



Week ending: August 18, 1971

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The money stock averaged \$227.5 billion in the four weeks ending August 11, up at a 10.6 per cent annual rate in the past seven months (page 5). This rate compares with a more moderate, but historically high rate of 5.4 per cent in 1970, and a 3.4 per cent trend growth rate from 1957 to 1970. The demand deposit component of the money stock (page 4) has risen at an 11 per cent annual rate in the past seven months, while the currency component has risen at a 10 per cent rate.

Many market interest rates dropped sharply this week, following the announcement of new national economic policies (pages 10 and 11). For example, yields on three-month Treasury bills averaged 4.79 per cent in the three days ending August 18, down 1/2 percentage point from last week's average. By comparison, the bill rate averaged 3.38 per cent last March and 6.41 per cent in August a year ago. Yields on three- to five-year Government securities averaged 5.99 per cent in the first half of this week, down about 80 basis points from last week. Whether these rate declines will continue in the longer run probably depends on how successful the new policies are in reducing expectations of inflation.

The total volume of bank loans and investments has expanded at an 8 per cent annual rate in the four months since March, somewhat slower than the 13.5 per cent rate in the previous nine months. These rates compare to a trend growth rate of 8 per cent from 1960 to 1970. Much of the growth of total bank credit has been due to the rapid rise of security holdings by commercial banks, thus sharply raising the liquidity of banks after the 6 per cent decline in investments in 1969. For instance, total investments have risen at a 17 per cent rate in the past four months, compared with only a 3.7 per cent rate for total bank loans.

A major factor accounting for the rather slow growth of total bank loans has been the sluggish demand for business loans. For example, since last November, the tentative trough month of the 1969-1970 recession, business loans of large commercial banks adjusted to include loans sold to their affiliates have not changed on balance. Slow growth of business loans during recovery periods is not unprecedented, however. For example, eight months after the trough month of the 1948-49, 1957-58, and the 1960-61 recessions, business loans, on average, exhibited almost no growth. The exception of the postwar recessions is 1953-54, when business loans rose at approximately a 10 per cent annual rate in the eight months after the recessionary trough. An important reason for the slow growth in 1971 has been the preference by corporations for long-term financing in the open market.

Prepared by Federal Reserve Bank of St. Louis

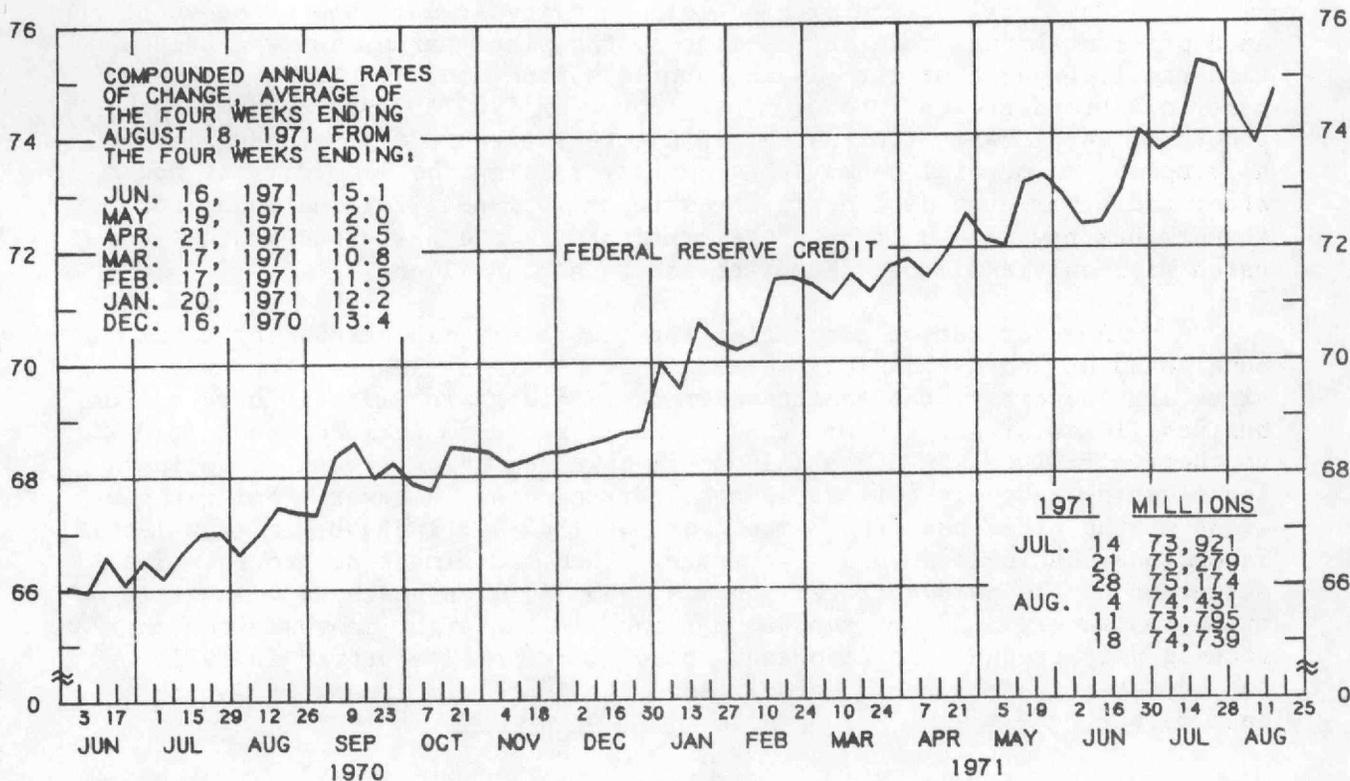
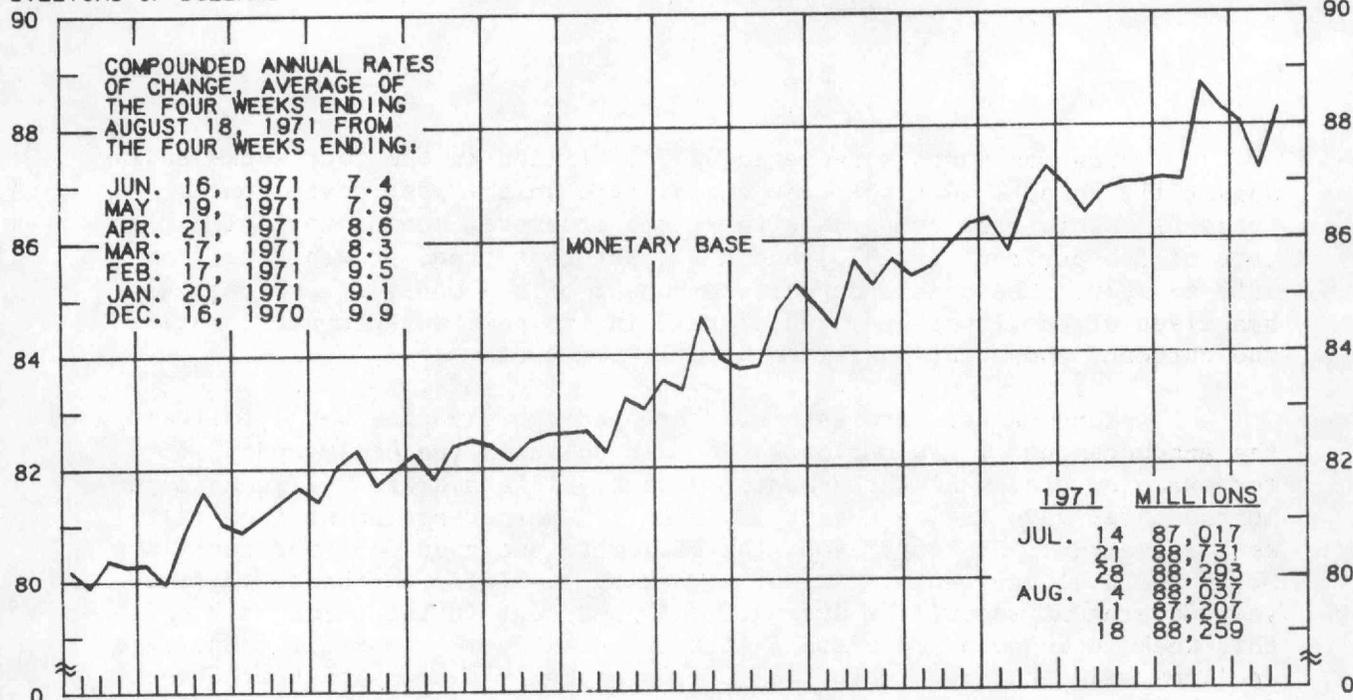
Released: August 20, 1971

# MONETARY BASE <sup>1/</sup> FEDERAL RESERVE CREDIT <sup>2/</sup>

AVERAGES OF DAILY FIGURES  
SEASONALLY ADJUSTED BY THIS BANK

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



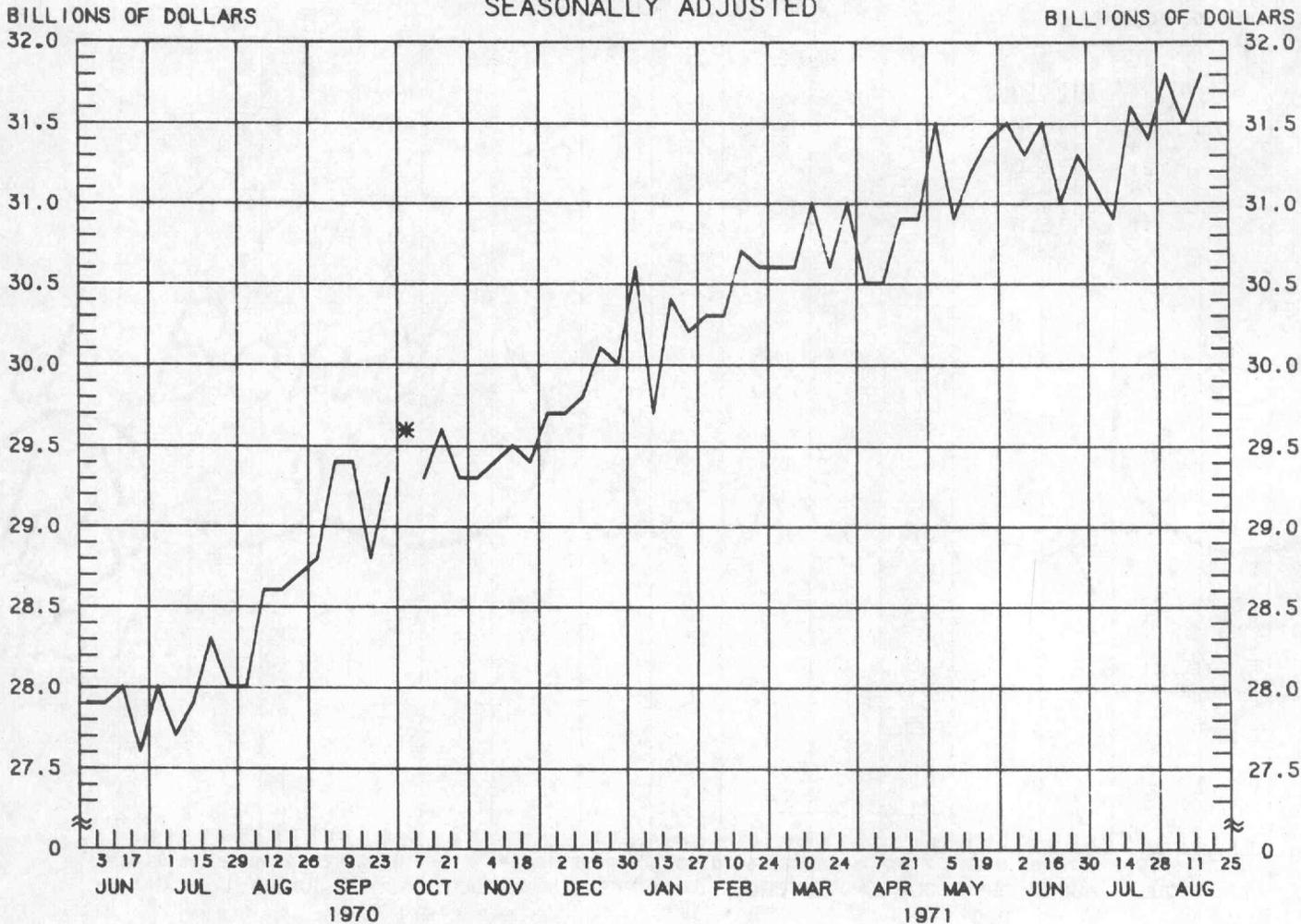
LATEST DATA PLOTTED WEEK ENDING: AUGUST 18, 1971

- 1/ USES OF MONETARY BASE ARE MEMBER BANK RESERVES AND CURRENCY HELD BY THE PUBLIC AND NONMEMBER BANKS, ADJUSTED FOR RESERVE REQUIREMENT CHANGES AND SHIFTS IN DEPOSITS. FOR A DESCRIPTION OF THE BASE SEE THE AUGUST 1968 "REVIEW" OF THIS BANK.
- 2/ DEFINED TO INCLUDE HOLDINGS OF SECURITIES, LOANS, FLOAT AND "OTHER" ASSETS, ADJUSTED FOR RESERVE REQUIREMENT CHANGES AND CHANGES IN REQUIREMENTS DUE TO SHIFTS IN DEPOSITS AMONG CLASSES OF BANKS.

# RESERVES

## ALL MEMBER BANKS IN THE NATION

AVERAGES OF DAILY FIGURES  
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: AUGUST 18, 1971

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

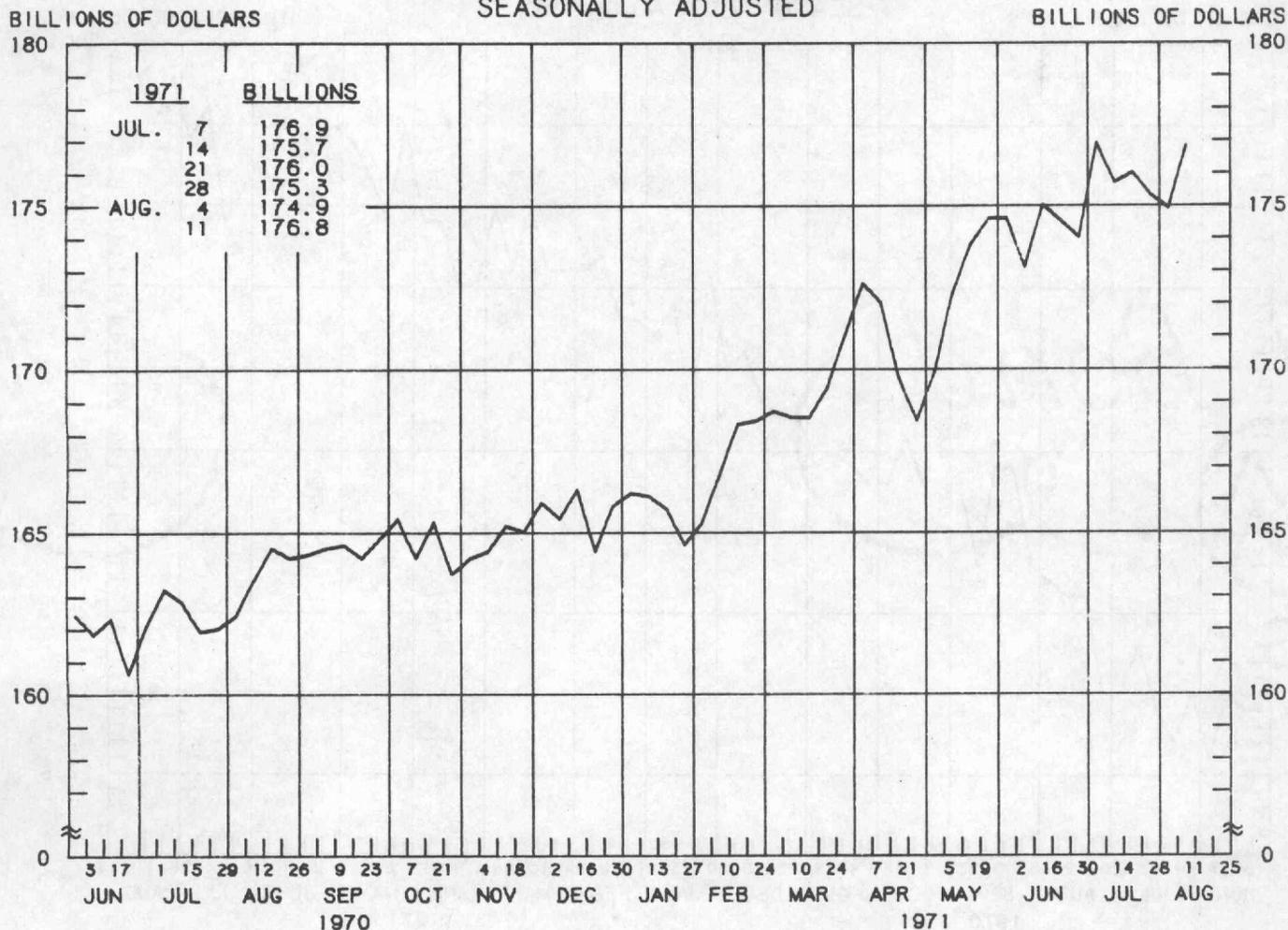
\* BREAK IN SERIES DUE TO CHANGES IN REGULATION D EFFECTIVE OCTOBER 1, 1970.

1971	BILLIONS
JUL. 14	30.9
21	31.6
28	31.4
AUG. 4	31.8
11	31.5
18	31.8

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF THE FOUR WEEKS ENDING AUGUST 18, 1971 FROM THE FOUR WEEKS ENDING:	
JUN. 16, 1971	3.7
MAY 19, 1971	6.6
APR. 21, 1971	9.2
MAR. 17, 1971	7.1
FEB. 17, 1971	8.1
JAN. 20, 1971	8.2
DEC. 16, 1970	9.7

# DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES  
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: AUGUST 11, 1971

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

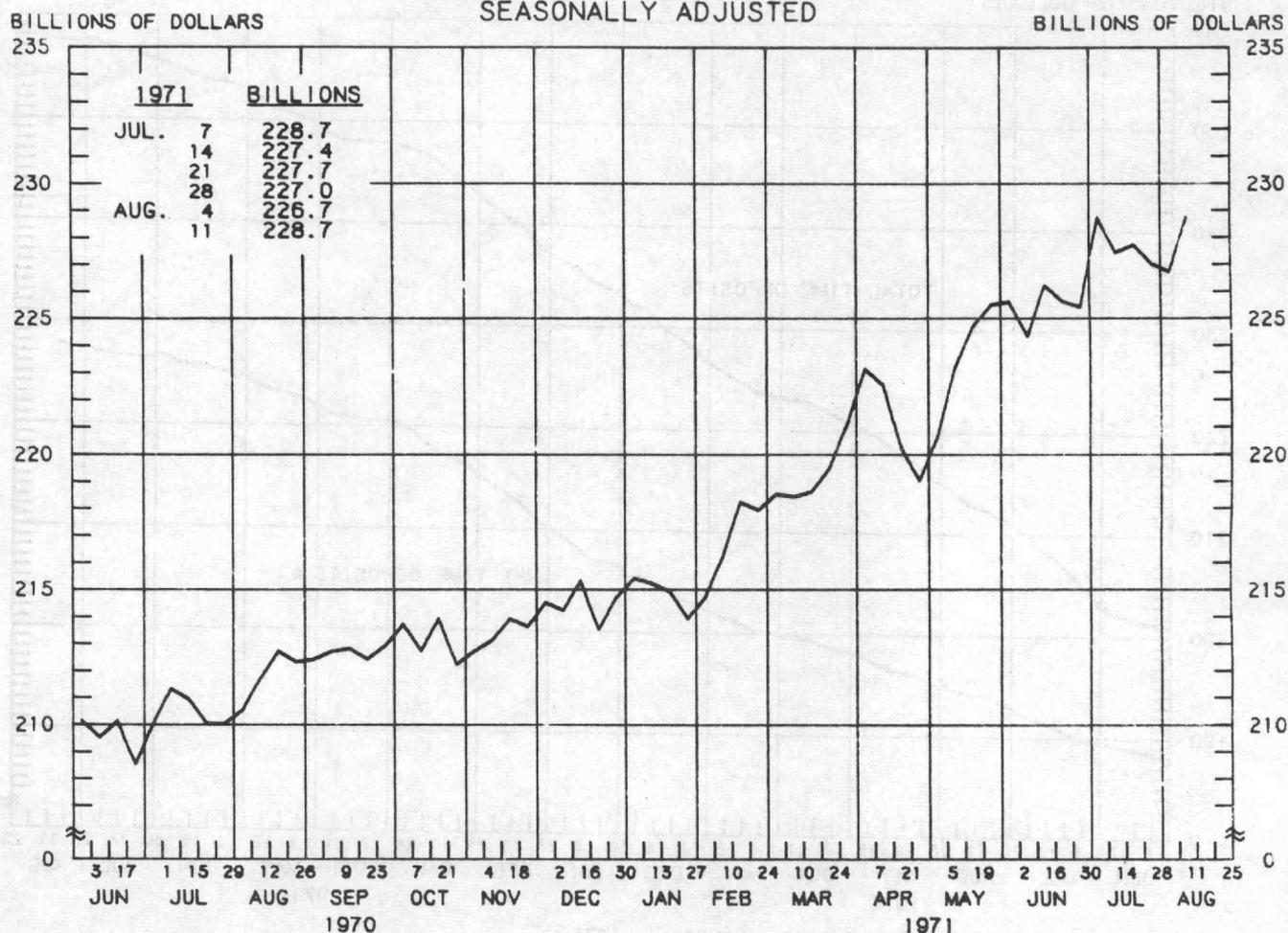
8/12/70 12/9/70 1/13/71 2/10/71 3/10/71 4/14/71 5/12/71 6/9/71

TO THE AVERAGE  
OF FOUR WEEKS  
ENDING:

1/13/71	4.6						
2/10/71	3.9	0.7					
3/10/71	6.5	7.7	11.9				
4/14/71	8.2	10.7	14.5	21.6			
5/12/71	6.3	6.8	8.5	11.3	5.6		
6/9/71	8.6	10.7	13.0	16.3	13.7	10.7	
7/14/71	8.6	10.2	12.1	14.4	12.1	9.7	19.0
8/11/71	8.2	9.5	10.9	12.7	10.5	8.3	14.1
							6.1

# MONEY STOCK

## AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



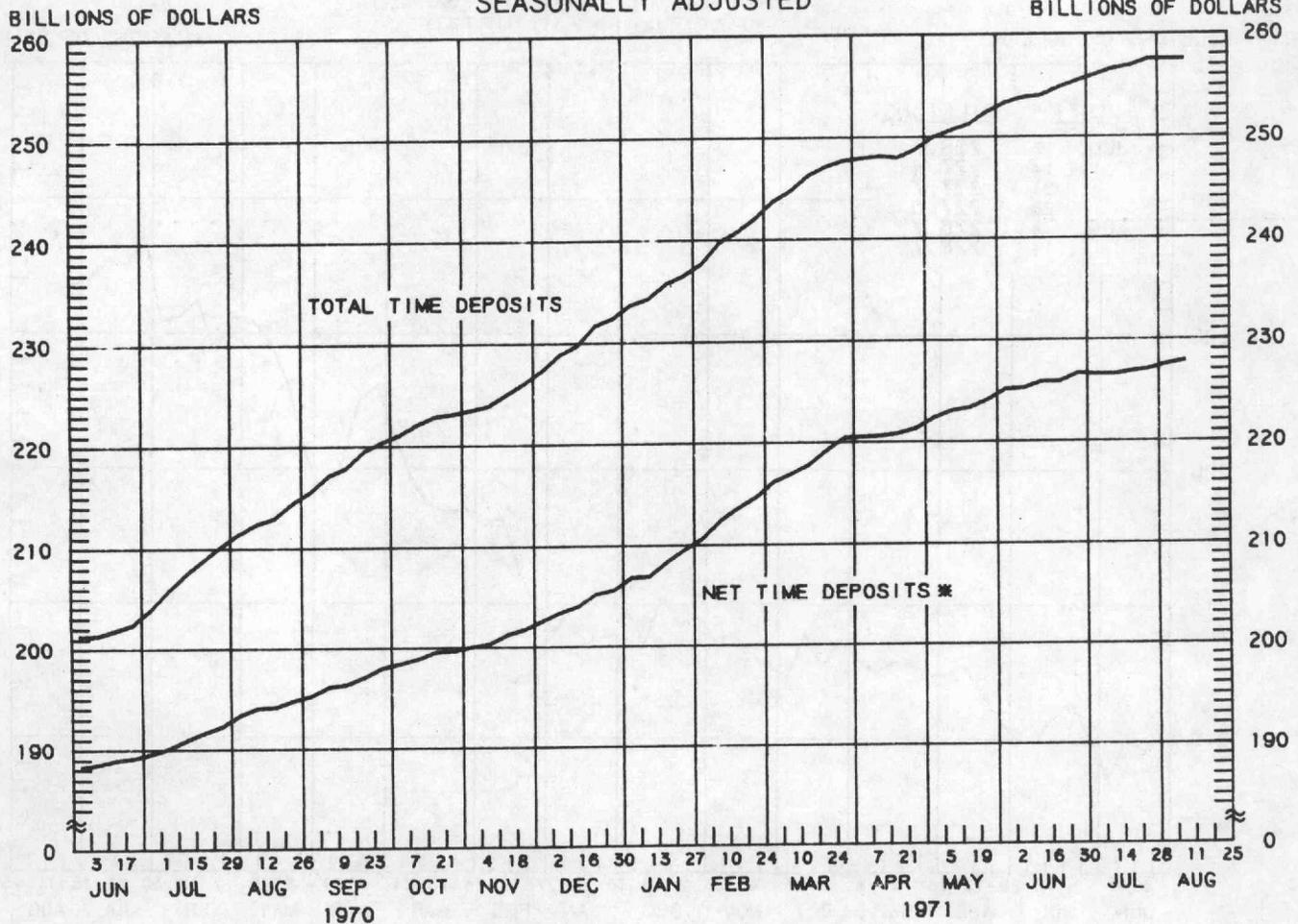
LATEST DATA PLOTTED WEEK ENDING: AUGUST 11, 1971

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

	8/12/70	12/9/70	1/13/71	2/10/71	3/10/71	4/14/71	5/12/71	6/9/71
TO THE AVERAGE OF FOUR WEEKS ENDING:								
1/13/71	4.7							
2/10/71	4.1	2.2						
3/10/71	6.4	8.1	11.4					
4/14/71	7.9	10.5	13.5	19.4				
5/12/71	6.5	7.6	8.9	11.4	6.8			
6/9/71	8.3	10.4	12.3	15.1	12.9	10.4		
7/14/71	8.4	10.1	11.6	13.6	11.7	9.7	16.8	
8/11/71	8.0	9.4	10.6	12.1	10.2	8.4	12.7	6.6

# TIME DEPOSITS ALL COMMERCIAL BANKS AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: AUGUST 11, 1971

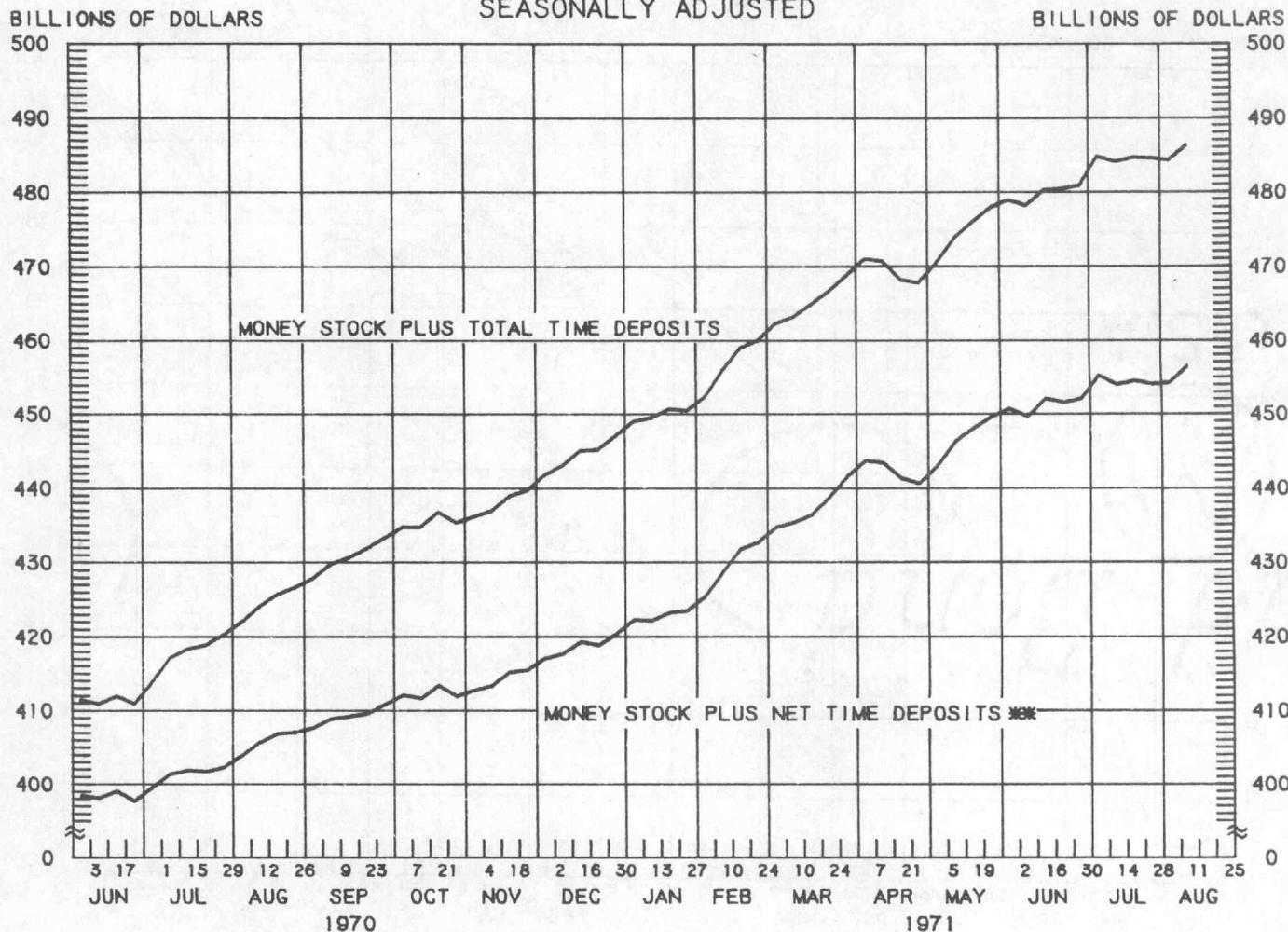
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

\* NET TIME DEPOSITS ARE DEFINED AS: SAVINGS DEPOSITS, TIME DEPOSITS OPEN ACCOUNT PLUS TIME CERTIFICATES OF DEPOSIT OTHER THAN NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF \$100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

NET TIME DEPOSITS								
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:								
	8/12/70	12/9/70	1/13/71	2/10/71	3/10/71	4/14/71	5/12/71	6/9/71
TO THE AVERAGE OF FOUR WEEKS ENDING:								
1/13/71	17.1							
2/10/71	18.9	25.1						
3/10/71	21.1	28.5	32.8					
4/14/71	21.8	27.9	30.3	30.8				
5/12/71	20.6	24.6	25.4	24.2	19.1			
6/ 9/71	20.1	23.2	23.4	22.1	18.0	13.1		
7/14/71	19.0	20.9	20.7	19.2	15.6	11.7	12.3	
8/11/71	17.9	19.0	18.5	16.9	13.7	10.2	10.1	7.7

# MONEY STOCK PLUS TIME DEPOSITS

AVERAGES OF DAILY FIGURES  
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: AUGUST 11, 1971

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

\*\*\* M<sub>2</sub> IS DEFINED AS: CURRENCY, DEMAND DEPOSITS PLUS NET TIME DEPOSITS (SEE PAGE 6).

## MONEY STOCK PLUS NET TIME DEPOSITS (M<sub>2</sub>)

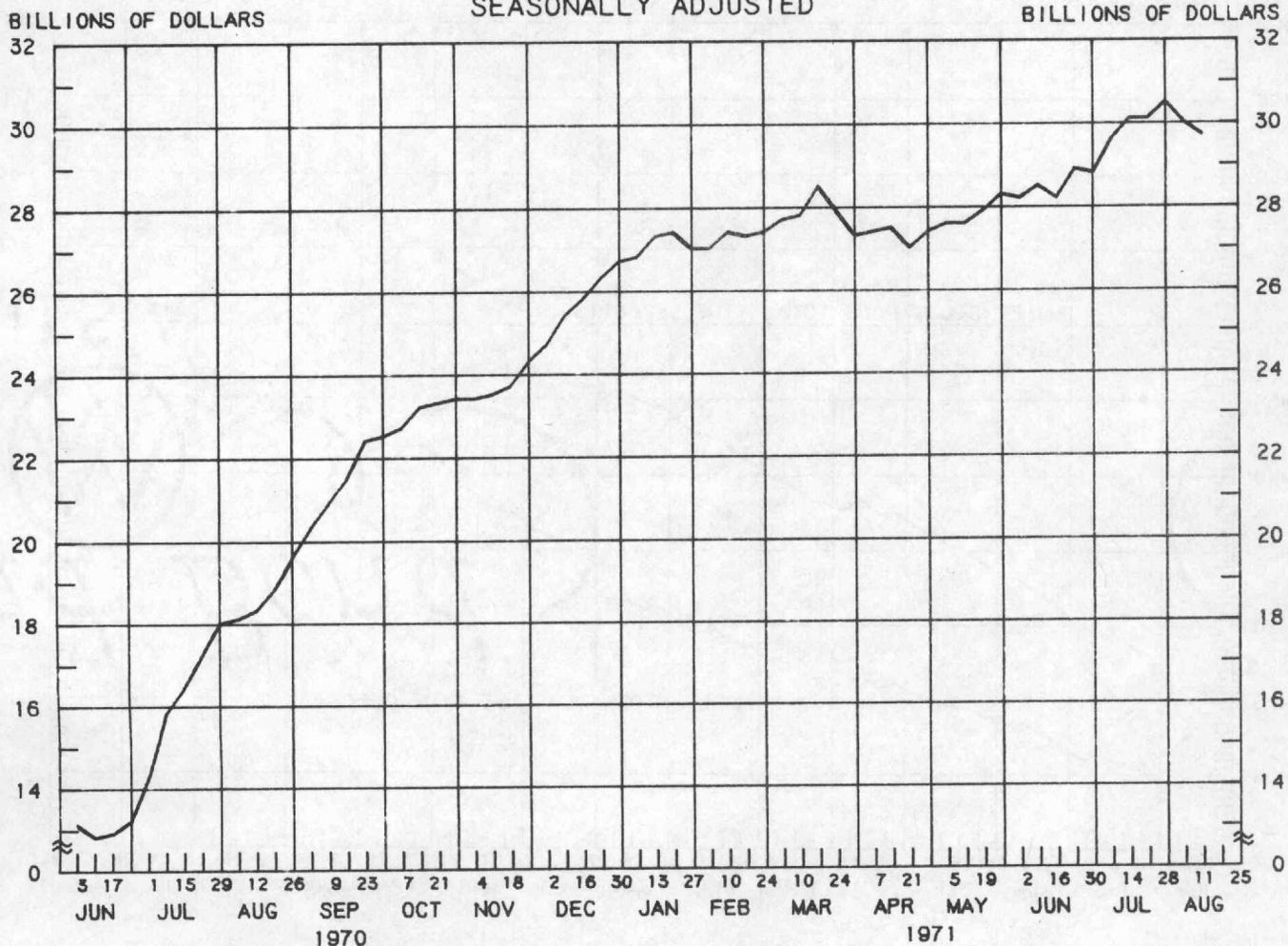
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

8/12/70 12/9/70 1/13/71 2/10/71 3/10/71 4/14/71 5/12/71 6/9/71

TO THE AVERAGE  
OF FOUR WEEKS  
ENDING:

1/13/71	10.6							
2/10/71	11.1	12.8						
3/10/71	13.4	17.7	21.5					
4/14/71	14.5	18.7	21.5	24.9				
5/12/71	13.2	15.6	16.8	17.6	12.8			
6/ 9/71	14.0	16.5	17.7	18.5	15.4	11.7		
7/14/71	13.5	15.3	16.0	16.3	13.6	10.7	14.5	
8/11/71	12.8	14.0	14.4	14.5	11.9	9.3	11.4	7.1

**CERTIFICATES OF DEPOSIT  
LARGE COMMERCIAL BANKS**  
WEDNESDAY FIGURES  
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: AUGUST 11, 1971

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

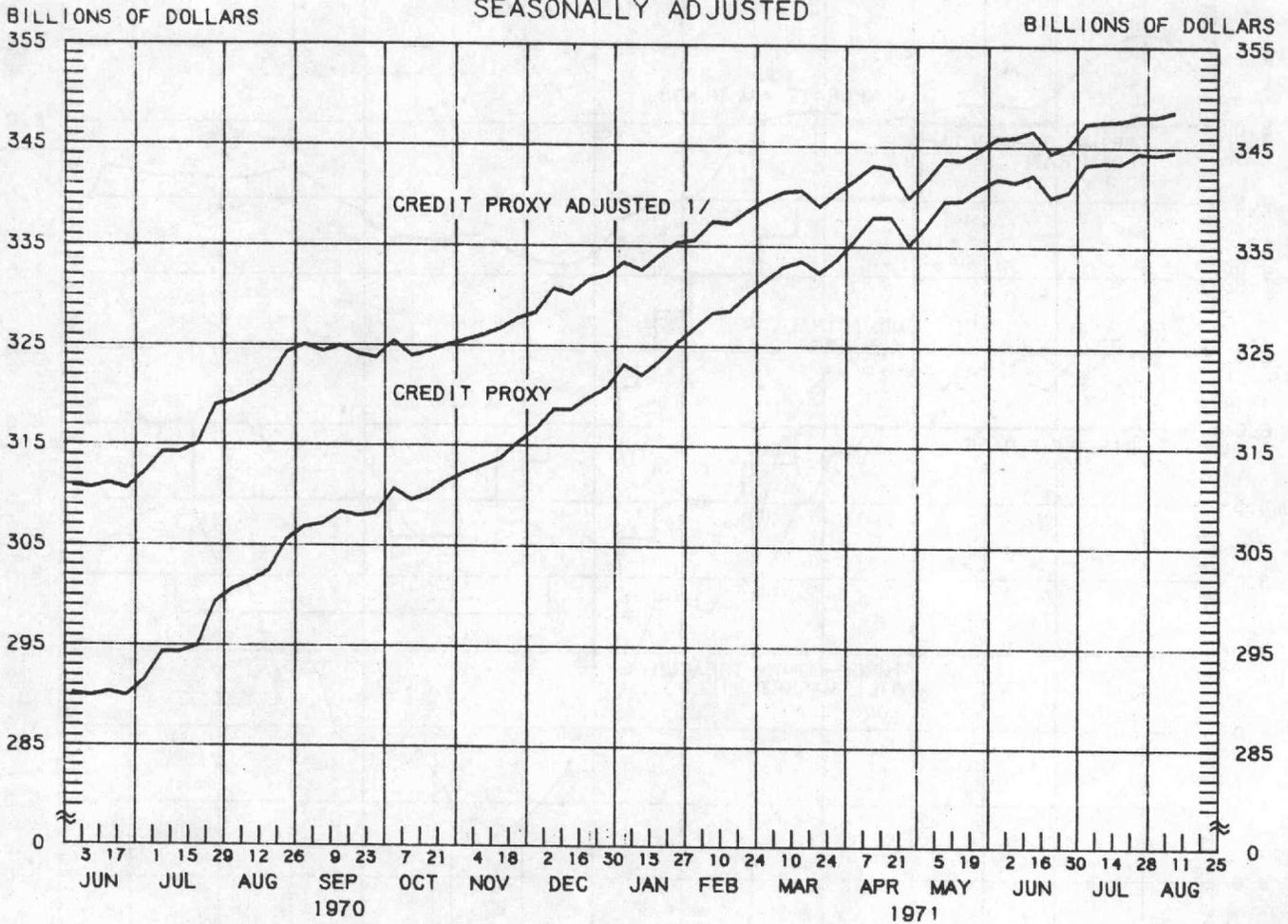
NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF \$100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

MONEY AND TIME DEPOSIT DATA			
1971	BILLIONS		
	CERTIFICATES OF DEPOSIT	NET TIME DEPOSITS *	M 2 **
JUNE 2	28.2	225.1	450.7
9	28.5	225.2	449.5
16	28.2	225.8	452.0
23	28.9	225.8	451.5
30	28.8	226.6	452.0
JULY 7	29.6	226.5	455.2
14	30.1	226.5	453.9
21	30.1	226.8	454.5
28	30.5	227.0	454.0
AUG. 4	30.0	227.5	454.2
11	29.7	227.8	456.4
18			
25			

\* SEE FOOTNOTE PAGE 6.  
\*\* SEE FOOTNOTE PAGE 7.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

# MEMBER BANK DEPOSITS SUBJECT TO RESERVE REQUIREMENTS (CREDIT PROXY) AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: AUGUST 11, 1971

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

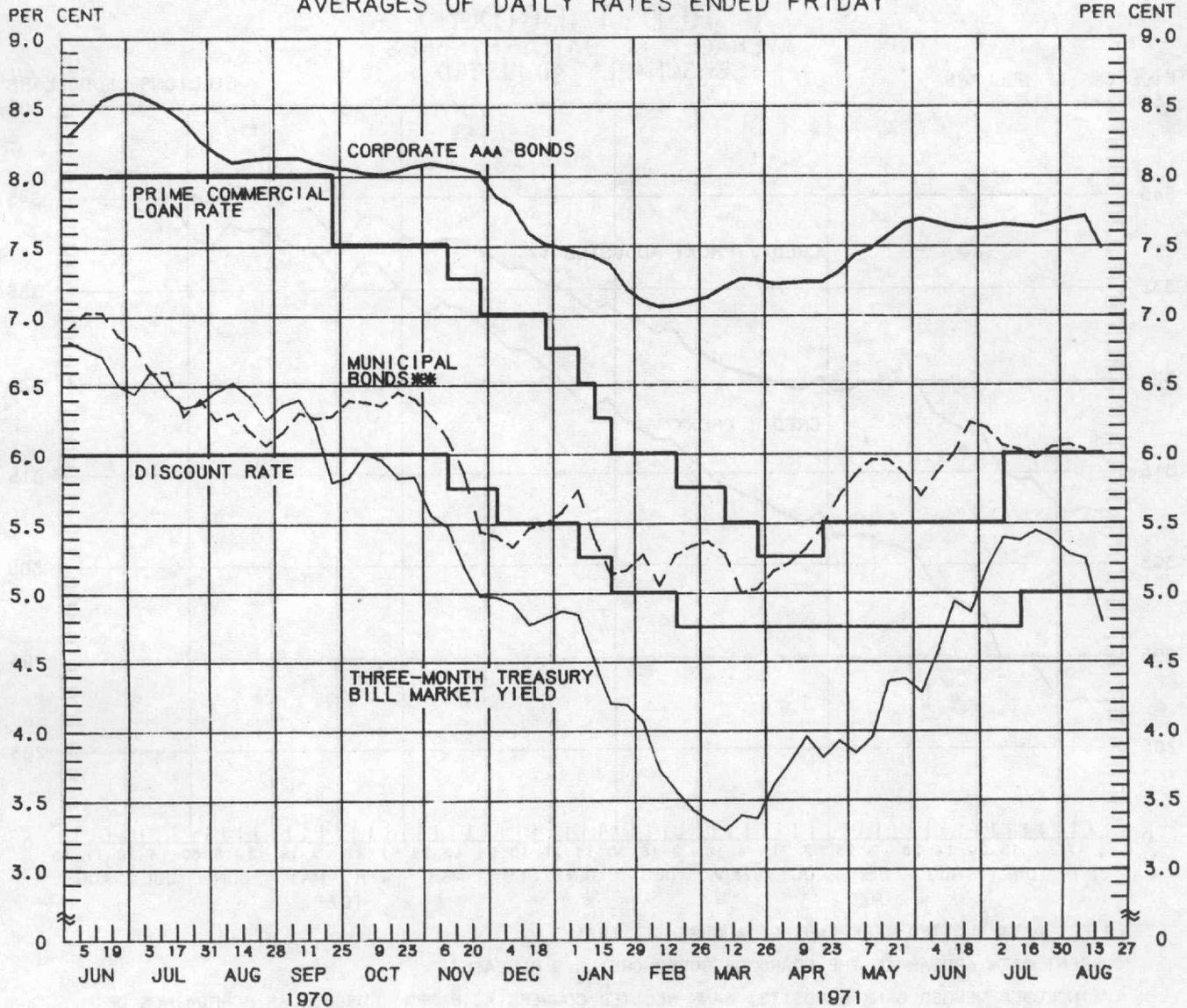
1/ INCLUDES MEMBER BANK DEPOSITS, BANK-RELATED COMMERCIAL PAPER, EURODOLLAR BORROWINGS OF U.S. BANKS, AND CERTAIN OTHER NONDEPOSIT SOURCES.

1971		BILLIONS	
		CREDIT PROXY	CREDIT PROXY ADJUSTED
JUL.	7	343.2	347.3
	14	343.4	347.5
	21	343.3	347.6
AUG.	28	344.4	348.0
	4	344.2	348.0
	11	344.5	348.5

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF THE FOUR WEEKS ENDING AUGUST 11, 1971 FROM THE FOUR WEEKS ENDING:			
		CREDIT PROXY	CREDIT PROXY ADJUSTED
JUN.	9, 1971	5.5	5.1
MAY	12, 1971	8.2	7.2
APR.	14, 1971	8.6	6.4
MAR.	10, 1971	9.8	6.5
FEB.	10, 1971	11.4	7.5
JAN.	13, 1971	12.6	8.3
DEC.	9, 1970	13.4	9.0

# YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: AUGUST 20, 1971

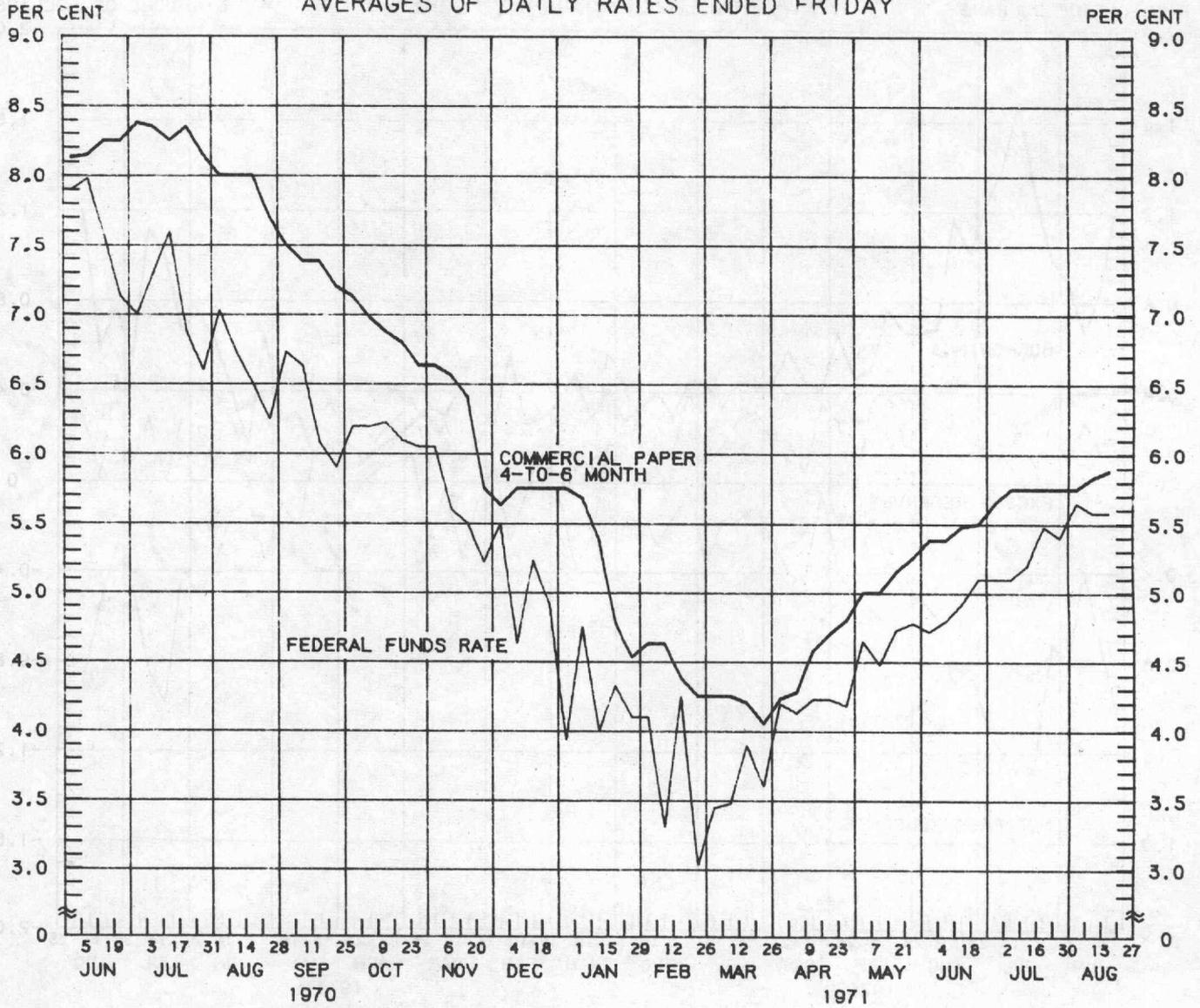
1971	CORPORATE AAA BONDS	3-MONTH TREASURY BILLS	3-5 YEAR GOVERNMENT SECURITIES	LONG-TERM GOVERNMENT SECURITIES	MUNICIPAL BONDS **
JUNE 4	7.69	4.28	5.92	5.79	5.70
11	7.66	4.58	6.22	5.89	5.87
18	7.63	4.94	6.54	6.06	6.00
25	7.62	4.86	6.46	5.98	6.23
JULY 2	7.63	5.17	6.70	5.97	6.19
9	7.65	5.40	6.70	5.92	6.06
16	7.64	5.38	6.64	5.82	6.03
23	7.63	5.45	6.82	5.91	5.97
30	7.66	5.39	6.92	5.96	6.05
AUG. 6	7.69	5.28	6.85	5.93	6.07
13	7.71	5.24	6.81	5.90	6.03
20 *	7.48	4.79	5.99	5.64	N.A.
27					

\* AVERAGES OF RATES AVAILABLE.  
 \*\* BOND BUYER'S AVERAGE INDEX OF 20 MUNICIPAL BONDS, THURSDAY DATA.  
 N.A. - NOT AVAILABLE

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

## SELECTED SHORT-TERM INTEREST RATES

AVERAGES OF DAILY RATES ENDED FRIDAY



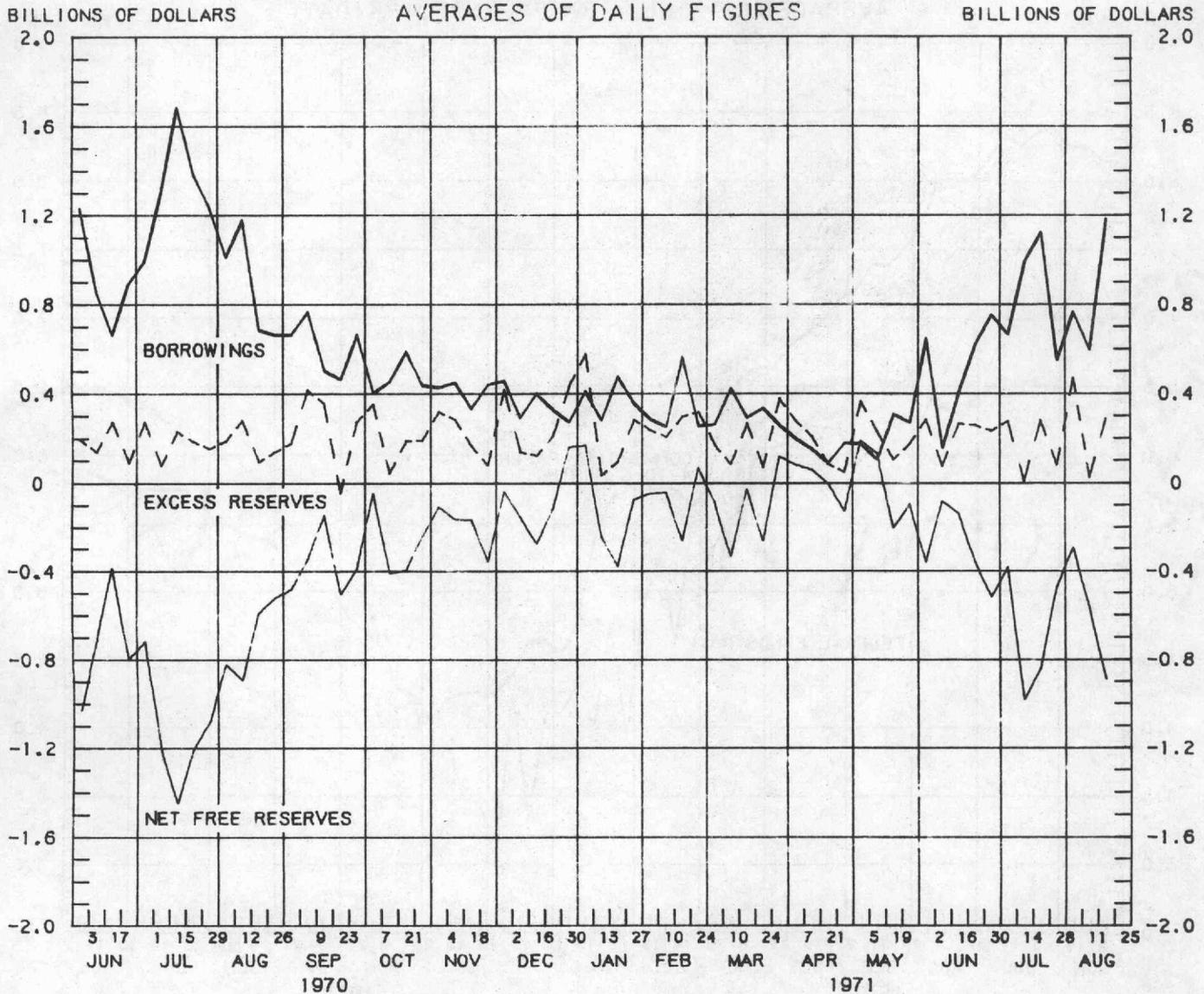
1971	PRIME COMMERCIAL PAPER 4-6 MONTH	FEDERAL FUNDS	PRIME BANKERS' ACCEPTANCES	90 DAY CD'S **
JUNE 4	5.38	4.72	5.00	5.25
11	5.38	4.80	5.18	5.28
18	5.48	4.93	5.43	5.33
25	5.50	5.10	5.50	5.43
JULY 2	5.65	5.10	5.60	5.53
9	5.75	5.10	5.63	5.59
16	5.75	5.20	5.50	5.68
23	5.75	5.48	5.63	5.77
30	5.75	5.40	5.63	5.80
AUG. 6	5.75	5.65	5.63	5.80
13	5.83	5.58	5.63	5.82
20 *	5.88	5.58	5.50	5.88
27				

\* AVERAGES OF RATES AVAILABLE. FEDERAL FUNDS LAST FIVE DAYS AVAILABLE  
 \*\* DATA ARE SECONDARY MARKET RATES, WEEKLY AVERAGES ENDING WEDNESDAY TWO DAYS EARLIER. CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

# BORROWINGS AND EXCESS RESERVES

## ALL MEMBER BANKS IN THE NATION



1971	MILLIONS		
	EXCESS RESERVES	BORROWINGS	FREE RESERVES
JUNE 2	285	646	- 361
9	73	153	- 80
16	266	403	- 137
23	258	618	- 360
30	232	750	- 518
JULY 7	277	661	- 384
14	5	991	- 986
21	282	1121	- 839
28	76	545	- 469
AUG. 4	471	765	- 294
11	24	593	- 569
18	289	1180	- 891
25			

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