23.6</u>	<u>23.3</u>	<u>+0.3</u>	<u>20.1</u>	<u>19.4</u>	<u>+0.7</u>
Commercial and agricultural.....	14.2	14.7	-0.4	11.8	11.3	+0.5
Real estate.....	3.8	3.5	+0.3	2.9	2.5	+0.4
For purchasing securities.....	1.7	1.7	---	2.2	2.7	-0.5
Loans to banks.....	0.2	0.1	+0.1	0.2	0.1	+0.1
Other (largely consumer).....	3.6	3.4	+0.2	3.0	2.8	+0.2

**Banking Section,  
BOARD OF GOVERNORS  
June 24, 1948**

Statement of Factors Affecting Demand Deposits and Currency Held by the Public  
 March 1946 -- March 1948  
 (In billions of dollars)

Factors expanding demand deposits and currency:

1. Increase in earning assets of commercial banks, other than U. S. Government securities.....	14.3
a. Loans.....	12.5
b. Corporate and municipal securities.....	1.8
2. Gold acquisitions.....	3.6

Factors contracting demand deposits and currency:

1. Treasury operations.....	7.0
a. Net excess of cash receipts over payments to the public, other than in borrowing or repayment of borrowing.....	14.3
b. Less net redemption of nonbank held debt.....	-8.5
c. Net market sale of Government securities for Treasury investment and other accounts.....	1.2
2. Increase in time deposits at commercial banks.....	4.4
3. Net market sale of Government securities by the commercial banking system. (including F. R. Banks).....	1.7

<u>Increase in demand deposits and currency held by the public.....</u>	<u>4.7</u>
Increase in demand deposits, adjusted.....	5.2
Decrease in currency outside banks.....	-0.5

Tabulation based on analysis by John K. Langum presented at the meeting of the Federal Open Market Committee on May 20, 1948.

Note: About 28 billion dollars of U. S. Government securities held by the commercial banks and Federal Reserve Banks were retired for cash during this period. These retirements may be said to have been accomplished in part out of a 7 billion increment from Treasury operations and the balance (21 billion) through a reduction of Treasury cash balances. The 7 billion surplus increment is already shown separately as a factor contracting public deposits and currency. The 21 billion dollar retirement of bank held debt out of accumulated balances had no net direct effect on public holdings of deposits and currency.

Banking Section,  
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WHOLESALE PRICES

	All Commodities	Farm Products	Foods	Other Commodities	
				Total	Building Materials
<u>Index numbers, 1926 average = 100</u>					
1939	77.1	65.3	70.4	81.3	90.5
1945	105.8	128.2	106.2	99.7	117.8
1946- June	112.9	140.1	112.9	105.6	129.9
1947- Jan.	141.5	165.0	156.2	127.6	169.7
June	147.6	177.9	161.8	131.4	174.4
1948- Jan.	165.7	199.2	179.9	148.2	193.1
Feb.	160.8	185.3	172.4	147.5	192.6
June	165.5	195.5	180.0	149.3	197.5
<u>Percentage increase to June 1948 from:</u>					
1939	114.7	199.4	155.7	83.6	118.2 ✓
1945	56.4	52.5-	69.5-	49.7	67.7
1947- June	12.1	9.9	11.2	13.6	13.2
1948- Feb.	2.9	5.5	4.4	1.2	2.5

Note:--Bureau of Labor Statistics data; June 1948 figures estimated by Federal Reserve.