

BANKING AND MONETARY DEVELOPMENTS IN NOVEMBER 1956

FEDERAL RESERVE BANK

of KANSAS CITY

Summary. Total loans and investments at all commercial banks increased considerably in November reflecting further loan expansion and additional bank purchases of U. S. Government securities. Demand deposit and currency holdings of businesses and individuals increased substantially more than the usual seasonal amount. Net borrowed reserves of all member banks declined further.

Bank credit. Preliminary estimates indicate that total loans and investments at all commercial banks increased \$1.4 billion in November, as shown in Table 1. Loan expansion accounted for over half this growth and acquisitions of U. S. Government securities for the remainder. Holdings of other securities declined. Last year in November, loans rose over twice as much but this growth was almost entirely offset by reductions in holdings of U. S. Government and other securities.

Since mid-year, total credit at commercial banks has increased \$3.4 billion, the same as in the comparable period last year. Loans increased less than half as much as last year, but U. S. Government security holdings also rose whereas last year, they declined. During the first half of both 1956 and 1955, total credit declined about \$1 billion, with loans rising somewhat over \$4 billion and total security holdings declining about \$5 billion each year. Total credit growth during each of the past two years has been smaller than in any other year since 1948.

Bank holdings of U. S. Government securities may have increased about \$700 million in November, as commercial banks initially probably took most of the \$1,750 million of new bills on November 16. At weekly reporting banks, total holdings increased about \$200 million over the month, notwithstanding heavy sales prior and subsequent to the financing. At non-weekly reporting banks, U. S. Government security holdings are estimated to have increased around \$500 million, about the same as in October. Since mid-year, commercial bank holdings of U. S. Government securities have increased about \$1.5 billion, with most of the rise occurring in connection with Treasury financings in October and November. Last year in the July-November period, when Treasury financings totaled somewhat more than this year, Government security holdings declined almost \$2 billion.

Business loans at all commercial banks increased \$500 million in November, less than half as much as in November last year, but about the same as the average rise in other recent years. The rise in New York City declined to 40 per cent of the total weekly reporting bank increase in November compared with an average

Not for publication

Table 1

Estimated Changes in Loans and Investments at All Commercial Banks

(In billions of dollars)

Item	1956	1955	1956	1955	Year ending	
	Nov. 1,	Oct. 28,	July 1,	July 1,	Nov. 28,	Nov. 30,
	Nov. 28	Nov. 30	Nov. 28	Nov. 30	1956	1955
<u>Total loans (excluding interbank)</u>	+ 0.8	+ 1.8	+ 2.2	+ 5.4	+ 8.2	+11.3
Business	+ 0.5	+ 1.2	+ 1.5	<u>2</u> /+ 3.4	+ 5.3	<u>2</u> /+ 5.7
Real estate	+ 0.1	+ 0.2	+ 0.7	<u>2</u> /+ 0.9	+ 1.8	<u>2</u> /+ 2.5
Security	- 0.1	+ 0.1	- 0.4	<u>1</u> /	- 0.5	+ 0.7
Agricultural	+ 0.2	+ 0.3	+ 0.1	- 0.1	+ 0.1	- 0.8
Consumer	+ 0.1	+ 0.1	+ 0.3	+ 0.9	+ 1.6	+ 2.2
All other	<u>1</u> /	<u>1</u> /	<u>1</u> /	+ 0.3	+ 0.2	+ 1.0
U. S. Government securities	+ 0.7	- 1.5	+ 1.5	- 1.9	- 3.3	- 8.7
Other securities	- 0.1	- 0.2	- 0.3	- 0.2	- 0.4	+ 0.4
Total loans and investments (excluding interbank)	+ 1.4	+ 0.1	+ 3.4	+ 3.4	+ 4.5	+ 3.1

1/ Less than \$50 million.2/ Level of business loans increased by, and real estate loans decreased by, \$300 million at end of October 1955 to correct classification errors. No back figures revised.

Note: Figures for November 1956 are estimates and subject to change. Preliminary data for November will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States, available at the end of December.

of 70 per cent in the three preceding months. During the first half of 1956, New York City banks had accounted for about 45 per cent of the \$2.2 billion growth at weekly reporting banks.

Since mid-year, business loans at all commercial banks have increased \$1.5 billion, less than half as much as in the comparable period of 1955. During the first half of the year, however, these loans had increased almost \$1 billion more than in 1955. So far this year, the growth has been \$4.4 billion, \$1 billion less than last year, but more than in any other year since the early postwar period.

Borrowing by food processors and commodity dealers continued to account for a considerable part of business borrowing at city banks in November, and the volume was about the same as in November last year. In other recent months, seasonal borrowing by these industry groups exceeded that of last year. Loans to metals manufacturers increased over \$100 million in November following a general decline since the end of June. Loans to sales finance companies increased somewhat in November, after declining \$400 million in September and October, but these loans generally tend to rise late in the year.

Not for publication

Table 2

Changes in Commercial and Industrial Loans ^{1/}

(In millions of dollars)

Business of Borrower	1956	1955	1954	1956	1955	1954
	Nov. 1, - Nov. 28,	Oct. 27, - Nov. 30	Oct. 30, - Nov. 24	June 28, - Nov. 28	June 30, - Nov. 30	July 1, - Nov. 24
Food processors	+155	+135	+130	+655	+418	+388
Commodity dealers	+ 98	+108	+131	+636	+475	+461
Trade concerns	+ 31	+ 87	+ 30	+256	+371	+188
Total	<u>+284</u>	<u>+330</u>	<u>+291</u>	<u>+1,547</u>	<u>+1,264</u>	<u>+1,037</u>
Sales finance	+ 63	+315	+ 63	-416	+223	-196
<u>All other - total</u>	<u>+191</u>	<u>+253</u>	<u>- 38</u>	<u>+643</u>	<u>+829</u>	<u>-565</u>
Metals and metal products	<u>+116</u>	<u>+ 88</u>	<u>- 49</u>	<u>-224</u>	<u>+ 79</u>	<u>-524</u>
Textiles, apparel, and leather	- 24	- 57	- 44	- 8	+ 70	+ 5
Petroleum, coal, etc.	+ 88	+ 76	- 14	+485	+153	+ 38
Other manufacturing and mining	- 29	+ 2	- 18	+ 81	+ 55	- 45
Public utilities	+ 32	+ 73	+ 13	+214	+ 58	-271
Construction	- 21	+ 22	+ 24	- 57	+101	+ 68
All other types of business	+ 29	+ 49	+ 50	+152	+313	+164
Total - Classified	+537	+899	+316	+1,775	+2,316	+275
Unclassified	<u>- 58</u>	<u>- 9</u>	<u>+773</u>	<u>-236</u>	<u>2/3/+197</u>	<u>4/- 27</u>
Total change	+479	+890	+1,089	+1,539	2/3/+2,513	4/+248

^{1/} Data for 1955 and 1954 include agricultural loans.

^{2/} CCC certificates of interest may have declined about \$300 million.

^{3/} Includes increase of \$318 million in October 1955 to correct classification errors. No back figures revised. Most of the misclassification probably occurred in 1955.

^{4/} CCC certificates of interest may have increased about \$350 million.

Note: Classified data are for a sample of about 210 banks reporting changes in their larger loans; these banks hold over 90 per cent of total commercial and industrial loans of all weekly reporting member banks and nearly 70 per cent of those of all commercial banks.

Not for publication

Since mid-year, loans to food processors and commodity dealers have increased \$1,300 million, about \$400 million more than in the same period a year ago, and amounting to about 85 per cent of the total rise in business loans at weekly reporting banks in that period. Growth in loans to petroleum concerns and public utilities has also been larger than last year. On the other hand, loans to sales finance companies and metals manufacturers have declined this year whereas they rose last year.

Real estate loans increased further in November, but expansion continued to be more moderate than last year. Since the beginning of the year, these loans have increased about one-fourth less than last year, but this year's growth generally has been comparable with the average rate of expansion in other recent years. Consumer loans continued to rise in November but since mid-year, growth has moderated considerably. So far this year, these loans have increased about one-third less than in the comparable period last year, but as in the case of real estate loans, at about the same rate as the average in the postwar period. Agricultural loans increased slightly in November, but they have shown little over-all change during the year. Security loans continued to decline bringing the reduction to \$1 billion so far this year.

The appended table, "Loans and Investments at All Commercial Banks", shows types of outstanding loans and investments monthly for recent years and quarterly or annually for previous years.

Deposits and currency. Preliminary estimates indicate that demand deposits and currency held by businesses and individuals on a seasonally adjusted basis, may have increased about \$1 billion in November, about the same as last year, as shown in Table 3. Since mid-year, the money supply has fluctuated but has increased only slightly on a seasonally adjusted basis. So far this year, the active money supply has increased at an annual rate of around 1-1/4 per cent, less than half the rate in the comparable periods of 1955 and 1954. Most of the growth in 1956 has been in demand deposits; currency outside banks has shown little change.

Time deposits at commercial and mutual savings banks declined \$600 million in November as is usual when Christmas savings deposits are withdrawn. Over the past year, these deposits have increased \$3.5 billion, or 4-1/2 per cent, and slightly faster than in the year ending November 1955. The increased rate of expansion occurred only at commercial banks, whereas at mutual savings banks, the rate of increase declined slightly.

U. S. Government deposits at commercial banks increased about \$1.4 billion in November. These deposits declined somewhat early in the month, but then rose when payments were made for new tax bills on the 16th. On balance, total deposits and currency

Not for publication

Table 3

Estimated Changes in Deposits and Currency

(In billions of dollars)

Item	1956	1955	1956	1955	Year ending:	
	Nov. 1- Nov. 28	Oct. 28- Nov. 30	July 1- Nov. 28	July 1- Nov. 30	Nov. 28, 1956	Nov. 30 1955
<u>Seasonally adjusted data 1/</u>						
Demand deposits adjusted	+ 1.0	+ 0.6	+ 0.4	+ 0.5	+ 1.7	+ 2.8
Currency outside banks	+ 0.1	+ 0.3	2/	+ 0.5	+ 0.1	+ 0.6
Total	+ 1.1	+ 0.9	+ 0.4	+ 1.0	+ 1.8	+ 3.4
<u>Unadjusted data 1/</u>						
Demand deposits adjusted	+ 1.2	+ 0.8	+ 3.9	+ 3.7	+ 1.7	+ 2.9
Currency outside banks	+ 0.3	+ 0.6	- 0.3	+ 0.5	+ 0.1	+ 0.4
Total	+ 1.5	+ 1.4	+ 3.6	+ 4.2	+ 1.8	+ 3.3
Time deposits	- 0.6	- 0.5	+ 0.3	+ 0.3	+ 3.5	+ 3.1
U. S. Government deposits	+ 1.4	- 0.3	- 0.4	- 0.8	+ 0.7	- 2.4
Total	+ 2.3	+ 0.5	+ 3.5	+ 3.7	+ 6.0	+ 4.0
<u>Factors affecting deposits and currency</u> (Signs indicate effect on deposits and currency)						
Bank loans and investments other than U. S. Govt. sec. 3/	+ 0.9	+ 1.8	+ 2.7	+ 6.1	+ 10.4	+ 14.2
Commercial	+ 0.7	+ 1.6	+ 1.9	+ 5.2	+ 7.8	+ 11.7
Mutual savings	+ 0.2	+ 0.2	+ 1.1	+ 0.9	+ 2.6	+ 2.3
Bank holdings of U. S. Government securities:	+ 1.2	- 1.3	+ 1.7	- 1.6	- 3.8	- 9.6
Federal Reserve	+ 0.5	+ 0.3	+ 0.5	+ 0.7	2/	- 0.3
Commercial	+ 0.7	- 1.5	+ 1.5	- 1.9	- 3.3	- 8.7
Mutual savings and other	2/	- 0.1	- 0.3	- 0.3	- 0.5	- 0.6
Gold stock and foreign deposits at F. R. Banks	- 0.1	2/	2/	2/	+ 0.2	2/
Other factors	+ 0.3	2/	- 0.9	- 0.8	- 0.8	- 0.6

1/ Seasonally adjusted data are for last Wednesday throughout; unadjusted data are for last Wednesday except in case of June and December call dates, when available.

2/ Less than \$50 million.

3/ Total includes foreign loans on gold and holdings of bankers' acceptances at the Federal Reserve; changes in these items are generally relatively small. In addition, even if there were no changes in these items, changes at commercial and mutual savings banks would not necessarily add exactly to total change, which is "net", because of bookkeeping discrepancies between various banking records.

Note: Data for November 1956 are estimates and subject to change. Preliminary data for November will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of December.

Not for publication

Table 4

Free Reserves

(Excess reserves minus member bank borrowings;
based on average of daily figures; in millions of dollars)

Period	All member	New York	Chicago	Reserve City	Country
1954: December	459	- 50	- 16	- 26	550
1955: October	- 360	- 150	- 137	- 416	344
November	- 491	- 265	- 67	- 501	341
December	- 245	- 161	- 83	- 338	338
1956: March	- 408	- 174	- 256	- 298	319
June	- 195	- 33	- 111	- 356	305
July	- 139	- 108	- 48	- 344	360
August	- 339	- 158	- 72	- 382	274
September	- 213	- 204	- 93	- 296	380
October	- 195	- 192	- 114	- 246	358
November	- 110	- 213	- 139	- 195	437
1956: October 31	- 315	- 152	- 113	- 185	135
November 7	- 266	- 220	- 168	- 259	381
14	- 323	- 308	- 153	- 237	375
21	25	- 259	- 145	- 139	568
28	81	- 127	- 123	- 165	496
December 5	- 19	- 35	- 52	- 221	289

Note: Data for second half of November and December are preliminary.

increased \$2-1/4 billion, reflecting the \$1.4 billion growth in commercial bank credit noted above, as well as increases in Federal Reserve holdings of U. S. Government securities, loans at mutual savings banks and in Reserve Bank float.

Since mid-year, total deposits and currency have increased \$3.5 billion, about the same as in the comparable period last year and in line with the rates of growth in total credit at commercial banks, mutual savings banks, and Federal Reserve Banks. Over the past year, however, total deposits and currency have increased \$6 billion, considerably more than the \$4 billion in the year ending November 1955. While growth in the privately-held money supply has been less, U. S. Government deposits have increased \$700 million over the past year compared with a decline of \$2.4 billion in the year-ago period.

Not for publication

Table 5

Changes in Member Bank Reserves, with Relevant Factors
(Monthly average of daily figures; in millions of dollars)

Item	November		July - November		Year ended November	
	1956	1955	1956	1955	1956	1955
<u>Member bank reserve balances</u>						
<u>Total</u>	+ 230	+ 32	+ 236	+ 187	+ 267	- 305
Excess reserves ^{1/}	+ 115	- 1	+ 61	- 46	+ 111	- 289
Required reserves ^{1/}	+ 115	+ 33	+ 175	+ 232	+ 156	- 14
Principal factors	(signs indicate effect on reserves)					
Currency in circulation	- 334	- 259	- 662	- 742	- 407	- 504
Gold stock and foreign accounts	+ 33	- 2	+ 122	+ 31	+ 309	- 15
Treasury operations	+ 40	- 26	+ 55	- 157	+ 133	+ 5
Federal Reserve float	+ 118	+ 129	+ 94	+ 177	+ 245	+ 286
Other factors	+ 91	+ 22	+ 137	- 77	+ 223	- 105
Federal Reserve loans and investments:						
U. S. Govt. securities:	+ 243	+ 46	+ 502	+ 399	+ 27	- 664
Outright	+ 209	+ 82	+ 465	+ 367	- 12	- 691
Repurchase agreements	+ 34	- 36	+ 37	+ 32	+ 39	+ 27
Acceptances	+ 8	- 2	+ 10	- 1	+ 10	+ 17
Discounts and advances:						
To member banks	+ 29	+ 132	- 25	+ 615	- 272	+ 852
To others	+ 1	- 9	---	- 62	- 1	- 179

^{1/} Data for November 1956 are preliminary.

Bank reserves. Net borrowed reserves of all member banks averaged \$110 million in November, somewhat below the \$195 million level in October, as shown in Table 4. Excess reserves increased to \$635 million, the highest monthly average since early 1955. Borrowings also increased slightly, however, and averaged \$745 million. Last year in November, borrowings averaged \$1,015 million and net borrowed reserves \$490 million. The effective trading rate for Federal funds in November was generally 3 per cent, although occasionally, as in October, it dropped below.

Total net borrowed reserves declined generally during the second half of the year, although they were temporarily high in August. In November, they were \$85 million below the June level. There were substantial differences among classes of banks however. At reserve city banks, net borrowed reserves declined \$160 million and at country banks, free reserves rose \$130 million. On the other hand, at central reserve city banks in New York and Chicago, positions tightened considerably and net borrowed reserves rose \$210 million.

Over November, as shown in Table 5, reserves were supplied to member banks principally through System purchases of U. S. Government securities, expansion in Reserve Bank float, and foreign transactions. These funds were absorbed in part through currency outflows and increases in required reserves. Reserve positions tended to remain tight during the first half of November, as shown in Table 4, when heavy currency outflows were just about offset by System purchases of U. S. Government securities and reductions in required reserves. During the second half of the month, however, reserve positions eased substantially and excess reserves exceeded borrowings. System purchases of Government securities, expansion in Reserve Bank float, and foreign transactions supplied considerably more reserves than were absorbed through currency outflows and increases in required reserves associated principally with bank credit expansion resulting from Treasury financing.

System holdings of U. S. Government securities increased \$618 million between October 31 and November 30, of which \$51 million were under repurchase contracts. At the month-end, total holdings were \$129 million above their year-ago level. Last year in November, total Government securities increased \$232 million; repurchase contracts increased \$265 million while securities held outright declined slightly. Purchases were made steadily during November 1956 but tended to be heavier late in the month. Between the end of 1955 and November 30, 1956, holdings of U. S. Government securities declined \$400 million, reflecting a decline of \$136 million in securities held outright and of \$264 million in those held under repurchase contracts. During the comparable period of 1955, total holdings of U. S. Government securities had declined \$676 million with outright holdings declining \$897 million and repurchase contracts increasing \$221 million.

Not for publication

Loans and Investments at All Commercial Banks

(In billions of dollars)

Date	Loans and investments	U. S. Gov't. securities	Other securities	Total loans	Business	Real estate	Secu- rity	Farm	Con- sumer 1/	All other 1/
1947: Dec. 31	116.2	69.2	9.0	37.9	18.3	9.4	2.1	1.7	3.8	2.9
1948: Dec. 31	114.2	62.6	9.2	42.4	18.9	10.8	2.3	2.9	4.8	3.1
1949: Dec. 31	120.1	67.0	10.2	42.9	17.1	11.5	2.6	3.1	5.8	3.4
1950: Dec. 31	126.6	62.0	12.4	52.2	21.9	13.5	2.9	2.9	7.4	4.2
1951: Dec. 31	132.5	61.5	13.3	57.6	25.9	14.6	2.6	3.4	7.5	4.5
1952: Dec. 31	141.5	63.3	14.1	64.0	27.9	15.7	3.2	3.9	9.4	4.9
1953: Dec. 31	145.5	63.4	14.7	67.4	27.2	16.7	3.6	5.0	10.9	5.1
1954: Mar. 31	142.5	60.7	15.1	66.8	26.7	16.8	3.0	5.8	10.6	5.0
June 30	146.2	63.5	15.5	67.2	26.1	17.2	3.7	5.1	10.8	5.2
Sept. 29	150.1	67.3	16.0	66.8	26.1	17.8	3.8	3.9	10.8	5.4
Dec. 31	155.7	69.0	16.3	70.4	26.9	18.4	4.5	5.2	10.9	5.6
1955: Jan. 26	155.5	69.0	16.7	69.8	26.6	18.6	4.0	5.2	10.9	5.6
Feb. 23	153.8	66.8	16.8	70.2	26.8	18.8	3.9	5.2	11.0	5.7
Mar. 30	152.4	64.2	17.0	71.2	27.4	19.0	4.1	4.9	11.2	5.8
Apr. 27	154.4	65.6	17.0	71.8	27.6	19.2	4.3	4.4	11.5	5.9
May 25	154.5	65.0	16.7	72.8	28.0	19.5	4.3	4.4	11.7	6.1
June 30	154.8	63.3	16.8	74.8	28.9	19.8	4.5	4.4	12.1	6.2
July 27	155.8	63.7	16.7	75.4	29.1	20.0	4.5	4.2	12.3	6.3
Aug. 31	155.6	62.5	16.9	76.2	29.9	20.3	4.2	3.9	12.5	6.4
Sept. 28	156.4	62.0	16.9	77.5	30.5	20.6	4.2	3.9	12.7	6.6
Oct. 26	158.1	62.9	16.8	78.4	<u>2/30.8</u> 31.1	<u>2/20.8</u> 20.5	4.4	4.0	12.9	6.5
Nov. 30	158.2	61.4	16.6	80.2	32.3	20.7	4.5	4.3	13.0	6.5
Dec. 31	160.3	61.6	16.7	82.0	33.2	20.8	5.0	4.5	13.2	6.5
1956: Jan. 25	158.3	60.9	16.5	80.9	32.7	20.9	4.6	4.4	13.3	6.4
Feb. 29	157.1	59.2	16.6	81.2	32.9	21.0	4.5	4.5	13.3	6.4
Mar. 28	158.5	58.6	16.6	83.3	34.5	21.2	4.5	4.4	13.5	6.5
Apr. 25	158.7	58.2	16.6	83.9	34.8	21.4	4.4	4.3	13.7	6.6
May 30	158.4	57.3	16.4	84.7	34.8	21.6	4.5	4.4	13.9	6.7
June 30	159.3	56.6	16.5	86.2	36.1	21.8	4.4	4.3	14.3	6.7
July 25p	158.3	56.2	16.3	85.8	35.8	21.9	4.3	4.2	14.4	6.6
Aug. 29p	159.8	57.2	16.4	86.3	36.4	22.1	4.0	4.0	14.4	6.7
Sept. 26p	160.7	57.0	16.5	87.2	36.9	22.3	4.1	4.2	14.5	6.6
Oct. 31p	161.3	57.4	16.3	87.6	37.1	22.4	4.1	4.2	14.5	6.7
Nov. 28e	162.7	58.1	16.2	88.4	37.6	22.5	4.0	4.4	14.6	6.7

p - Preliminary

e - Estimated

1/ Revised series.

2/ Level of business loans increased by, and real estate loans decreased by \$300 million at the end of October 1955 to correct classification errors. No back figures revised; most of the misclassification probably occurred during 1955

Note: Data exclude interbank loans. Total loans are after and types of loans before deductions for valuation reserves. Consumer and "other loans" are partly estimated for all dates. Other data are partly estimated on all but June and December dates.

Banking Section, Board of Governors
December 11, 1956