



FEDERAL RESERVE

statistical release

H.6

For immediate release

August 18, 1969

Corrected Copy

Effective in the latest week ending August 6, the demand deposit component of the money supply was increased substantially due to a change in accounting procedures associated with bank clearings of Euro-dollar transactions. Previously, an increasing volume of such transactions resulted in increases in cash items in process of collection without increasing demand deposits. Since cash items are deducted from gross deposits in computing the money supply, the effect has been to understate the net deposit concept measured in the money supply by an increasing amount in recent years. A tentative revision has been made in the data below and in the appended tables to correct for the estimated downward bias in the series from June 1967-July 1969. Further revisions will be completed in the near future, reflecting new benchmarks and changes in seasonal factors which are incorporated in the series annually.

The revised money supply series is shown to have increased over the first seven months of 1969 at an annual rate of 4 per cent, compared to 2.4 per cent rate indicated by the old series. In the week ending August 6, the money supply averaged about \$500 million below the July level. Time and savings deposits declined further in the latest week to a level \$1.7 billion below the July average.

MONEY SUPPLY AND TIME DEPOSITS
(Averages of daily figures, in billions of dollars)
Seasonally adjusted

Period	Money Supply			Time deposits adjusted (All commercial banks)
	Total (revised)	Currency component	Demand deposit component (revised)	
1969--January	195.4	43.6	151.9	202.5
February	195.7	43.9	151.8	201.0
March	195.9	44.2	151.7	201.0
April	197.5	44.2	153.3	200.8
May	197.4	44.6	152.9	200.1
June	198.2	44.9	153.3	199.2
July p	199.1	r 45.2	154.0	r 195.8
<u>Week ending:</u>				
1969--July 2	199.2	45.1	154.1	198.0
9	199.8	45.1	154.7	196.9
16	199.0	45.0	154.0	r 196.0
23	198.7	45.2	153.5	195.3
30 p	198.2	45.2	153.0	194.7
Aug. 6 p	198.6	45.3	153.3	194.1
Average of last 4 weeks	198.6	45.2	153.5	195.0

Money Supply and Related Data 1967-1969

(billions of dollars)

	Seasonally Adjusted				Not Seasonally Adjusted				
	Money Supply			Time Deposits Adjusted 1/	Money Supply			Time Deposits Adjusted 1/	U.S.
	Total	Currency Component	Demand Deposit Component		Total	Currency Component	Demand Deposit Component		Demand Deposits 1/
1967									
January	170.3	38.5	131.8	161.0	175.3	38.5	136.8	160.6	4.2
February	171.8	38.7	133.0	163.5	170.6	38.3	132.2	164.0	5.1
March	173.2	38.9	134.3	165.9	171.9	38.5	133.4	166.7	4.9
April	172.5	39.0	133.5	168.1	173.6	38.6	134.9	168.8	4.8
May	174.4	39.1	135.5	170.1	171.0	38.8	132.2	170.8	6.6
June	176.0	39.3	136.7	172.6	174.3	39.2	135.1	173.0	4.0
July	177.9	39.4	138.5	174.8	175.8	39.6	136.3	175.2	5.7
August	179.1	39.5	139.5	177.2	175.9	39.6	136.3	177.8	4.3
September	179.3	39.7	139.6	179.4	178.5	39.7	138.7	179.0	5.0
October	180.4	39.9	140.5	180.6	180.8	40.0	140.8	180.4	6.3
November	181.3	40.1	141.3	182.0	182.7	40.4	142.2	181.3	5.3
December	181.7	40.4	141.3	183.5	187.5	41.2	146.2	182.0	5.0
1968									
January	182.7	40.6	142.1	184.1	188.0	40.5	147.5	183.7	5.0
February	183.1	40.7	142.4	185.2	181.8	40.3	141.5	185.8	7.2
March	183.9	41.1	142.8	186.7	182.5	40.7	141.8	187.7	6.6
April	184.7	41.4	143.4	187.1	186.0	41.1	145.0	187.9	4.2
May	186.7	41.6	145.0	187.6	183.0	41.3	141.7	188.4	6.4
June	188.1	42.0	146.0	188.2	186.2	41.9	144.3	188.6	5.4
July	190.2	42.2	148.0	190.4	188.0	42.4	145.7	190.8	5.7
August	191.2	42.6	148.6	193.8	187.8	42.7	145.2	194.4	5.5
September	190.6	42.7	147.9	196.6	189.7	42.7	147.0	196.2	5.9
October	191.5	42.8	148.7	199.5	191.8	42.9	149.0	199.1	6.1
November	193.3	43.2	150.1	201.9	194.8	43.7	151.2	200.7	4.2
December	194.5	43.4	151.1	204.3	200.7	44.3	156.4	202.5	4.8

1/ At all commercial banks.

EXPLANATORY NOTE

Following is an expanded explanation of the revision in the statistics on money supply and related measures incorporated in the previous release dated August 14, 1969.

That revision was necessitated by a change in the Board's Regulation D, effective July 31, requiring member banks to include all "bills payable checks" and so-called "London checks" originating from transactions with foreign branches as deposits subject to reserve requirements.

The addition of these items to total bank deposits does not constitute a redefinition of the money supply to encompass a broader concept. The demand deposit component of money supply consists of gross demand deposits of private non-bank holders less cash items in process of collection by the banks. The Board's redefinition of gross demand deposits is intended to compensate for an overstatement of cash items in process of an equal amount generated by transactions with foreign branches and involving mainly the borrowing and repayment of Euro-dollars. The cash items so generated, in the Board's opinion, represented an unwarranted reduction in reserve requirements to the extent that they were not matched by deposit items subject to reserve. Thus, the effect of the regulatory change is to reestablish the identity in treatment of gross demand deposits and cash items in this respect, leaving net demand deposits and the concept of money supply unchanged.

The rapid growth in Euro-dollar transactions, and in the volume of associated cash items, over recent years--and particularly during the first seven months of 1969--had resulted in an increasing downward bias in net demand deposits according to the traditional definition. This downward bias was abruptly eliminated in the first week in August and, in an effort to maintain continuity in the statistical series, the Federal Reserve obtained retrospective data from the member banks most affected in order to correct the figures on money supply and related measures published earlier. Adjustment for the overstatement of cash items resulted in a somewhat faster growth rate in money supply over the period. For the interval from December 1968 to July 1969, for example, the money supply is now shown to have grown at a 4.1 per cent annual rate, as compared to the 2.4 per cent rate of increase indicated earlier.

This correction is not to be confused with the regular annual revision of money supply statistics, which will be forthcoming in September. That revision, as usual, will incorporate adjustments indicated by benchmark data (some of which is not yet available) for member and non-member banks combined and new seasonal factors which will take account of the month-to-month variations observed during the past year.

August 21, 1969.