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(For Immediate Release)

CHANGES IN COMMERCIAL AND INDUSTRIAL LOANS, BY INDUSTRY AND PURPOSE

A new window has just been opened on the lending operations of commercial banks. This week, United States banking statistics, already the most revealing and complete in the world, were notably improved by a new weekly series of changes in business loans released today by the Board of Governors of the Federal Reserve System.

At the request of the Voluntary Credit Restraint Committee, the Federal Reserve Board and Federal Reserve Banks have been collecting for the past eight weeks reports on changes in many kinds of business loans at over 200 of the largest member banks. These Banks have about 65 per cent of such loans at all banks in the United States. Thanks to their cooperation in shouldering the burden of analyzing new business loans and repayments and making these reports available speedily, the Voluntary Credit Restraint Committee will now have a barometric reading each week of the rise in defense loans and of the diverse trends in other business loans.

A mystery figure for years has been the weekly report of "Commercial, Industrial and Agricultural" loans at reporting member banks. Other kinds of loans at these banks have been separately reported but the business loan total, constituting more than half the loans of these banks has never been broken down into its major components. Now, in the fight against inflation it becomes urgently necessary to know what kinds of business are using bank credit and for what purposes.

The new reports have been developed over a period of recent weeks. Two hundred of the largest weekly reporting banks have divided their larger loans into industry and purpose classifications. The attached tables give the results by weeks from April 4 through May 23 and by Federal Reserve districts for the week ending May 23. The non-segregated smaller loans and the net changes in business loans at the smaller weekly reporting banks are shown as a balancing item so that the aggregate net changes will agree with the changes in "Commercial, Industrial and Agricultural" loans in the regular weekly reporting member bank series.

Business loans of all weekly reporting banks have followed a side-wise movement during the eight week period, registering a net decline of 73 million dollars. This was less than the seasonal decrease to be expected at this time of year and followed a huge increase of 5.6 billion dollars from June 30, 1950 to March 28, 1951.

The new figures reveal that in recent weeks defense loans and loans for plant expansion, as well as loans to trade and to sales finance companies, have been rising, whereas commodity loans have been declining.

The largest change was a seasonal decrease in loans to commodity dealers of 276 million dollars. Closely allied to this movement was the decrease of 179 million dollars in loans to food, liquor and tobacco manufacturers. These loans typically increase when the major new crops are harvested in the fall and decline through the rest of the crop year as the farm products are consumed.

Other loans to manufacturers and public utilities increased during the eight weeks as follows:

Textiles, apparel, and leather	54 million
Metals and metal products	88 "
Petroleum, coal, chemicals, and rubber	43 "
Other manufacturing	13 "
Public utilities and transportation	63 "

There is a strong defense and defense-supporting element in these manufacturing loans. A cross-classification of those loans that can be identified as in these categories reveals that new loans or net increases of defense and defense-supporting loans during the eight weeks totaled 138 million dollars. This understates the bank aid to defense for the following reason. Most companies with defense contracts are engaged also in civilian business. At times, their borrowings are for both purposes combined and, particularly in the earlier weeks, the reporting banks did not attempt to estimate the defense portions of such loans.

The eight week increase in loans to wholesale and retail trade was 95 million dollars, and there was a steady rise week by week except for a small decrease in the May 23 reports. This comes at a time when retail inventories were already high. Probably the explanation is twofold: the delivery of merchandise ordered on an expanded scale during the abnormally high sales period which ended before Easter, and intense sales promotion by manufacturers.

The increase of 70 million dollars in loans to sales finance companies is to be explained in part by a rise in holdings of wholesale and automotive paper and in part by some rise in other types of business loans of these financing companies. Regulation W has reduced the amount of retail instalment outstandings during this period. Like all other lenders, sales finance companies have been asked by the Federal Reserve Board to abide by the principles of the Voluntary Credit Restraint Program.

CHANGES IN COMMERCIAL AND INDUSTRIAL LOANS OF A SAMPLE OF WEEKLY REPORTING MEMBER BANKS
BY INDUSTRY AND PURPOSE, FOR THE EIGHT WEEKS ENDING WEDNESDAY, MAY 23, 1951

(In millions of dollars)

Business of Borrower	8 weeks' totals	Week ended								
		April 4	April 11	April 18	April 25	May 2	May 9	May 16	May 23	
Manufacturing and mining:										
Food, liquor, and tobacco	-178.6	-23.2	- 7.1	-13.4	-33.7	-25.3	- 9.5	-12.3	- 54.1	
Textiles, apparel, and leather	+ 53.6	+ .5	+22.6	+ 2.9	- 1.8	+ 1.3	+ 8.8	+19.4	- .1	
Metals and metal products (including machinery and transportation equipment)	+ 88.1	+19.8	- .2	-25.0	+13.4	+16.7	+16.7	+36.5	+ 10.2	
Petroleum, coal, chemicals, and rubber	+ 43.1	- 3.2	+ 2.1	+12.1	- .8	+ 5.9	+21.5	- 1.3	+ 6.8	
Other manufacturing and mining	+ 12.5	+ 1.1	+ 7.7	+ 1.0	- 1.2	+ 2.1	- .9	+ 6.7	- 4.0	
Trade: Wholesale and Retail	+ 95.1	+ 2.4	+26.0	+30.7	+ 7.7	+29.7	+ 1.1	+ 8.5	- 11.0	
Commodity dealers	-276.2	-17.4	-26.3	-48.9	-42.5	-28.8	-49.0	-32.4	- 30.9	
Sales finance companies	+ 69.9	+16.0	-12.2	+10.0	+ 3.9	+12.4	+19.5	+19.9	+ .4	
Public utilities (including transportation)	+ 62.7	+12.5	- 6.3	- 2.1	+15.0	+66.6	-23.7	+ 4.2	- 3.5	
Construction	(+ 10.2	+ 4.9	- 5.4	+ 6.7	- 3.4	+ .4)	+ 5.9	+10.0	+ 6.1	
All other types of business							- 7.3	+ 5.9	- 13.6	
Net change of classified loans	- 19.6	+13.4	+ .9	-26.0	-43.4	+81.0	-16.9	+65.1	- 93.7	
To balance with net change in weekly reporting series	- 53.4	-19.4	+65.1	-38.0	-27.6	-22.0	- 5.1	+ 3.9	- 10.3	
Net change in commercial, industrial, and agricultural loans	- 73.0	- 6.0	+66.0	-64.0	-71.0	+59.0	-22.0	+69.0	-104.0	
<u>Purpose Classification*</u>										
Defense contracts	+129.1	+18.3	+17.5	+10.1	+21.9	+ 9.3	+14.6	+23.8	+ 13.6	
Defense-supporting activities:										
Plant and equipment	+ 3.2	--	--	--	--	--	--	+ 2.6	+ .6	
All other	+ 5.2	--	--	--	--	--	--	+ 3.6	+ 1.6	
Non-defense activities:										
Inventory and working capital	- 15.8	- 4.9	+21.5	+25.7	-16.3	+30.6	- 9.6	+30.8	- 93.6	
Plant and equipment	+ 61.5	+ 1.5	+ 1.0	+ 7.3	- 3.5	+37.3	+ 2.8	+14.9	+ .2	
Retirement of non-bank debt and preferred stock	- 16.9	- 1.2	- 4.9	-11.9	+ 3.4	+ 1.7	- 3.7	- .2	- .1	
All other (for loans classified)	- 33.5	- 3.3	- 1.4	- 2.9	+ 2.2	- 3.9	- .8	- 8.3	- 15.1	
Net change of classified loans*	+132.8	+10.4	+33.7	+28.3	+ 7.7	+75.0	+ 3.3	+67.2	- 92.8	

* In the earlier weeks, many of the banks classified only the new loans, and not repayments, as to purpose. The new purpose classification "For financing defense-supporting activities" was not generally used prior to the week of May 16.

CHANGES IN COMMERCIAL AND INDUSTRIAL LOANS OF A SAMPLE OF WEEKLY REPORTING MEMBER BANKS
BY INDUSTRY, PURPOSE, AND FEDERAL RESERVE DISTRICT
WEEK ENDING WEDNESDAY, MAY 23, 1951

(In millions of dollars)

Business of Borrower	All Districts	Boston	New York	Phila- delphia	Cleve- land	Rich- mond	Atlanta	Chicago	St. Louis	Minne- apolis	Kansas City	Dallas	San Francisco
Manufacturing and mining:													
Food, liquor, and tobacco	-54.1	- 2.1	-31.2	+ .3	--	- .6	+ .9	-10.7	- 2.4	- 1.6	- 2.2	- .8	- 3.7
Textiles, apparel, and leather	- .1	- 3.7	+ 6.7	- .4	+ .4	- .7	- 1.7	- 1.1	- .1	- .3	+ .1	- .3	+ 1.0
Metals and metal products (including machinery & transportation equipment)	+10.2	+ 1.0	+ 7.7	- .5	+ 1.8	+ .4	+ .6	+ 1.4	- 1.0	- 1.0	+ .1	- .2	- .1
Petroleum, coal, chemicals, and rubber	+ 6.8	- 1.3	+ 7.1	- .2	- .3	- .1	+ .2	+ 1.2	--	+ .5	- 1.1	- .6	+ 1.4
Other manufacturing and mining	- 4.0	- .2	+ 2.4	+ .1	- 1.2	- .3	--	- 2.5	+ .5	--	- .7	- .1	- 2.0
Trade:													
Wholesale	-11.0	(+ .8	- 1.1	- .1	- .8	- .2	- 1.0)	+ .3	(- .8	- .7	+ .6)	- 1.3	(- .7
Retail		(- 1.3	- 1.2	- .2	- .3	- .3	+ .3)		(- .6	- .6	- .5)		(- 1.3
Commodity dealers	-30.9	+ 2.7	-18.1	- 1.0	- .5	- .6	- 1.2	+ 1.4	- 2.8	- 1.8	- 3.5	- 5.3	- .2
Sales finance companies	+ .4	- 2.9	+ 9.8	- 1.7	+ 3.1	- 1.0	- .8	- 8.2	- .8	+ .1	+ 2.2	+ .2	+ .4
Public utilities (including transportation)	- 3.5	+ .3	- 3.4	--	- .9	+ .2	+ .1	+ 1.0	+ .1	--	+ .1	+ .6	- 1.6
Construction	+ 6.1	+ .2	+ 3.0	+ .1	+ .1	- .1	- .9	+ 1.0	+ .1	+ .6	+ 1.7	- .1	+ .4
All other types of business	-13.6	+ .2	-11.3	--	- 1.3	+ 1.0	- .6	- 2.8	+ .4	--	- .3	- 1.3	+ 2.4
Net change of classified loans	-93.7	- 6.3	-29.6	- 3.6	+ .1	- 2.3	- 4.1	-19.0	- 7.4	- 4.8	- 3.5	- 9.2	- 4.0
To balance with net change in weekly reporting series	-10.3	- .7	-16.4	+ .6	- 2.1	- 4.7	- .9	- 4.0	- 6.6	- 2.2	- .5	+14.2	+13.0
Net change in commercial, industrial, and agricultural loans	-104.0	- 7.0	-46.0	- 3.0	- 2.0	- 7.0	- 5.0	-23.0	-14.0	- 7.0	- 4.0	+ 5.0	+ 9.0
Purpose Classification													
Defense contracts	+13.6	+ .7	+ 8.6	+ .6	+ .6	+ .7	- .4	+ 2.1	- .1	- .2	+ .4	+ .7	- .1
Defense-supporting activities:													
Plant and equipment	+ .6	- 2.6	+ 4.2	--	+ .1	--	+ .2	--	--	--	--	--	- 1.3
All other	+ 1.6	- 2.3	+ 4.7	--	+ .4	--	- .5	--	- .1	- .8	- .1	--	+ .3
Non-defense activities:													
Inventory and working capital	-93.6	- 1.8	-32.4	- 4.1	- 3.2	- .4	- 5.0	-20.0	- 6.3	- 3.5	- 1.9	-11.0	- 4.0
Plant and equipment	+ .2	--	- 3.3	+ .2	+ .4	+ .4	+ .2	+ .6	+ .2	- .2	--	+ .1	+ 1.6
Retirement of non-bank debt and preferred stock	- .1	--	+ .5	--	+ .3	--	- .3	- 1.4	- .1	--	--	+ 1.4	- .5
All other (for loans classified)	-15.1	- .3	-11.9	- .3	+ 1.5	- 3.0	+ 1.7	- .3	- 1.0	- .1	- 1.0	- .4	--
Net change of classified loans	-92.8	- 6.3	-29.6	- 3.6	+ .1	- 2.3	- 4.1	-19.0	- 7.4	- 4.8	- 2.6	- 9.2	- 4.0