

EXPANSION IN COMMERCIAL BANK LOANS, 1946 AND 1947

During 1946 and the first 10 months of 1947, loans at commercial banks expanded about 10 billion dollars. This expansion reflected an increase in loans to businesses, consumers, real estate owners, and farmers of over 14 billion dollars, which was offset in part by a decline in loans on securities of over 4 billions.

Growth in loans has been particularly rapid in recent months. In the four month period June-October 1947, loans increased over 3 billion dollars, reflecting primarily extension of bank credit to businesses, but also further sustained growth in loans to consumers and real estate owners.

Business loans.--Business demand for bank credit revived on a broad scale in mid-1945 and has continued strong in 1946 and 1947. Since June the demand for business loans has intensified, and such loans have increased over 2.5 billion dollars over this period.

Consumer loans.--Bank loans to consumers have shown sustained increase since the end of the war, and at the end of October were more than twice as large as at the end of 1945. Consumers are currently increasing their debt to banks at the rate of about 100 million dollars a month.

Real estate loans.--Bank credit to owners of real estate expanded more than 4 billion dollars in 1946 and the first 10 months of 1947. This growth reflects both the large volume of mortgages on the market and the increase in the proportion of mortgages placed in commercial banks.

Loans on securities.--In 1946 loans for purchasing and carrying securities declined almost 4 billion dollars, reflecting largely liquidation of bank credit extended in connection with purchase of Government securities

in the Victory Loan Drive. Some reduction in loans for purchasing and carrying other securities also occurred. Decline in these loans in 1946 offset in part the growth in other bank loans and dampened somewhat total loan expansion.

In 1947 reductions in loans on securities have amounted to about one-half billion dollars -- not a large enough decline to hold down significantly total loan expansion.

Tables showing, for all insured commercial banks and for banks in leading cities, the changes in loans, by kinds, are attached.

Loans at All Insured Commercial Banks, by Kind
(In billions of dollars)

Date	All loans	Kind of loan				
		Commercial, industrial, and agricultural	Real estate	Consumer	Loans on securities	All other
1939, June 30.....	16.0	6.9	4.0	2.4 ^e	1.6	1.1 ^e
1945, Dec. 31.....	25.8	10.8	4.7	2.4	6.8	1.2
1946, June 29.....	26.8	11.7	5.7	3.1	5.1	1.2
Dec. 31.....	30.7	15.4	7.1	4.1	3.1	1.1
1947, June 30.....	33.3	16.3	8.2	4.9	2.8	1.0
Oct. 29 ^e	36.4	18.8	8.8	5.2	2.5	1.1

e - Estimated.

Note.—Excludes loans at noninsured commercial banks which comprise about one per cent of the loans at all commercial banks.

Loans at Member Banks in Leading Cities ^{1/}
(In billions of dollars)

Date	All loans	Kind of loan				
		Commercial, industrial, and agricultural	Real estate	Other--largely consumer	Loans on securities	Loans to banks
1946, December 31	19.4	11.3	2.5	2.8	2.7	.1
1947, January 29	19.6	11.6	2.6	2.8	2.4	.2
February 26	19.8	11.8	2.6	2.8	2.3	.2
March 26	19.9	12.2	2.7	2.9	1.9	.2
April 30	19.9	12.0	2.8	2.9	1.9	.2
May 28	20.0	11.8	2.9	3.0	2.2	.2
June 26	20.2	11.8	3.0	3.1	2.3	.2
July 30	20.5	12.0	3.1	3.1	2.1	.2
August 27	21.1	12.4	3.2	3.2	2.2	.2
September 24	21.6	12.9	3.2	3.2	1.9	.3
October 29	22.6	13.8	3.3	3.3	1.9	.2
November 26	23.1	14.3	3.4	3.4	1.9	.2

^{1/} Includes 441 member banks in 94 leading cities.

Low Prices of Liberty Bonds and Victory Notes
Following World War I

Issue	Date of Low Bid Price	Bid	Ask	Mean	Yield at Mean
					(Percent)
1932-1947 3-1/2% 1st Liberty.....	July 9, 1921	86.30	86.34	86.32	4.39
1932-1947 4% 1st Liberty Converted.....	May 21, 1920	83.00	83.50	83.25	5.16
1932-1947 4-1/4% 1st Liberty Converted.....	May 18, 1920	84.00	85.00	84.50	5.34
1932-1947 4-1/4% 1st Liberty Second Converted.....	June 7, 1920	91.00	94.50	92.75	4.73
1927-1942 4% 2nd Liberty.....	May 20, 1920	81.70	81.90	81.80	5.41
1927-1942 4-1/4% 2nd Liberty Converted.....	May 20, 1920	82.00	82.10	82.05	5.67
1928 4-1/4% 3rd Liberty.....	Dec 21, 1920	86.00	86.10	86.05	6.58
1933-1938 4-1/4% 4th Liberty.....	May 20, 1920	82.54	83.00	82.77	5.78
1922-1923 4-3/4% Victory Notes.....	May 20, 1920	94.82	94.86	94.84	6.68
1922-1923 3-3/4% Victory Notes.....	May 20, 1920	94.72	94.80	94.76	5.67

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Note: United States Government securities were quoted in decimals rather than in thirty-seconds in the period immediately following World War I.