

FEDERAL RESERVE BANK
BANKING AND MONETARY DEVELOPMENTS IN MARCH 1957

Summary. Total loans and investments at all commercial banks were about unchanged in March as substantial growth in loans, largely to businesses, was offset by reductions in holdings of U. S. Government securities. Demand deposit and currency holdings of businesses and individuals probably declined by more than the usual seasonal amount but time and savings deposits rose considerably. Member bank reserve positions were about unchanged except at central reserve city banks in Chicago where they tightened seasonally.

Bank credit. Preliminary estimates indicate that total loans and investments at all commercial banks were about unchanged in March, as shown in Table 1. A \$1.1 billion rise in loans, together with a slight increase in holdings of "other securities" was about offset by a decrease in holdings of U. S. Government securities. In March last year, bank credit rose by a record \$1.4 billion, with loans increasing about twice as much as this year and holdings of Government securities declining about half as much.

Loans increased substantially and holdings of U. S. Government securities also rose in the weeks of March 13 and 20, mainly reflecting business needs for funds to meet March 15 income tax payments. Over the remainder of the month, loans showed little net change but holdings of Governments declined substantially. However, on March 28 (not included in the March reporting period data shown on the table) holdings of U. S. Government securities increased sharply as banks initially took practically all the \$2.4 billion 3-3/8 per cent Treasury certificates and \$900 million 3-1/2 per cent notes.

Business loans at all commercial banks increased about \$1.3 billion in March; roughly \$300 million less than last year's record rise. Over \$1.1 billion of the increase occurred in the two weeks around the mid-month tax date, compared with \$1.3 billion in the comparable period last year. The somewhat lower level of tax borrowing this year compared with last probably reflects in part the reduction from 45 per cent to 40 per cent in the proportion of the previous year's tax liability payable in March by large corporations. Banks in New York and Chicago accounted for nearly 70 per cent of total tax borrowing at city banks in both years, but the proportion for New York City declined from 60 to 53 per cent whereas the proportion for Chicago rose from 9 to 14 per cent.

All lines of businesses, with the exception of commodity dealers, increased their borrowing in March as shown in Table 2. Loans to metals manufacturers rose substantially, accounting for over a third of the loan growth at city banks, and sales finance

Table 1

Estimated Changes in Loans and Investments at All Commercial Banks

(In billions of dollars)

Item	Feb. 28, 1957 - Mar. 27, 1957	Mar. 1, 1956 - Mar. 28, 1956	Dec. 27, 1956 - Mar. 27, 1957	Jan. 1, 1956 - Mar. 28, 1956	Year ending:	
					Mar. 27, 1957	Mar. 28, 1956
<u>Total loans (excluding interbank)</u>	<u>+ 1.1</u>	<u>+ 2.1</u>	<u>- 0.8</u>	<u>+ 1.3</u>	<u>+ 5.8</u>	<u>+12.1</u>
Business	+ 1.3	+ 1.6	+ 0.3	+ 1.3	+ 4.6	<u>2/</u> + 7.1
Real estate	<u>1/</u>	+ 0.2	<u>1/</u>	+ 0.4	+ 1.4	<u>2/</u> + 2.2
Security	- 0.1	<u>1/</u>	- 0.7	- 0.5	- 0.9	+ 0.4
Agricultural	- 0.2	- 0.1	<u>1/</u>	- 0.1	- 0.2	- 0.5
Consumer	+ 0.1	+ 0.2	<u>1/</u>	+ 0.3	+ 1.2	+ 2.3
All other	<u>1/</u>	+ 0.1	- 0.3	<u>1/</u>	<u>1/</u>	+ 0.7
U. S. Government securities	- 1.1	- 0.6	- 2.8	- 3.0	- 3.1	- 5.6
Other securities	+ 0.1	<u>1/</u>	+ 0.2	- 0.1	- 0.2	- 0.4
Total loans and investments (less interbank)	<u>1/</u>	+ 1.4	- 3.4	- 1.8	+ 2.5	+ 6.1

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; most of the misclassification probably occurred during 1955.Note: Data for March 1957 are estimates and subject to change. Preliminary data for March will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of April.Not for publication

companies were also heavy borrowers, accounting for over a fourth. Last year in March, borrowing in most business loan categories rose somewhat more than this year, especially public utilities, but that of sales finance companies rose only half as much. While borrowing by sales finance companies has always shown some increase in March, the 1957 rise was exceptionally large.

During the first quarter of 1957, business loans at all commercial banks increased about \$300 million compared with \$1.3 billion in first quarter of 1956. The latter increase had been considerably larger than in any other recent year except 1951. In other postwar years, business loans during the first quarter had more often declined than increased. Reflecting the exceptionally large expansion in the last half of 1956, net loan repayments by seasonal borrowers -- food processors, commodity dealers, and trade concerns -- have been much larger than a year ago and generally larger than in most other recent years. Loans to sales finance companies increased during the first quarter of 1957 whereas generally they decline early in the year. Net borrowing by other classified businesses was about half as large as last year, but generally not substantially different from most other recent years.

Real estate loans at all commercial banks probably showed little further change in March as reductions at city banks continued to be offset by increases at other banks. So far this year, these loans have shown little change compared with an increase of \$400 million last year. Consumer loans increased about \$100 million in March offsetting a reduction of like volume over January and February. In the first quarter of 1956, these loans had increased \$300 million. Agricultural loans have shown little change so far this year, just as last year, while security loans have declined slightly more.

So far this year, total loans and investments at all commercial banks have declined almost \$3.5 billion, about twice as much as last year. Loans have fallen \$800 million whereas last year, they rose \$1.3 billion. On the other hand, holdings of U. S. Government securities have declined slightly less this year than last and holdings of other securities have increased whereas last year, they declined.

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.

Not for publication

Table 2

Changes in Commercial and Industrial Loans 1/
(In millions of dollars)

Business of Borrower	Feb. 28, 1957- Mar. 27, 1957	Mar. 1, 1956 Mar. 28, 1956	First thirteen weeks					
			1957	1956	1955	1954	1953	1952
Food processors	+ 41	+ 43	-303	-190	-279	-250	-263	-422
Commodity dealers	-108	- 73	-250	-103	-260	-214	-324	-333
Trade concerns	+ 78	+107	-126	+ 96	- 11	- 68	+129	-124
Total	+ 11	+ 77	-679	-197	-550	-532	-458	-879
Sales finance	+291	+158	+135	-321	+105	-219	- 77	-325
<u>All other - total</u>	+774	+1,139	+809	+1,637	+667	+ 74	+528	+1,129
Metals and products	+430	+510	+548	+826	+115	- 13	+309	+948
Textiles, apparel and leather	+ 75	+ 84	+136	+138	+192	+ 89	+148	+ 17
Petroleum, coal, etc.	+ 80	+111	+ 53	+204	+195	- 75	+ 31	+192
Other manufacturing and mining	+ 91	+145	+111	+214	+ 43	+ 2	+ 20	+ 55
Public utilities	+ 87	+226	+137	+304	+106	+ 56	+ 33	- 9
Construction	+ 1	+ 3	- 45	- 30	+ 4	+ 10	+ 7	- 36
All other types of business	+ 10	+ 60	-131	- 19	+ 12	+ 5	- 20	- 38
Classified	+1,075	+1,374	+265	+1,119	+222	-677	- 8	- 73
Unclassified	+ 66	+ 96	-101	+ 1	2/- 48	3/+ 60	-113	+ 18
Total change	+1,141	+1,470	+164	+1,120	2/+174	3/-617	-121	- 55

1/ Prior to week ending January 11, 1956, included changes in agricultural loans.

2/ CCC certificates of interest, which are included in data, may have declined \$175 million.

3/ CCC certificates of interest, which are included in data, may have increased \$175 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 banks and nearly 70 per cent of those of all commercial banks. Data are preliminary for week of March 27, 1957.

Not for publication

L.4.3

Deposits and currency. Preliminary estimates indicate that demand deposits and currency held by businesses and individuals declined by about \$500 million more than the usual seasonal amount in March as shown in Table 3. At the end of the month, the seasonally adjusted money supply was slightly less than 1/2 per cent above the year ago level, but was nearly \$1 billion below the level at the end of December. Last year in March, the money supply increased about \$500 million on a seasonally adjusted basis.

Time deposits, exclusive of interbank and U. S. Government deposits, at commercial and mutual savings banks probably increased about \$900 million further in March, mainly reflecting the continuing substantial growth in these deposits at commercial banks. So far this year, time deposits at commercial banks have increased about \$2.1 billion, considerably more than in any other year on record. City banks accounted for nearly half this increase whereas in the first quarter last year, when commercial bank time deposits rose only \$400 million, city banks accounted for about a quarter of the increase. Interbank time deposits, most of which are held at New York City banks, and practically all of which represent deposits of foreign banks, declined only slightly this year compared with a considerably larger decline last year. This year's growth probably has been associated in part with recent increases in rates paid on time deposits. At mutual savings banks, however, this year's \$300 million growth in the first quarter was only about three-fifths as large as last year and generally less than in other recent years.

U. S. Government deposits increased \$1.2 billion in March, only half as much as in March last year. During the first quarter of 1957, these deposits declined about \$100 million whereas usually they increase substantially. The Treasury cash balance has been under unusual pressure so far this year owing to sharp increases in net redemptions of savings bonds, high military security outlays, redemptions of International Monetary Fund securities, large attrition on refundings, and slow tax collections. However, on March 28, 1957 (not included in the March reporting period), U. S. Government deposits increased sharply as payments were received for the Treasury's cash offering of \$3.4 billion of new securities.

On balance, total deposits and currency increased slightly in March. As noted above, commercial bank credit was about unchanged and small increases in holdings of U. S. Government securities at the Federal Reserve and in loans at mutual savings banks were about offset by changes in miscellaneous factors tending to reduce the money supply.

Not for publication

Table 3

Estimated Changes in Deposits and Currency
(In billions of dollars)

Item	Feb. 28, 1957 - Mar. 27, 1957	Mar. 1, 1956 - Mar. 28, 1956	Dec.-27, 1956 - Mar. 27, 1957	Jan. 1, 1956 - Mar. 28, 1956	Year ending:	
					Mar. 27, 1957	Mar. 28, 1956
<u>Seasonally adjusted data</u> ^{1/}						
Demand deposits adjusted	- 0.6	+ 0.2	- 0.6	- 0.2	+ 0.4	+ 1.0
Currency outside banks	+ 0.1	+ 0.2	- 0.3	<u>2/</u>	+ 0.1	+ 0.6
Total	- 0.5	+ 0.4	- 0.9	- 0.2	+ 0.5	+ 1.6
<u>Unadjusted data</u> ^{1/}						
Demand deposits adjusted	- 2.0	- 1.2	<u>3/</u> - 5.9	- 5.5	+ 0.4	+ 2.0
Currency outside banks	<u>2/</u>	<u>2/</u>	<u>3/</u> - 1.1	- 1.1	+ 0.1	+ 0.5
Total	- 2.0	- 1.2	<u>3/</u> - 7.0	- 6.6	+ 0.5	+ 2.5
Time deposits	+ 0.9	+ 0.5	<u>3/</u> + 2.6	+ 0.9	+ 5.2	+ 3.1
U. S. Government deposits	+ 1.2	+ 2.5	<u>3/</u> - 0.4	+ 2.6	- 2.7	+ 1.7
Total	+ 0.1	+ 1.7	<u>3/</u> - 4.7	- 3.2	+ 3.1	+ 7.2
<u>Factors affecting deposits and currency</u> (signs indicate effect on deposits and currency)						
Bank loans and investments other than U. S. Govt. sec. ^{4/}	+ 1.3	+ 2.2	- 0.3	+ 1.6	+ 7.9	+ 14.0
Commercial	+ 1.2	+ 2.1	- 0.6	+ 1.2	+ 5.6	+ 11.7
Mutual savings	+ 0.1	+ 0.2	+ 0.5	+ 0.7	+ 2.3	+ 2.4
Bank holdings of U. S. Government securities:	- 0.9	- 0.4	- 4.6	- 4.1	- 4.3	- 6.1
Federal Reserve	+ 0.2	+ 0.1	- 1.9	- 1.2	- 0.5	<u>2/</u>
Commercial	- 1.1	- 0.6	- 2.8	- 3.0	- 3.1	- 5.6
Mutual saving and other	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	- 0.7	- 0.5
Gold stock and foreign deposits at F. R. Banks	<u>2/</u>	<u>2/</u>	+ 0.4	+ 0.1	+ 0.6	<u>2/</u>
Other factors	- 0.3	- 0.1	- 0.2	- 0.8	- 1.1	- 0.7

^{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/} Changes between December 26 and December 31, 1956, are estimated as follows: Demand deposits adjusted, +\$500 million; currency outside banks, -\$100; time deposits, +\$200 million; and U. S. Government deposits, -\$300 million.

^{4/} Total includes foreign loans on gold, holdings of bankers' acceptances at the Federal Reserve, and loans to foreign banks; 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 add to total change which is "net" because commercial banks exclude all interbank loans, domestic and foreign; in addition, there are probably some bookkeeping discrepancies among various banking records.

Note: Data for March 1957 are estimates and subject to change. Preliminary data for March will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of April.

Not for publication

L.4.3

Bank reserves. Net borrowed reserves of all member banks averaged \$315 million in March, about \$200 million more than in February, as shown in Table 4. The increase was entirely at central reserve city banks in Chicago, where reserve positions usually tighten in March associated with bank adjustments in the weeks prior to the April 1 personal property tax assessment date in Cook County. Borrowings rose to an average level of \$835 million while excess reserves remained around \$500 million. Except for a few days toward the end of the month, the effective trading rate on Federal funds was 3 per cent. The rate on 90-day bankers' acceptances dropped to 3-1/8 per cent from 3-3/8 per cent in mid-March. Other money market rates were unchanged.

Over March, as shown in Table 5, reductions in Reserve Bank float, Treasury operations, increases in required reserves, and reductions in System holdings of U. S. Government securities absorbed more reserves than were supplied through foreign transactions and reductions in currency in circulation. During the first two weeks of the month, when float declined seasonally and Treasury deposits at the Reserve Banks were built up, reserve positions tightened. In the week of March 20, however, a substantial volume of reserves was provided to banks through the mid-month rise in float, an increase in System holdings of Government securities, and a decline in Treasury balances at the Reserve Banks prior to the receipt of tax collections. These funds were absorbed in part by a \$375 million rise in required reserves associated with bank credit growth around the mid-March tax date. Reserve positions then tightened again toward the end of the month reflecting principally the rebuilding of Treasury deposits at the Reserve Banks and a decline in float. Net borrowed reserves increased sharply further in the week of April 3 due in part to a rise in required reserves as a result of commercial bank acquisitions of new Treasury issues on March 28. Net borrowed reserves rose to over \$700 million in that week with all classes of banks sharing in the tightening.

System holdings of U. S. Government securities increased \$260 million between February 28 and March 31, \$75 million of which were acquired under repurchase contracts. About \$130 million of these purchases occurred during the week of March 20 and \$85 million during the last three days of the month when bank required reserves increased substantially reflecting commercial bank credit growth associated with tax period transactions and the late month Treasury financing.

Over the past year, on a monthly average basis, net borrowed reserves have declined \$90 million. Reserves supplied by a \$625 million increase in gold stock, a \$150 million decline in Treasury deposits at the Reserve Banks, and by changes in other factors tending to increase reserves have exceeded those absorbed

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: March	121	3	- 134	- 151	404
June	168	2	- 43	- 167	377
September	- 285	- 127	- 114	- 409	365
December	- 245	- 161	- 83	- 338	338
1956: January	- 255	- 198	- 83	- 353	379
February	- 266	- 138	- 103	- 336	310
March	- 408	- 174	- 256	- 298	319
April	- 533	- 167	- 262	- 429	324
May	- 504	- 88	- 153	- 468	205
June	- 195	- 33	- 111	- 356	305
July	- 139	- 108	- 48	- 314	360
August	- 339	- 158	- 72	- 382	274
September	- 213	- 204	- 93	- 296	380
October	- 195	- 192	- 114	- 246	358
November	- 154	- 214	- 140	- 193	393
December	- 36	- 91	- 86	- 203	344
1957: January	117	- 41	- 40	- 172	369
February	- 126	- 123	- 53	- 249	299
March	- 314	- 101	- 253	- 244	284
Average - 1st. qt.	- 108	- 88	- 115	- 222	317
<u>Quarterly averages</u>					
1955: First	254	- 29	- 75	- 99	457
Second	158	- 1	- 64	- 150	374
Third	- 127	- 112	- 67	- 323	375
Fourth	- 365	- 192	- 95	- 418	341
1956: First	- 310	- 170	- 147	- 329	336
Second	- 411	- 96	- 175	- 418	278
Third	- 230	- 157	- 71	- 341	338
Fourth	- 128	- 166	- 113	- 214	365
1957: Feb. 27	- 222	- 116	- 91	- 284	269
March 6	- 240	- 120	- 125	- 265	270
13	- 406	- 154	- 109	- 336	193
20	- 130	- 40	- 302	- 188	400
27	- 208	- 78	- 342	- 159	371
April 3	- 707	- 168	- 417	- 246	124

Note: Data for second half of March and April are preliminary.

Not for publication

L.4.3

through a reduction of \$460 million in holdings of U. S. Government securities, a \$310 million increase in currency in circulation, and a slight growth in required reserves. Increases in required reserves resulting from a substantial growth in time deposits and a small growth in privately-held demand deposits have been almost offset by decreases resulting from declines in holdings of U. S. Government deposits at commercial banks.

Not for publication

Table 5

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

Item	March		Jan. - March		Year ending March	
	1957	1956	1957	1956	1957	1956
<u>Member bank reserve balances</u>						
<u>Total</u>	+ 68	+ 215	- 651	- 316	- 40	+ 289
Excess reserves ^{1/}	+ 2	+ 52	- 136	- 10	- 68	- 1
Required reserves ^{1/}	+ 66	+ 163	- 515	- 306	+ 28	+ 290
<u>Principal factors</u>	(signs indicate effect on reserves)					
Currency in circulation	+ 27	- 42	+1,207	+1,009	- 312	- 466
Gold stock and foreign accounts	+ 45	+ 32	+ 419	+ 132	+ 627	+ 7
Treasury operations	- 72	- 37	+ 17	- 99	+ 148	+ 215
Federal Reserve float	- 82	+ 22	- 609	- 402	+ 37	+ 183
Other factors	+ 14	- 74	- 106	- 21	+ 47	+ 4
Federal Reserve loans and investments:						
U. S. Govt. securities	- 50	+ 121	-1,704	-1,080	- 461	- 97
Outright	- 86	+ 74	-1,501	- 869	- 452	- 155
Repurchase agreements	+ 36	+ 47	- 203	- 211	- 9	+ 58
Acceptances	- 5	- 1	- 26	- 4	+ 9	+ 15
Discounts and advances:						
To member banks	+ 194	+ 194	+ 146	+ 154	- 159	+ 530
To others	---	- 1	+ 7	- 1	+ 25	- 103

^{1/} Data for March 1957 are preliminary.

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	Security	Farm	Consumer	All other
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: Dec. 31	155.7	69.0	16.3	70.4	26.9	18.4	4.5	5.2	10.9	5.6
1955: Dec. 31	160.3	61.6	16.7	82.0	<u>1/33.2</u>	<u>1/20.8</u>	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	37.2	22.4	4.1	4.0	14.5	6.7
Nov. 28p	162.6	58.1	16.3	88.3	37.8	22.5	4.0	4.1	14.5	6.8
Dec. 26p	164.4	58.3	16.2	89.9	38.8	22.6	4.3	4.2	14.7	6.8
Dec. 31e	164.4	58.4	16.3	89.7	38.7	22.6	4.3	4.2	14.7	6.9
1957: Jan. 30p	161.5	57.5	16.2	87.8	37.6	22.6	3.7	4.3	14.6	6.6
Feb. 27p	161.0	56.6	16.3	88.0	37.8	22.6	3.7	4.4	14.6	6.5
Mar. 27e	161.0	55.5	16.4	89.1	39.1	22.6	3.6	4.2	14.7	6.5

p - Preliminary

e - Estimated

1/ 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. Data for December 31, 1956, and March 27, 1957, are estimates and subject to change. All data for December 31, 1956 are based on preliminary member bank call report data.

Banking Section, Board of Governors
April 11, 1957