

Week ending May 15, 1968

VELOCITY OF MONEY (Page 4)

AUG 27 1998

The income velocity of money (gross national product at current prices divided by the money stock) was 4.53 in the first quarter of 1968, up from 4.46 in the fourth quarter of 1967 and 4.43 in the third quarter. Earlier last year velocity drifted lower from the 4.48 peak at the end of 1966. This pattern is typical of periods of rapid monetary expansion. When there is a rapid rise in money, the rate of spending initially changes little and velocity declines. However, if rapid rise in money continues for a prolonged period, actual cash balances tend to rise faster than desired balances and velocity accelerates. With money continuing the increase at an advanced pace and with velocity accelerating, total spending went up at a 10.3 per cent annual rate from the fourth quarter last year to the first quarter of this year, compared with an 8.4 per cent rate in the previous quarter, and a 5.1 per cent rate earlier last year.

MONEY STOCK (Page 5)

The nation's money stock, demand deposits and currency, averaged \$184.9 billion in the four weeks ending May 8, up at an annual rate of 5 per cent since late October. During the first ten months of 1967 money went up at a 7 per cent rate. By comparison, the trend growth of money from 1957 to 1967 was 2.6 per cent per year.

MEMBER BANK RESERVES (Page 3)

The growth in member bank reserves has slowed much more than the growth in money during the last six months. Total reserves of member banks averaged \$25.6 billion in

MEMBER BANK RESERVES (Continued)

the last four weeks, up at an annual rate of 2.6 per cent since early November, after adjustments for reserve requirement changes. In the first eleven months of last year reserves rose at an 11 per cent rate. The current 2.6 per cent rate compares with a 3.3 per cent trend rate during the 1957-1967 period.

The more pronounced slowing in the rate of increase in bank reserves than in the money stock is explained in large part by a marked slowing in the growth of time deposits. Time deposits at all commercial banks have gone up at a 6 per cent rate since late October after rising at a 17 per cent rate earlier last year and at a 12 per cent trend rate in the 1957-1967 period. The recent slowing in time deposits probably reflects the general rise in market interest rates, making the yield on time deposits, which is restricted by Regulation Q, less competitive.

BUSINESS LOANS (Page 9)

Since late last year there has been a pronounced increase in the demand for loans at commercial banks by business firms. Outstanding loans to business firms at large commercial banks have risen at a 12 per cent annual rate since late October. By comparison these advances went up at a 4.5 per cent rate in the previous six months.

Rates of change reported in this release are intended to serve as summaries which may be useful in analyzing recent developments.

Prepared by Federal Reserve Bank of St. Louis

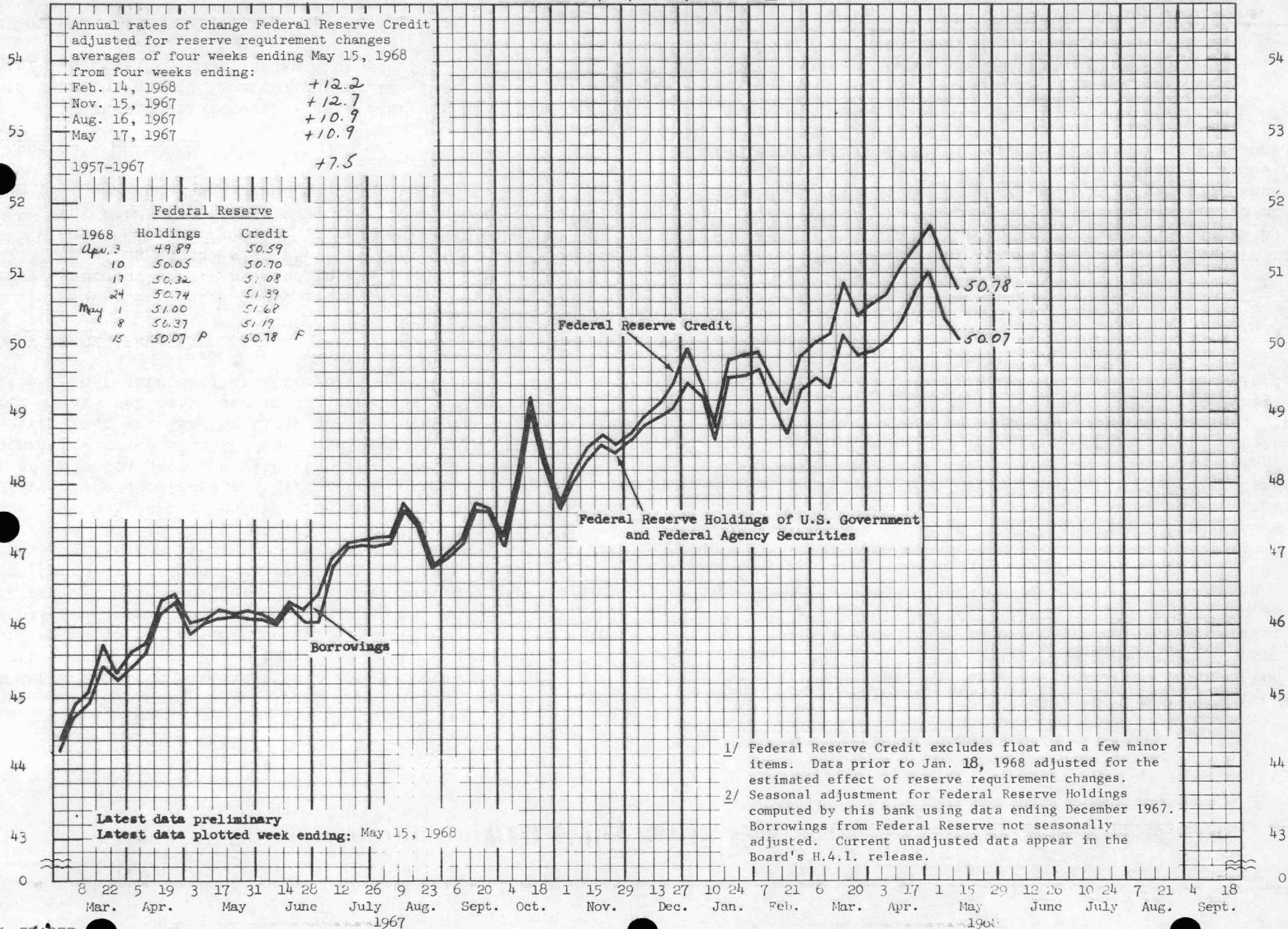
Released: May 17, 1968

# FEDERAL RESERVE CREDIT <sup>1</sup> Averages of Daily Figures

Billions of Dollars

Billions of Dollars

Seasonally adjusted by this bank. <sup>2</sup>

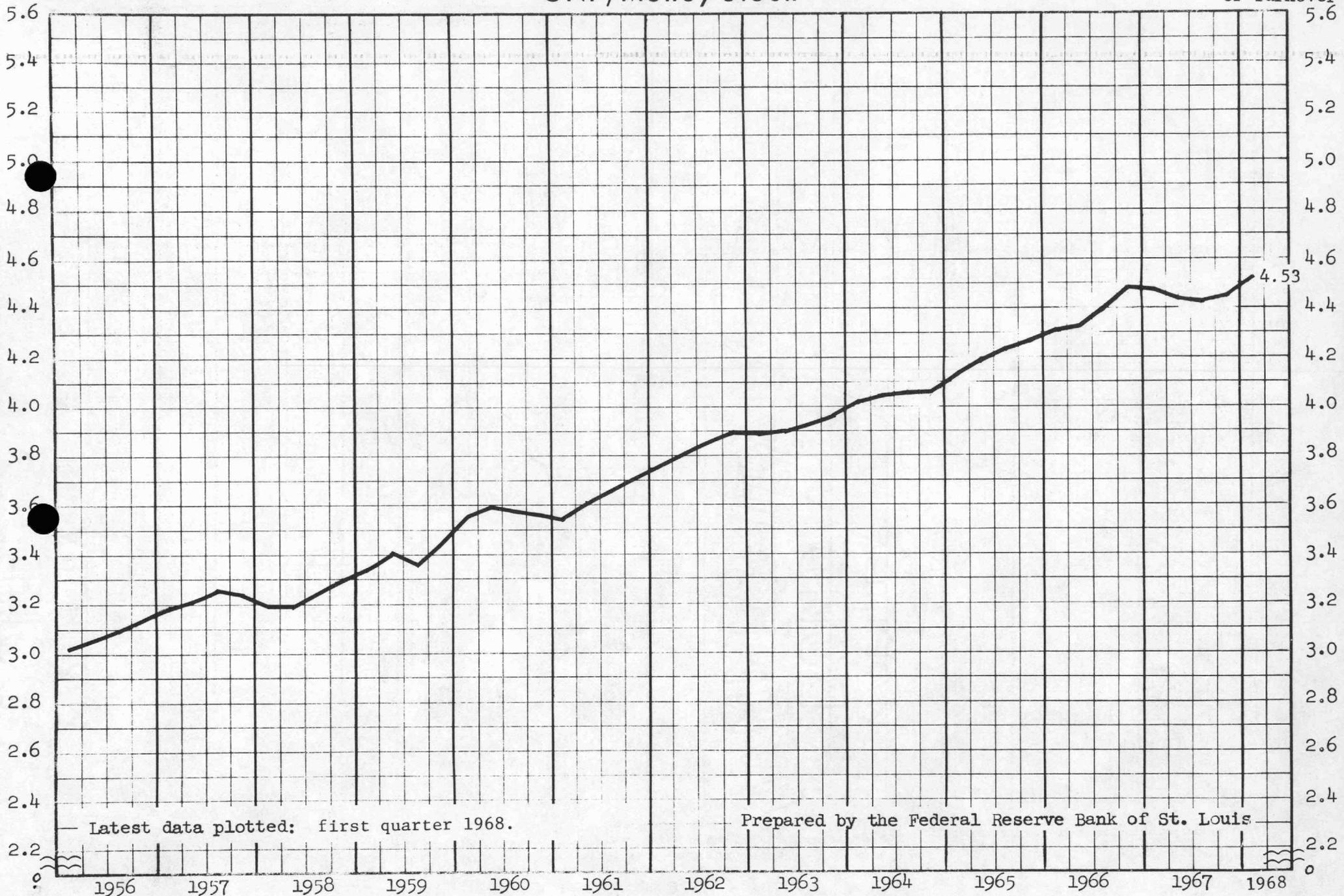




Annual Rates  
of Turnover

# INCOME VELOCITY OF MONEY GNP/Money Stock

Annual Rates  
of Turnover



— Latest data plotted: first quarter 1968.

Prepared by the Federal Reserve Bank of St. Louis

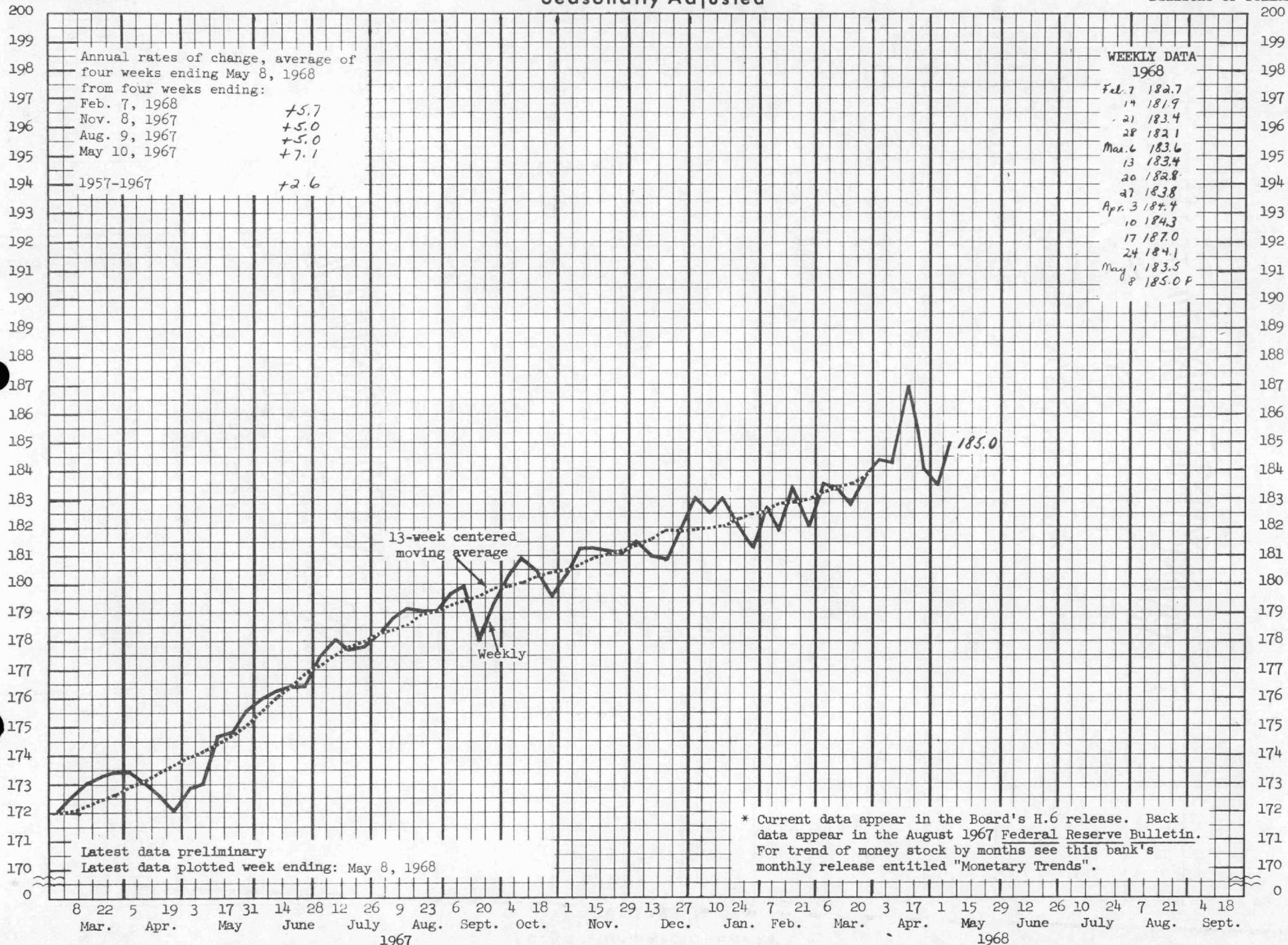
# MONEY STOCK\*

## Averages of Daily Figures

### Seasonally Adjusted

Billions of Dollars

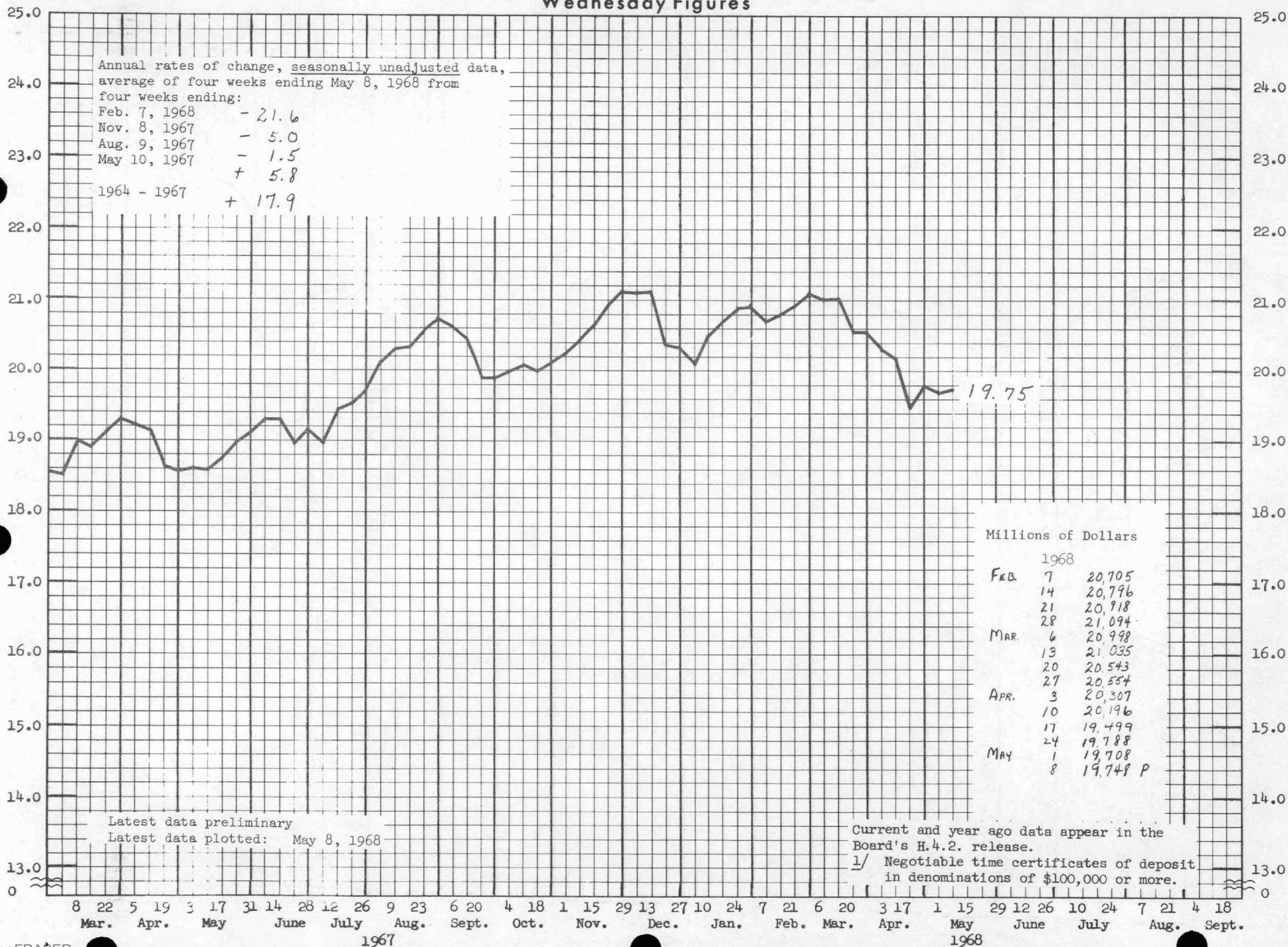
Billions of Dollars



# CERTIFICATES OF DEPOSIT <sup>1</sup> Large Commercial Banks Wednesday Figures

Billions of Dollars

Billions of Dollars

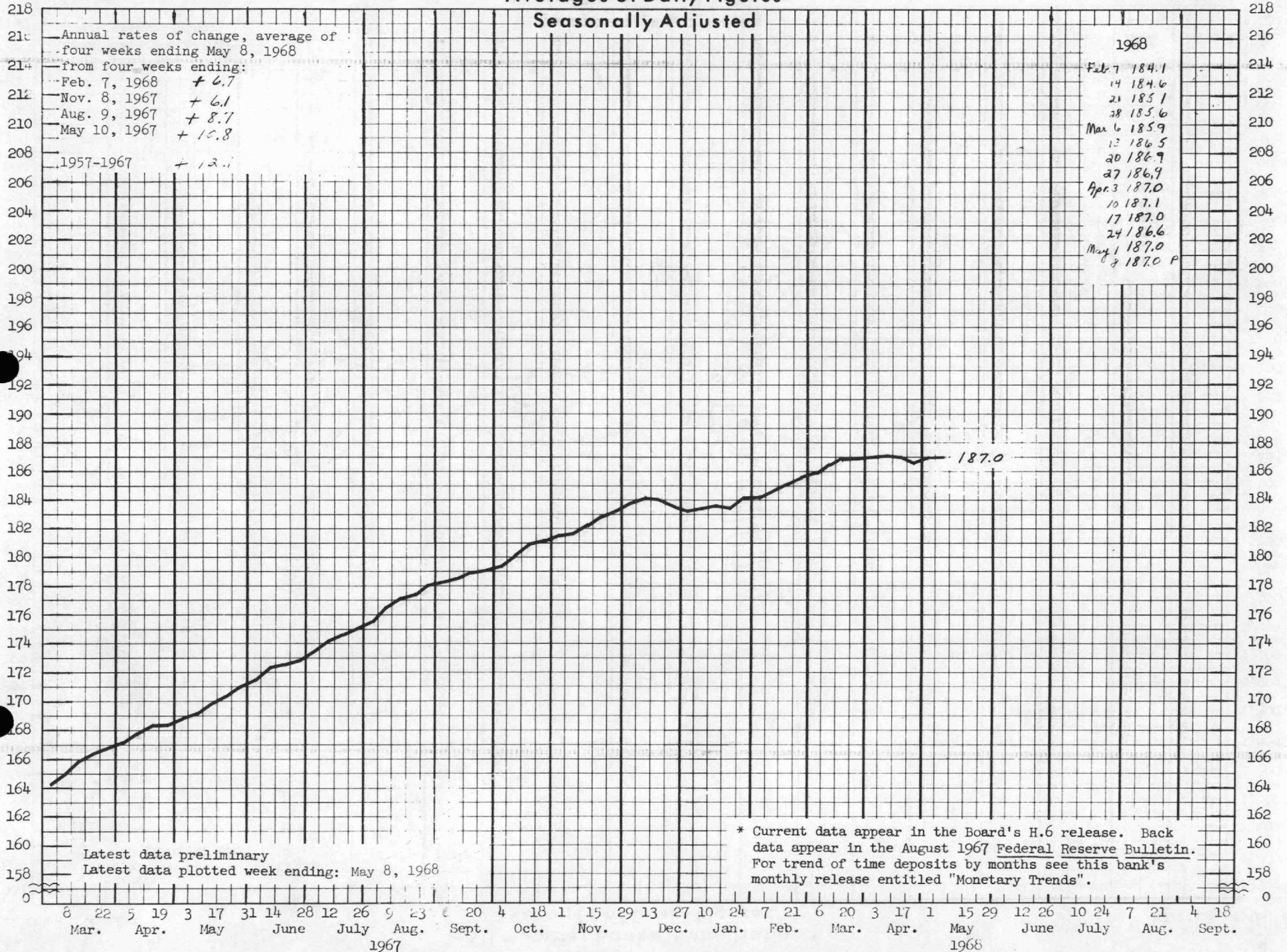


**TIME DEPOSITS\***  
**All Commercial Banks**  
**Averages of Daily Figures**

Billions of Dollars

Billions of Dollars

**Seasonally Adjusted**



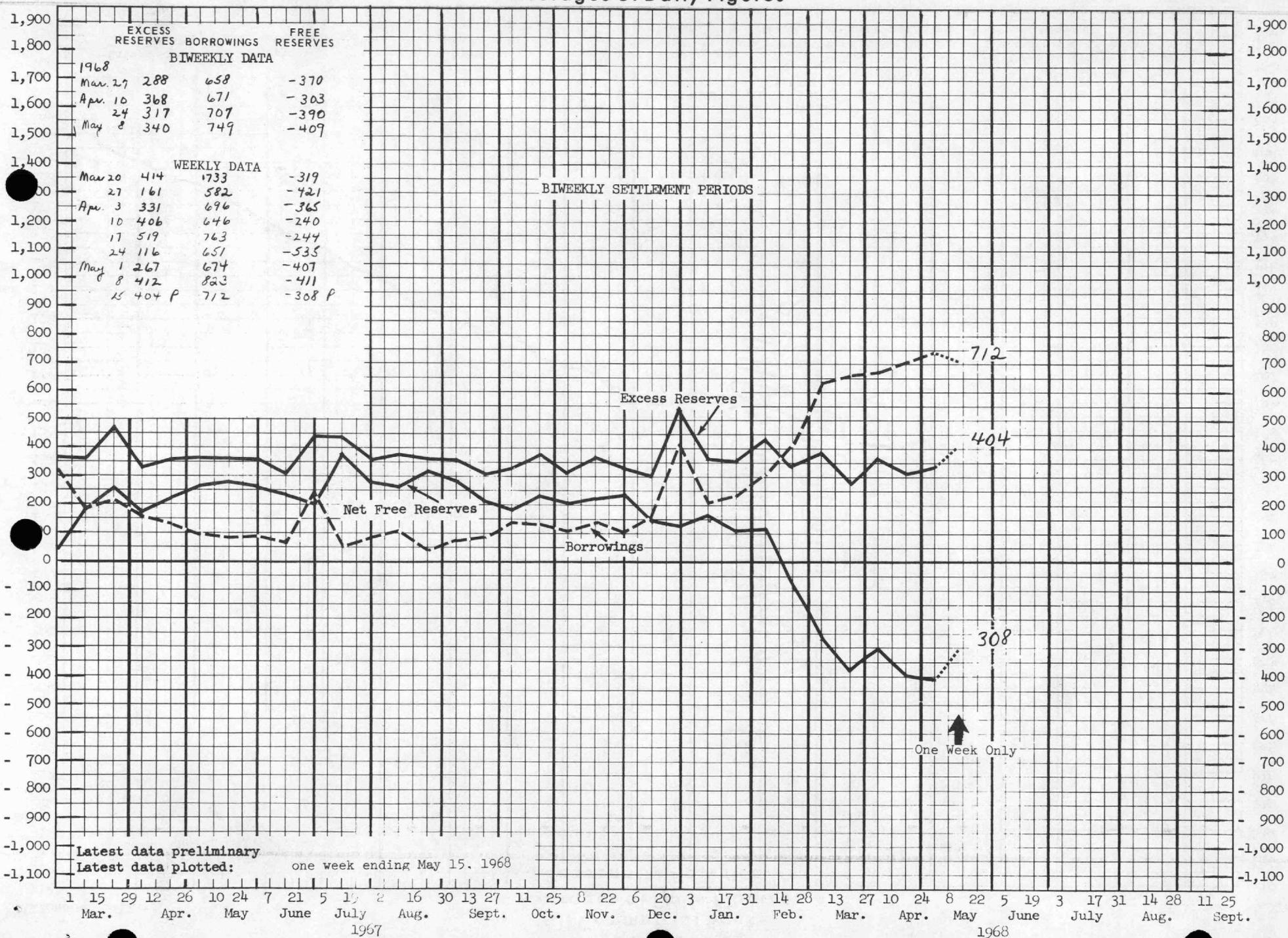
# BORROWINGS AND EXCESS RESERVES

## All Member Banks in the Nation

### Averages of Daily Figures

Millions of Dollars

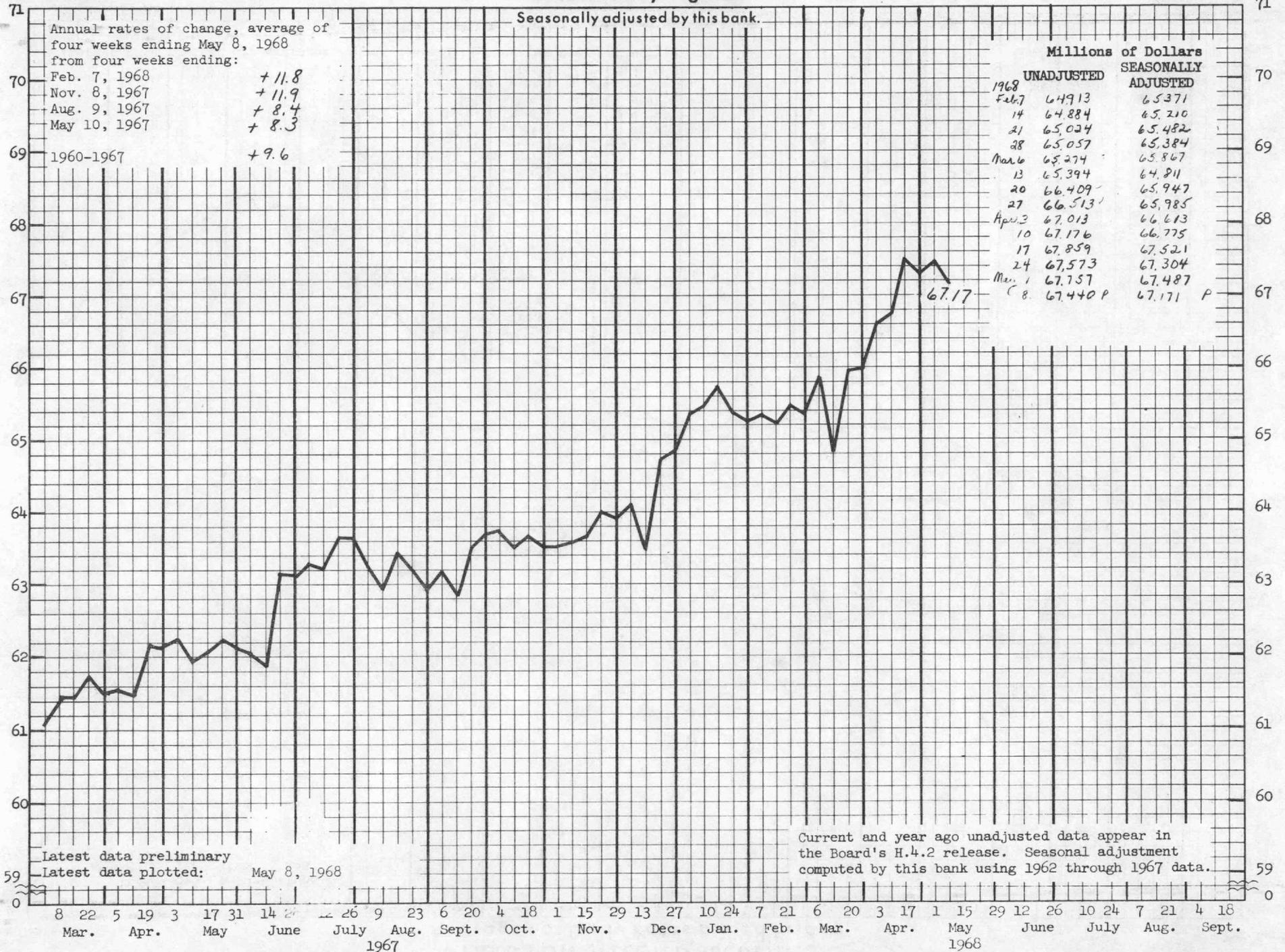
Millions of Dollars



# BUSINESS LOANS Large Commercial Banks Wednesday Figures

Billions of Dollars

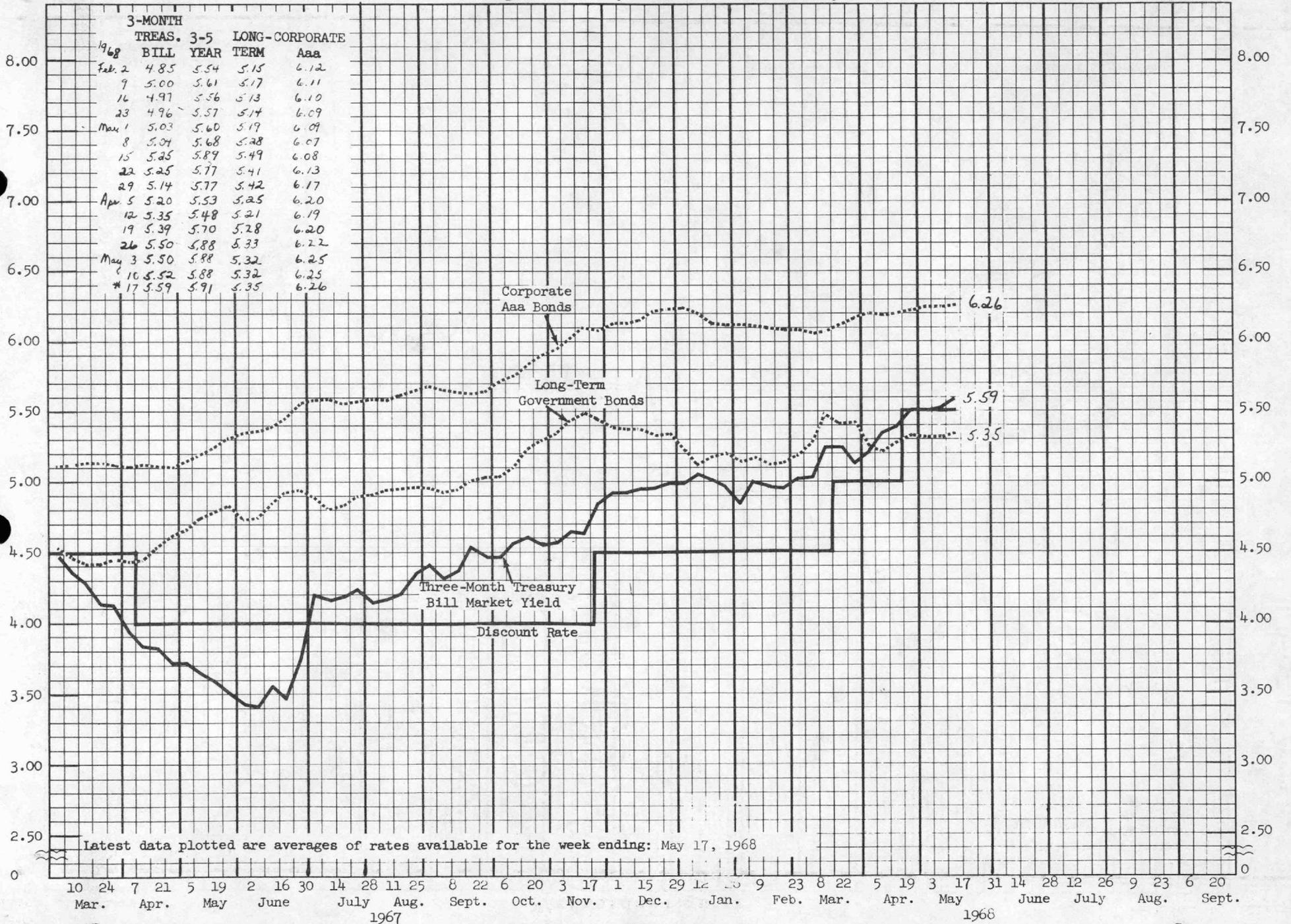
Billions of Dollars



# YIELDS ON SELECTED SECURITIES Averages of Daily Rates Ended Friday

Per Cent

Per Cent



Latest data plotted are averages of rates available for the week ending: May 17, 1968

# SELECTED SHORT-TERM INTEREST RATES

## Averages of Daily Rates Ended Friday

Per Cent

Per Cent

