

REVISION

Revision - See Federal Reserve Bulletin December 1970 and pages attached to the release of Nov. 27, 1970



FEDERAL RESERVE

statistical release

For immediate release.
November 27, 1970

Revision of Money Supply and Related Data

The annual revision of the daily average measure of the money supply and related data has been completed and revised data are shown in the accompanying tables. The revision this year, which affects estimates back to 1959, raises both the level and the percentage rate of increase of the money supply. Over the first ten months of 1970, the money supply grew at a 5-1/2 per cent annual rate on the revised basis, as compared to a growth rate in the figures previously published of slightly under 4 per cent over the same period.

The revision includes, as usual, the annual review of seasonal factors and new benchmarks for nonmember banks based on the latest "call report" data. In addition, the revision this year encompasses for the first time certain new data, mainly from agencies and branches in the U.S. of foreign banks and from subsidiaries of U.S. banks organized under the Edge Act to engage in an international banking business. These new data serve to correct a downward bias in the money supply series caused by the generation of "cash items in the process of collection" on the books of U.S. domestic banks as a result of clearing a large daily volume of international transactions.

In calculating the demand deposit component of the money supply, all "cash items in the process of collection" are deducted from the relevant gross demand deposit figures. "Cash items" have been deducted since the inception of the money supply series in order to eliminate the double counting of deposit balances in process of being transferred from one bank to another. For example, when Mr. A deposits a check sent to him by Mr. B, the bank account of Mr. A is increased before that of Mr. B is reduced. Upon receipt of the check, Mr. A's bank records a deposit liability and, while the check is clearing between banks, it also carries an asset called "cash item in the process of collection". Meanwhile, Mr. B's bank still has a deposit liability to B until the check written by Mr. B goes through the clearing process and is presented for payment. Thus, in order to avoid overstatement of the money supply, it is necessary in the calculation of the money supply to offset the deposit liability still carried on the books of Mr. B's bank by deducting the "cash item".

International transactions--involving, for instance, the writing of checks in connection with the borrowing and repayment of Eurodollars or the purchase and sale of foreign exchange--give rise to "cash items" in a fashion similar to the domestic transactions described in the example above. These international transactions may be undertaken through domestic commercial banks as well as through institutions specializing in international banking, such as agencies and branches of foreign banks and "Edge" corporations.

Transactions through institutions specializing in international banking have been of increasing importance in recent years, and have resulted in a rising and volatile amount of "cash items" in the process of collection on the books of commercial banks, whose data are used in the calculation of the money supply. These particular "cash items" did not reflect checks written against deposits that were included in the money supply. Thus, deduction of these "cash items" from the demand deposit liabilities of the commercial banks covered in the money supply led to a downward bias in the level of the money supply as measured up to now. The rate of increase in the money supply was also lowered at those times when transactions through, and liabilities of, international banking institutions were rising relatively more rapidly than deposits at domestic commercial banks.

In the current revision the liabilities of specialized banking institutions that correspond to "cash items" on the books of U.S. commercial banks have been added to deposits as a means of eliminating the downward bias in the money supply. These counterpart liabilities do not themselves add to the money supply. Rather, they serve to neutralize the downward effect in the money supply calculation of an equivalent amount of "cash items" on the books of commercial banks. This then permits deposits already on the books of U S commercial banks, but which were inappropriately offset by these "cash items", to be reflected in the money supply measure. But because foreign agencies and "Edge" corporations are now treated as part of the commercial banking system, a small additional amount of dollar deposits held more or less permanently by their customers is also added to the money supply.

The revision will be described in further detail, and additional back data will be presented, in an article in the December issue of the Federal Reserve Bulletin.



FEDERAL RESERVE

statistical release

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For immediate release
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Based on the revised series, the seasonally adjusted money supply has averaged \$213.2 billion in the first three weeks of November, or about \$200 million above the October average level. Total time and savings deposits continued to increase in the latest week, averaging about \$2.6 billion higher than in the month of October.

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	Currency component	Demand deposit component		
1969--October	203.2	45.6	157.6	194.2	
November	203.5	45.9	157.6	194.0	
December	203.6	46.0	157.7	194.6	
1970--January	205.2	46.2	159.0	193.3	
February	204.5	46.4	158.1	193.5	
March	206.6	46.7	159.8	195.3	
April	208.3	47.1	161.2	198.5	
May	209.2	47.7	161.6	200.3	
June	209.6	47.8	161.9	202.2	
July	210.6	48.1	162.5	208.2	
August	211.8	48.2	163.7	213.2	
September	212.8	48.2	164.6	218.5	
October	213.0	48.5	164.5	222.3	
<u>Week ending</u>					
1970--Oct	7	213.7	48.4	165.4	221.1
	14	213.9	48.5	165.4	222.0
	21	213.9	48.6	165.3	222.8
	28	212.3	48.5	163.8	223.0
Nov	4	212.7	48.6	164.1	223.4
	11 p	213.1	48.6	164.5	223.8
	18 p	213.8	48.7	165.1	224.9
Average of last 4 weeks		213.0	48.6	164.4	223.8

DEMAND DEPOSITS, CURRENCY, AND RELATED ITEMS

(Averages of daily figures, in billions of dollars Not seasonally adjusted)

Period	Money Supply			Related deposits (All commercial banks)	
	Total	Currency component	Demand deposit component	Time adjusted	U S Gov't demand
1969--October	203.2	45.6	157.6	194.4	4 2
November	205.3	46.4	158.9	193.4	5 2
December	209.8	46.9	162.9	193.2	5 6
1970--January	211.4	46.1	165.4	192.7	4.8
February	202.8	45.9	156.8	193 0	7.1
March	204.7	46.3	158.4	195.9	6 9
April	209.3	46.6	162.6	199 3	5 3
May	205.3	47.3	158.0	201.1	6 4
June	207.8	47.7	160.1	202.3	6 5
July	209.0	48.3	160.7	208.1	6 8
August	208.7	48.3	160.4	214.0	7 1
September	211.3	48.2	163.1	218.4	6.8
October	213.0	48.5	164.5	222.5	6.1
<u>Week ending.</u>					
1970--Oct. 7	214.9	48.6	165.0	221.2	7 5
14	214.5	48.7	165.8	222.2	4 9
21	214.6	48.5	164.8	222.9	4.9
28	212.6	48.1	163.3	223.1	7.0
Nov. 4	215 3	48.5	166.8	223.4	5.9
11 p	214.8	49.3	165.4	223.9	5.0
18 p	216.1	49.2	166.9	224.5	4.9

p - Preliminary.

NOTE: Money supply consists of (1) demand deposits at all commercial banks, other than those due to domestic commercial banks and the U S Government, less cash items in process of collection and Federal Reserve float, (2) foreign demand balances at Federal Reserve Banks, and (3) currency outside the Treasury, the Federal Reserve and the vaults of all commercial banks. Time deposits adjusted are time deposits at all commercial banks other than those due to domestic commercial banks and the U S Government.

REVISED DATA
MONEY SUPPLY AND TIME DEPOSITS ADJUSTED
(In billions of dollars)

Month	Seasonally adjusted				Not seasonally adjusted			
	Money Supply			Time deposits adjusted	Money Supply			Time deposits adjusted
	Total	Currency component	Demand deposit component		Total	Currency component	Demand deposit component	
1968								
January	183.6	40.6	143.1	184.4	189.3	40.5	148.8	183.9
February	184.7	40.7	144.0	186.2	183.3	40.3	143.0	185.9
March	185.8	41.1	144.7	187.2	184.1	40.7	143.4	187.9
April	186.6	41.3	145.3	187.5	187.6	41.0	146.6	188.2
May	188.7	41.6	147.1	188.1	185.0	41.3	143.7	188.7
June	190.2	41.9	148.3	188.9	188.5	41.8	146.6	189.0
July	191.6	42.1	149.5	191.1	190.1	42.3	147.8	191.3
August	192.7	42.3	150.3	193.8	189.8	42.5	147.3	194.9
September	193.6	42.7	150.9	196.7	192.2	42.7	149.6	196.7
October	194.3	42.8	151.5	199.6	194.3	42.8	151.5	199.7
November	196.0	43.2	152.9	201.8	197.7	43.6	154.1	201.4
December	197.4	43.4	154.0	204.8	203.4	44.3	159.1	203.2
1969								
January	198.1	43.6	154.5	203.7	204.2	43.5	160.7	202.9
February	199.3	43.8	155.5	203.2	197.8	43.4	154.4	202.6
March	200.1	44.1	156.0	202.5	198.3	43.7	154.6	203.2
April	201.0	44.2	156.8	202.1	202.0	43.8	158.2	203.0
May	201.6	44.5	157.1	201.7	197.7	44.2	153.5	202.5
June	202.4	44.8	157.6	201.2	200.5	44.7	155.8	201.3
July	203.1	45.0	158.1	198.1	201.5	45.2	156.4	198.1
August	202.6	45.2	157.4	195.4	199.6	45.4	154.3	196.0
September	202.8	45.3	157.6	194.8	201.4	45.3	156.1	194.9
October	203.2	45.6	157.6	194.2	203.2	45.6	157.6	194.4
November	203.5	45.9	157.6	194.0	205.3	46.4	158.9	193.4
December	203.6	46.0	157.7	194.6	209.8	46.9	162.9	193.2
1970								
January	205.2	46.2	159.0	193.3	211.4	46.1	165.4	192.7
February	204.5	46.4	158.1	193.5	202.8	45.9	156.8	193.0
March	206.6	46.7	159.8	195.3	204.7	46.3	158.4	195.9
April	208.3	47.1	161.2	198.5	209.3	46.6	162.6	199.3
May	209.2	47.7	161.6	200.3	205.3	47.3	158.0	201.1
June	209.6	47.8	161.9	202.2	207.8	47.7	160.1	202.3
July	210.6	48.1	162.5	208.2	209.0	48.3	160.7	208.1
August	211.8	48.2	163.7	213.2	208.7	48.3	160.4	214.0
September	212.8	48.2	164.6	218.5	211.3	48.2	163.1	218.4
October	213.0	48.5	164.5	222.3	213.0	48.5	164.5	222.5

REVISED DATA
MONEY SUPPLY AND TIME DEPOSITS ADJUSTED
(In billions of dollars)

Week ending	Seasonally Adjusted				Not seasonally adjusted			
	Money Supply			Time deposits ad-justed	Money Supply			Time deposits ad-justed
	Total	Currency component	Demand deposit component		Total	Currency component	Demand deposit component	
1970--Jan. 7	205.3	46.0	159.4	194.3	216.5	46.6	169.9	193.4
14	205.8	46.0	159.8	193.7	214.0	46.2	167.7	192.9
21	205.9	46.2	159.7	193.0	211.5	46.0	165.5	192.5
28	204.3	46.3	157.9	192.7	206.2	45.5	160.6	192.2
Feb. 4	203.9	46.3	157.6	192.7	206.1	45.8	160.3	192.1
11	204.0	46.3	157.6	193.1	203.7	46.2	157.5	192.4
18	204.5	46.4	158.1	193.5	202.7	46.0	156.7	193.0
25	205.0	46.5	158.5	194.1	199.8	45.7	154.1	193.5
Mar. 4	205.8	46.5	159.3	194.3	204.0	46.0	158.0	194.2
11	205.9	46.6	159.3	194.4	204.3	46.5	157.8	194.9
18	206.0	46.7	159.3	195.0	204.9	46.4	158.5	195.7
25	206.6	46.8	159.8	195.8	203.1	46.2	156.9	196.5
Apr. 1	208.3	46.9	161.4	197.0	207.2	46.3	160.9	197.8
8	209.5	46.9	162.6	197.7	209.7	46.9	162.9	198.8
15	209.6	47.1	162.5	198.2	211.2	46.8	164.4	199.0
22	207.3	47.2	160.1	199.1	210.0	46.6	163.4	199.5
29	206.7	47.4	159.4	199.5	206.3	46.4	159.8	200.1
May 6	208.0	47.5	160.5	199.7	207.2	47.2	160.0	200.4
13	208.8	47.6	161.3	199.8	205.7	47.4	158.4	200.7
20	210.1	47.6	162.5	200.4	205.0	47.3	157.8	201.2
27	210.1	47.7	162.5	200.6	203.5	47.0	156.4	201.5
June 3	210.1	47.7	162.4	201.2	207.1	47.6	159.5	201.7
10	209.5	47.8	161.8	201.3	207.5	48.0	159.5	202.0
17	210.1	47.8	162.3	201.8	210.0	47.8	162.2	202.0
24	208.5	47.8	160.6	202.3	205.3	47.6	157.8	202.1
July 1	210.0	47.9	162.1	203.8	208.3	47.5	160.8	203.7
8	211.3	48.1	163.2	205.8	210.3	48.9	161.4	205.7
15	210.9	48.1	162.8	207.4	210.5	48.4	162.1	207.1
22	210.0	48.1	161.9	208.8	207.7	48.2	159.5	208.7
29	210.0	48.0	162.0	210.2	207.3	47.7	159.5	210.3
Aug 5	210.5	48.1	162.4	211.3	209.4	48.3	161.1	212.0
12	211.7	48.1	163.5	212.3	209.0	48.6	16.4	213.1
19	212.7	48.2	164.5	213.0	209.2	48.4	160.7	213.7
26	212.3	48.1	164.2	214.3	207.2	48.0	159.2	214.9
Sept. 2	212.4	48.2	164.3	215.4	209.9	47.9	162.0	216.1
9	212.7	48.2	164.5	217.0	211.1	48.9	162.2	217.2
16	212.8	48.2	164.6	217.8	213.9	48.3	165.6	217.8
23	212.4	48.2	164.2	219.4	210.1	48.0	162.1	218.9
30	212.9	48.1	164.8	220.3	210.2	47.7	162.5	220.1