

FEDERAL RESERVE BANK  
of KANSAS CITYJUL 15 1957 BANKING AND MONETARY DEVELOPMENTS IN JUNE 1957

## RESEARCH LIBRARY

Summary. Total loans and investments at all commercial banks increased slightly in June as sharp expansion in loans, mainly to businesses to meet tax payments, was offset in large part by a reduction in holdings of U. S. Government securities. Demand deposit and currency holdings of businesses and individuals increased somewhat more than seasonally. Net borrowed reserves of member banks increased. Short-term money market rates advanced.

Bank credit. Preliminary estimates indicate that total loans and investments at all commercial banks increased \$400 million in June, as shown in Table 1. Total loans increased \$2 billion, while holdings of U. S. Government securities declined \$1.6 billion. About \$1 billion of the reduction occurred at weekly reporting banks in leading cities and the remainder at outside banks which generally show a substantial decline in holdings of these securities in June. Last year in June, total credit growth was larger. While loan expansion was smaller, U. S. Government security holdings declined less.

Business loans accounted for most of the loan expansion, with an increase of \$1.6 billion. This was concentrated in the two weeks nearest the mid-month tax payment date, when business loans at city banks rose \$1.3 billion. This was about the same as the record volume of tax-period borrowing in March 1956 and about \$300 million more than in June 1956, when taxes payable by corporations were about \$600 million larger than this year. Banks in New York City accounted for somewhat over half of the increase, as in other recent tax periods. Early in June, business loans rose less than last year, but late in the month they increased further whereas last year they had declined.

All business groups with the exception of commodity dealers increased their borrowing from banks during June, as shown in Table 2. Borrowing by sales finance companies and public utilities showed the largest growth, more than twice as much as last year. These two business categories were the principal factor accounting for this year's higher level of business borrowing. Part of the finance company rise reflected the usual tax period shift in financing from paper directly placed with nonfinancial

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Table 1

Estimated Changes in Loans and Investments at All Commercial Banks  
(In billions of dollars)

Item	1957	1956	1957	1956	Year ending:	
	May 30- June 26	May 31- June 30	Jan. 1- June 26	Jan. 1- June 30	1957 June 26	1956 June 30
<u>Total loans (excluding interbank)</u>	+ 2.0	+ 1.5	+ 2.3	+ 4.2	+ 5.7	+11.5
Business	+ 1.6	+ 1.3	+ 1.7	+ 2.9	+ 4.3	<sup>2/</sup> + 7.2
Real estate	+ 0.1	+ 0.2	+ 0.1	+ 1.0	+ 0.8	<sup>2/</sup> + 2.0
Security	+ 0.1	- 0.1	- 0.4	- 0.6	- 0.5	<sup>1/</sup>
Agricultural	- 0.1	- 0.1	- 0.3	- 0.2	- 0.4	- 0.1
Consumer	+ 0.2	+ 0.4	+ 0.8	+ 1.0	+ 1.2	+ 2.1
All other	+ 0.1	<sup>1/</sup>	+ 0.1	+ 0.2	+ 0.3	+ 0.5
U. S. Government securities	- 1.6	- 0.7	- 3.3	- 5.0	- 1.3	- 6.7
Other securities	<sup>1/</sup>	+ 0.1	+ 0.5	- 0.2	+ 0.3	- 0.3
Total loans and investments (less interbank)	+ 0.4	+ 0.9	- 0.5	- 1.0	+ 4.7	+ 4.5

Item	First half					
	1955	1954	1953	1952	1951	1950
<u>Total loans (excluding interbank)</u>	+ 4.4	- 0.3	+ 0.9	+ 1.5	+ 2.5	+ 1.8
Business	+ 2.0	- 1.1	- 0.5	- 0.6	+ 1.7	- 0.1
Real estate	+ 1.4	+ 0.5	+ 0.5	+ 0.4	+ 0.6	+ 0.9
Security	<sup>1/</sup>	+ 0.2	- 0.4	+ 0.5	- 0.2	+ 0.2
Agricultural	- 0.8	+ 0.2	- 0.2	+ 0.2	+ 0.2	- 0.2
Consumer	+ 1.2	- 0.1	+ 1.2	+ 0.8	+ 0.1	+ 0.8
All other	+ 0.6	+ 0.1	+ 0.2	+ 0.1	+ 0.2	+ 0.3
U. S. Government securities	- 5.7	+ 0.1	- 4.7	- 0.3	- 3.5	- 1.3
Other securities	+ 0.5	+ 0.9	+ 0.1	+ 0.7	+ 0.3	+ 1.0
Total loans and investments (less interbank)	- 0.8	+ 0.7	- 3.7	+ 1.8	- 0.7	+ 1.6

<sup>1/</sup> Less than \$50 million.

<sup>2/</sup> 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 June 1957 are estimates and subject to error. Preliminary data for June will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of July.

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corporations to bank borrowing. In the case of public utilities, the increase was in part a temporary substitution for security financing. Loans to metals manufacturers and petroleum concerns also showed substantial growth during June but less than last year.

So far this year, business loans at all commercial banks have increased \$1.7 billion compared with \$2.9 billion last year and \$2.0 billion in 1955. On balance, however, practically all this year's growth reflected the unusually large tax borrowing in June. During the first five months of 1957, business loans were virtually unchanged whereas in the same period last year they had increased \$1.6 billion.

Metals manufacturers, public utilities, petroleum concerns, and sales finance companies have been the largest borrowers this year. Last year, as in most other years, borrowings by sales finance companies declined over the first half of the year. Loan repayments by seasonal borrowers were larger than last year, when they were unusually small, but about the same as in most other recent years.

Real estate loans increased somewhat in June, both at city banks and at all other commercial banks. At city banks, these loans had been declining since last fall, reflecting in large part liquidation of previously entered mortgage warehousing arrangements, but the reduction had been about offset by expansion at other banks. Consumer loans rose an additional \$200 million in June, bringing the six-months' increase to \$800 million, somewhat below last year's \$1 billion rise. Agricultural loans declined slightly in June while security loans rose.

During the first half of 1957, total loans and investments at all commercial banks declined \$500 million, compared with \$1 billion last year and \$800 million in 1955. Loan growth has been about one-half as large as in 1956 while holdings of U. S. Government securities have declined three-fifths as much. Holdings of other securities have increased whereas last year they declined.

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Table 2

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

Business of Borrower	1957	1956	First 26 weeks					
	May 30- June 26	May 31- June 27	1957	1956	1955	1954	1953	1952
Food processors	+ 20	+ 25	- 454	- 302	- 540	- 505	- 657	- 868
Commodity dealers	- 65	- 96	- 538	- 386	- 461	- 363	- 644	- 634
Trade concerns	+ 48	- 35	- 1	+ 171	+ 146	- 41	+ 215	- 105
Total	+ 3	- 106	- 993	- 517	- 855	- 909	-1,086	-1,607
Sales finance	+ 319	+ 59	+ 370	- 322	+ 589	- 175	- 91	- 217
<u>All other - total</u>	<u>+1,090</u>	<u>+1,066</u>	<u>+2,024</u>	<u>+2,961</u>	<u>+1,524</u>	<u>- 230</u>	<u>+ 640</u>	<u>+1,278</u>
Metals and products	+ 294	+ 396	+ 934	+1,362	+ 177	- 577	+ 420	+1,111
Textiles, apparel and leather	+ 40	+ 62	+ 148	+ 238	+ 220	+ 55	+ 156	- 73
Petroleum, coal, etc.	+ 201	+ 170	+ 290	+ 424	+ 313	- 10	- 45	+ 176
Other manufacturing and mining	+ 97	+ 106	+ 213	+ 369	+ 153	- 1	+ 90	+ 76
Public utilities	+ 348	+ 222	+ 510	+ 365	+ 384	+ 126	+ 12	- 2
Construction	+ 25	+ 24	- 16	+ 54	+ 134	+ 71	+ 18	+ 18
All other types of business	+ 85	+ 86	- 55	+ 149	+ 143	+ 106	- 11	- 28
Classified	+1,412	+1,019	+1,402	+2,124	+1,257	-1,314	- 536	- 546
Unclassified	+ 31	+ 63	- 146	+ 119	<sup>2/</sup> - 179	<sup>3/</sup> - 182	- 269	- 91
Total change	+1,443	+1,082	+1,256	+2,243	<sup>2/</sup> +1,078	<sup>3/</sup> -1,496	- 805	- 637

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

<sup>2/</sup> CCC certificates of interest, which are included in data, may have declined \$520 million.

<sup>3/</sup> CCC certificates of interest, which are included in data, may have increased \$65 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 June 26, 1957.

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Deposits and currency. Preliminary estimates indicate that demand deposit and currency holdings of businesses and individuals increased about \$400 million more than seasonally in June, as shown in Table 3. At the month-end, the seasonally adjusted money supply was less than 1 per cent above the year-ago level, and about 2 per cent above the level of June 1955.

Time deposits at commercial banks rose further in June, although less rapidly than in May. During the first half of 1957, these deposits increased \$3.5 billion compared with \$1.3 billion last year. Deposits at mutual savings banks rose moderately further in June. Recently, they have been increasing at about the same rate as a year ago compared with smaller growth earlier in the year.

U. S. Government deposits at commercial banks declined \$600 million during June. They rose substantially on July 3, when payments were made for the \$3 billion new tax anticipation bills.

On balance, total deposits and currency increased \$500 million in June reflecting the small growth in total credit at commercial banks noted above and further loan expansion at mutual savings banks offset in part by seasonal reductions in holdings of U. S. Government securities at mutual savings banks and by sales of Government securities at the Federal Reserve.

Bank reserves. Net borrowed reserves of all member banks averaged \$500 million in June, somewhat above the \$440 million average of May, as shown in Table 4. Average bank borrowings from the Federal Reserve rose to over \$1 billion, while excess reserves continued to average around \$500 million. Tightening in reserve positions occurred only at central reserve city banks in New York and at reserve city banks. At central reserve city banks in Chicago, net borrowed reserves declined, and at country banks, free reserves increased. The effective rate on Federal funds remained consistently at 3 per cent over the month.

Net borrowed reserves averaged between \$420 and \$550 million during most of June. During the week ending July 3, however, they rose to \$720 million as month-end and pre-holiday currency outflows and declines in float drained more reserves than were provided through System purchases of U. S. Government securities and reductions in required reserves.

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

Item	1957	1956	1957	1956	Year ending:	
	May 30- June 26	May 31- June 30	Jan. 1- June 26	Jan. 1- June 30	1957 June 26	1956 June 30
<u>Seasonally adjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 0.5	+ 0.7	+ 0.4	+ 0.9	+ 0.4	+ 1.8
Currency outside banks	- 0.1	+ 0.1	+ 0.2	+ 0.2	+ 0.3	+ 0.5
Total	+ 0.4	+ 0.8	+ 0.6	+ 1.1	+ 0.7	+ 2.3
<u>Unadjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 0.6	+ 0.5	- 6.0	- 5.2	+ 0.7	+ 1.5
Currency outside banks	- 0.1	+ 0.9	- 0.5	<u>2/</u>	- 0.5	+ 0.9
Total	+ 0.5	+ 1.4	- 6.5	- 5.2	+ 0.2	+ 2.4
Time deposits	+ 0.6	+ 1.0	+ 4.0	+ 2.2	+ 5.6	+ 3.5
U. S. Government deposits	- 0.6	- 0.1	+ 0.7	+ 1.6	- 0.9	+ 0.3
Total	+ 0.5	+ 2.3	- 1.8	- 1.3	+ 4.9	+ 6.2
<u>Factors affecting deposits and currency</u>	(signs indicate effect on deposits and currency)					
Bank loans and investments other than U. S. Govt. sec. <sup>3/</sup>						
Commercial	+ 2.2	+ 2.3	+ 3.6	+ 5.4	+ 8.1	+13.8
Mutual savings	+ 2.0	+ 1.6	+ 2.8	+ 4.0	+ 6.0	+11.2
Bank holdings of U. S. Government securities:						
Federal Reserve	+ 0.2	+ 0.2	+ 1.2	+ 1.3	+ 2.4	+ 2.5
Commercial	- 1.7	- 0.5	- 5.5	- 6.2	- 2.9	- 7.1
Mutual saving and other	- 0.1	+ 0.4	- 2.0	- 1.0	- 0.8	+ 0.2
Gold stock and foreign deposits at F. R. Banks	- 1.6	- 0.7	- 3.3	- 5.0	- 1.3	- 6.7
Other factors	- 0.1	- 0.2	- 0.3	- 0.2	- 0.7	- 0.6
	2/	2/	+ 0.6	+ 0.2	+ 0.7	+ 0.2
	2/	+ 0.5	- 0.5	- 0.7	- 1.0	- 0.7

<sup>1/</sup> 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.

<sup>2/</sup> Less than \$50 million.

<sup>3/</sup> 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 June 1957 are estimates and subject to error. Preliminary data for June will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of July.

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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: 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	- 344	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	- 316	- 101	- 253	- 242	280
April	- 505	- 300	- 210	- 263	269
May	- 444	- 104	- 165	- 367	192
June	- 500	- 185	- 47	- 485	218
<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: First	- 108	- 88	- 115	- 221	316
Second	- 483	- 196	- 141	- 372	226
1957: May 29	- 533	- 28	- 131	- 410	36
June 5	- 420	- 75	- 59	- 455	169
12	- 548	- 185	- 45	- 512	194
19	- 481	- 260	- 38	- 493	310
26	- 440	- 217	- 25	- 458	260
July 3	- 721	- 169	- 100	- 570	119

Note: Data for second half of June and July are preliminary.

Over June, as shown in Table 5, reserves were absorbed principally through currency outflow and increases in required reserves associated with mid-June credit expansion. Some reserves accrued to banks through increases in gold stock reflecting, on an average basis, the \$300 million purchase from the International Monetary Fund in late-May, and through an increase in float, which remained at higher-than-usual levels in late June. Net borrowed reserves increased somewhat. In early July, required reserves rose sharply, reflecting bank acquisitions of new tax bills.

Federal Reserve holdings of U. S. Government securities declined \$70 million between May 31 and June 30. A decline of \$120 million in repurchase contracts, which had been high at the end of May, was offset only in part by an increase of \$50 million in bills held outright. After declining substantially early in the month, Federal Reserve holdings showed little change until the week ending June 26, when the System purchased a small volume of bills outright. Subsequently, when reserve pressures increased toward the end of the month, the System purchased \$80 million bills outright. Purchases continued into early July and a substantial volume of repurchase contracts was also taken.

During the first half of 1957 a major factor that supplied reserves to banks was the purchase of \$600 million of gold from the International Monetary Fund. Reserves were also supplied, as usual, through reductions in currency and required reserves. Declines in float and changes in other market factors drained only part of these reserves. Open-market operations absorbed about \$1,775 million of reserves this year, compared with \$1,080 million last year. Net borrowed reserves increased \$460 million from their temporarily low level in December 1956. Last year, they had declined slightly.

Interest rates. Rates on 4-6 month prime commercial paper and on 3-6 month finance paper each rose  $1/4$  per cent during June to  $3-7/8$  per cent and  $3-5/8$  per cent respectively. The rate on 90-day bankers' acceptances rose  $1/8$  per cent to  $3-3/8$  per cent. Loan rates to U. S. Government security dealers increased to 4 per cent.

Not for publication

Table 5

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

Item	June		Jan. - June		Year ending June	
	1957	1956	1957	1956	1957	1956
<u>Member bank reserve balances</u>						
<u>Total</u>	+ 155	+ 198	= 553	= 307	+ 119	+ 218
Required reserves <sup>1/</sup>	+ 115	+ 91	= 406	= 287	+ 118	+ 213
Excess reserves <sup>1/</sup>	+ 40	+ 107	= 147	= 20	= 69	+ 5
<u>Principal factors</u>			(signs indicate effect on reserves)			
Currency in circulation	- 256	- 214	+ 874	+ 729	- 365	- 486
Gold stock and foreign accounts	+ 231	+ 43	+ 658	+ 250	+ 748	+ 216
Treasury operations	+ 49	+ 83	+ 5	= 27	+ 64	= 77
Federal Reserve float	+ 124	+ 278	= 463	= 183	= 36	+ 328
Other factors	= 16	+ 9	= 122	+ 82	= 72	+ 9
<u>Effect of above factors on reserves</u>	+ 132	+ 199	+ 952	+ 851	+ 339	= 10
<u>Federal Reserve loans and investments:</u>						
<u>Total</u>	+ 25	---	= 1,502	= 1,152	= 290	+ 230
U. S. Govt. securities	= 52	+ 200	= 1,776	= 1,080	= 533	= 76
Outright	= 79	+ 224	= 1,581	= 832	= 569	= 110
Repurchase agreements	+ 27	= 24	= 195	= 248	+ 36	+ 34
Acceptances	= 1	+ 1	= 29	= 2	+ 4	+ 1
Discounts and advances:						
To member banks	+ 96	= 202	+ 317	= 70	+ 236	+ 368
To others	= 18	+ 1	= 14	---	+ 3	= 63

<sup>1/</sup> Data for June 1957 are preliminary.

Note: Changes are based on data for May 1957 and June 1957; May 1956 and June 1956; December 1956 and June 1957; December 1955 and June 1956; June 1956 and June 1957; and June 1955 and June 1956.

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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	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: Mar. 30	152.4	64.2	17.0	71.2	27.4	19.0	4.1	4.9	11.2	5.8
June 30	154.8	63.3	16.8	74.8	28.9	19.8	4.5	4.4	12.1	6.2
Sept. 28	156.4	62.0	16.9	77.5	30.5	20.6	4.2	3.9	12.7	6.6
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 25	158.3	56.2	16.3	85.8	35.8	21.9	4.3	4.2	14.4	6.6
Aug. 29	159.8	57.2	16.4	86.3	36.4	22.1	4.0	4.0	14.4	6.7
Sept. 26	160.7	57.0	16.6	87.2	36.9	22.3	4.1	4.2	14.5	6.6
Oct. 31	161.4	57.5	16.3	87.6	37.2	22.4	4.1	4.0	14.5	6.7
Nov. 28	162.7	58.2	16.3	88.2	37.8	22.5	4.0	4.1	14.5	6.8
Dec. 31	164.5	58.6	16.3	89.7	38.7	22.5	4.3	4.2	14.7	6.9
1957: Jan. 30p	161.6	57.7	16.2	87.7	37.6	22.5	3.7	4.2	14.6	6.7
Feb. 27p	161.0	56.8	16.3	87.9	37.8	22.5	3.7	4.2	14.6	6.7
Mar. 27p	161.3	55.7	16.5	89.1	39.0	22.5	3.6	4.2	14.7	6.7
Apr. 24p	163.7	57.3	16.7	89.7	39.0	22.5	3.8	4.1	15.0	6.8
May 29p	163.6	56.9	16.8	89.9	38.8	22.5	3.8	4.0	15.3	6.9
June 26e	164.0	55.3	16.8	91.9	40.4	22.6	3.9	3.9	15.5	7.0

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.

Notes: 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 June 26, 1957, are estimates and subject to error.

Banking Section, Board of Governors  
July 9, 1957