

FEDERAL RESERVE BANK  
of KANSAS CITY  
JAN 13 1958

BANKING AND MONETARY DEVELOPMENTS IN DECEMBER 1957  
RESEARCH LIBRARY

Summary. Commercial bank credit increased substantially in December, mainly reflecting expansion in business and security loans and increased holdings of U. S. Government securities. Demand deposit and currency holdings of businesses and individuals increased less than seasonally but U. S. Government deposits increased contra-seasonally and time deposits rose substantially further. Net borrowed reserves of member banks continued to decline.

Bank credit. Total loans and investments at commercial banks increased \$2.4 billion during the December reporting period, November 28 - December 25, somewhat more than in December of any other postwar year (see Table 1). Loans rose \$1.4 billion, reflecting principally growth in business and security loans. Holdings of U. S. Government securities increased \$900 million, with growth at city banks probably offset in part by the usual seasonal decline at other banks. Holdings rose substantially on November 29 and December 2 when banks initially acquired \$665 million of a new offering of \$1.1 billion of 3-3/4 per cent 5 year Treasury notes and \$190 million of the \$650 million offering of 3-7/8 per cent Treasury bonds of 1974. Holdings increased further around the middle of the month when businesses were reducing their holdings in order to obtain cash for meeting tax and dividend payments and when weekly Treasury bill offerings were increased temporarily by \$100 million. Holdings of other securities also rose in December reflecting in part bank acquisitions of new Federal National Mortgage Association and Federal Intermediate Credit Bank securities.

In December 1956, total credit at commercial banks had increased \$1.8 billion, about a quarter less than this December. Loan expansion was ~~about the same~~, but holdings of U. S. Government securities increased less. Commercial banks probably took about all of the \$1 billion new Treasury tax anticipation bills issued in mid-December of 1956, but sold securities at other times during the month.

Not for publication

Table 1

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

Item	1957	1956	1957	1956	1957	1956
	Nov. 28, Dec. 253/	Nov. 29, Dec. 31	June 27, Dec. 253/	July 1, Dec. 31	Jan. 1, Dec. 253/	Jan. 1, Dec. 31
<u>Total loans (excluding interbank)</u>	+ 1.4	+ 1.5	+ 1.0	+ 3.4	+ 3.4	+ 7.6
Business	+ 0.9	+ 0.9	- 0.2	+ 2.6	+ 1.6	+ 5.5
Real estate	+ 0.1	<u>1/</u>	+ 0.6	+ 0.7	+ 0.7	+ 1.7
Security	+ 0.4	+ 0.3	+ 0.2	- 0.2	- 0.2	- 0.8
Agricultural	- 0.1	+ 0.1	- 0.3	- 0.1	- 0.5	- 0.3
Consumer	+ 0.1	+ 0.2	+ 0.4	+ 0.4	+ 1.3	+ 1.3
All other	<u>1/</u>	+ 0.1	+ 0.4	+ 0.2	+ 0.3	+ 0.5
U. S. Government securities	+ 0.9	+ 0.4	+ 2.2	+ 1.9	- 0.9	- 3.0
Other securities	+ 0.2	<u>1/</u>	+ 0.8	- 0.2	+ 1.3	- 0.4
Total loans and investments (less interbank)	+ 2.4	+ 1.8	+ 4.0	+ 5.1	+ 3.8	+ 4.2

Item	End of June to end of December					
	1955	1954	1953	1952	1951	1950
<u>Total loans (excluding interbank)</u>	+ 7.3	+ 3.2	+ 2.6	+ 4.9	+ 2.9	+ 7.5
Business	<u>2/</u> + 4.4	+ 0.7	- 0.2	+ 2.6	+ 2.2	+ 5.0
Real estate	<u>2/</u> + 1.0	+ 1.2	+ 0.5	+ 0.7	+ 0.4	+ 1.1
Security	+ 0.6	+ 0.7	+ 0.8	+ 0.1	- 0.1	+ 0.1
Agricultural	+ 0.1	+ 0.1	+ 1.3	+ 0.3	+ 0.3	<u>1/</u>
Consumer	+ 1.1	+ 0.1	+ 0.3	+ 1.1	<u>1/</u>	+ 0.8
All other	+ 0.2	+ 0.4	<u>1/</u>	+ 0.3	+ 0.1	+ 0.6
U. S. Government securities	- 1.7	+ 5.5	+ 4.8	+ 2.1	+ 3.0	- 3.7
Other securities	- 0.1	+ 0.8	+ 0.4	+ 0.1	+ 0.6	+ 1.2
Total loans and investments (less interbank)	+ 5.5	+ 9.5	+ 7.7	+ 7.2	+ 6.6	+ 4.9

1/ Less than \$50 million.

2/ Level of business loans increased by and real estate loans decreased by \$300 million in October 1955 to correct classification errors. Most of the misclassification probably occurred in 1955.

3/ Data for 1957, which are for the last Wednesday of December, are not strictly comparable with those for 1956, or for other years, which are for the 31st. of December.

Note: Data for December 25, 1957, are preliminary estimates based on data for weekly reporting member banks and estimates for other banks. Later estimates for December will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of January.

Not for publication

Table 1 (continued)

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

Item	End of December to end of June					
	1957 <u>3/</u>	1956	1955	1954	1953	1952
<u>Total loans (excluding interbank)</u>	+ 2.4	+ 4.2	+ 4.4	- 0.3	+ 0.9	+ 1.5
Business	+ 1.8	+ 2.9	+ 2.0	- 1.1	- 0.5	- 0.6
Real estate	+ 0.1	+ 1.0	+ 1.4	+ 0.5	+ 0.5	+ 0.4
Security	- 0.4	- 0.6	<u>1/</u>	+ 0.2	- 0.4	+ 0.5
Agricultural	- 0.2	- 0.2	- 0.8	+ 0.2	- 0.2	+ 0.2
Consumer	+ 0.8	+ 0.9	+ 1.2	- 0.1	+ 1.2	+ 0.8
All other	+ 0.1	+ 0.3	+ 0.6	+ 0.1	+ 0.2	+ 0.1
U. S. Government securities	- 3.3	- 5.0	- 5.7	+ 0.1	- 4.7	- 0.3
Other securities	+ 0.5	- 0.2	+ 0.5	+ 0.9	+ 0.1	+ 0.7
Total loans and investments (less interbank)	- 0.5	- 1.0	- 0.8	+ 0.7	- 3.7	+ 1.8

  

Item	Year ending December 31:					
	1955	1954	1953	1952	1951	1950
<u>Total loans (excluding interbank)</u>	+11.6	+ 2.9	+ 3.4	+ 6.4	+ 5.4	+ 9.3
Business	<u>3/</u> + 6.4	- 0.3	- 0.7	+ 2.0	+ 4.0	+ 4.9
Real estate	<u>3/</u> + 2.4	+ 1.7	+ 1.0	+ 1.1	+ 1.0	+ 2.0
Security	+ 0.6	+ 0.9	+ 0.4	+ 0.6	- 0.3	+ 0.2
Agricultural	- 0.7	+ 0.2	+ 1.0	+ 0.5	+ 0.5	- 0.1
Consumer	+ 2.3	<u>1/</u>	+ 1.5	+ 1.9	+ 0.1	+ 1.6
All other	+ 0.9	+ 0.6	+ 0.2	+ 0.3	+ 0.3	+ 0.9
U. S. Government securities	- 7.4	+ 5.6	+ 0.1	+ 1.8	- 0.5	- 5.0
Other securities	+ 0.4	+ 1.6	+ 0.5	+ 0.8	+ 0.9	+ 2.2
Total loans and investments (less interbank)	+ 4.6	+10.2	+ 4.1	+ 9.0	+ 5.9	+ 6.5

1/ Less than \$50 million.

2/ Level of business loans increased by and real estate loans decreased by \$300 million in October 1955 to correct classification errors. Most of the misclassification probably occurred in 1955.

3/ Data are for June 26, 1957.

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Business loans at city banks rose \$785 million during the four weeks ending December 25, somewhat less than in the comparable period last year but more than in any other postwar year. Most of the increase occurred in the two weeks ending December 18, undoubtedly reflecting mainly borrowing to meet mid-December tax payments. The increase during these two weeks was also somewhat less than last year, although large corporations were required to pay 15 per cent of their current year's tax liability compared with only 10 per cent last year.

Over half the December business loan increase at city banks, as shown in Table 2, was in loans to sales finance companies, largely reflecting usual end-of-year borrowing to retire open market paper held by nonfinancial corporations. Loans to food processors and commodity dealers continued to increase, less than last year but more than in other recent years. Since July, however, bank borrowing by these two industry groups has been less than usual. Loans to trade concerns declined as is usual in December. Loans to metals manufacturers, which have been declining recently, rose in December, and loans to petroleum and chemical producers and public utilities also increased.

During 1957, business loans at all commercial banks increased about \$1.5 billion compared with \$5.5 billion in 1956. Outstanding loans to seasonal borrowers, i.e., food processors, commodity dealers, and trade concerns, declined somewhat compared with a \$1.2 billion rise in 1956. Growth in loans to these industries had been unusually large in late 1956 and had been followed by unusually large reductions in early 1957. Increases in outstanding loans to metals manufacturers and petroleum and chemical producers were less than half as large as in 1956, but those to public utilities were about the same. Loans to sales finance companies increased in 1957 whereas they had declined in 1956.

Not for publication

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

Business of Borrower	1957	1956	Last Wednesday in July to last Wednesday in December					
	Nov.28 - Dec.25	Nov.29 - Dec.26	1957 2/	1956	1955	1954	1953	1952
Food processors	+ 97	+ 168	+ 530	+ 922	+ 514	+ 494	+ 620	+ 778
Commodity dealers	+ 87	+ 104	+ 382	+ 597	+ 403	+ 472	+ 355	+ 603
Trade concerns	-147	- 78	+ 140	+ 182	+ 297	+ 147	+ 16	+ 173
<b>Total</b>	<b>+ 37</b>	<b>+ 194</b>	<b>+1,052</b>	<b>+1,701</b>	<b>+1,244</b>	<b>+1,113</b>	<b>+ 991</b>	<b>+1,554</b>
Sales finance	+494	+ 516	+ 97	+ 302	+ 741	+ 46	- 174	+ 576
<b>All other - total</b>	<b>+282</b>	<b>+ 239</b>	<b>- 261</b>	<b>+ 856</b>	<b>+ 939</b>	<b>- 284</b>	<b>- 271</b>	<b>+ 552</b>
Metals and products	+ 94	+ 153	- 226	+ 50	+ 270	- 415	- 301	+ 109
Textiles, apparel and leather	+ 1	+ 3	- 159	- 34	+ 43	- 62	- 136	- 61
Petroleum, coal, etc.	+ 52	- 58	+ 141	+ 364	+ 191	+ 152	+ 124	+ 221
Other manufacturing and mining	- 48	- 8	- 153	- 4	+ 34	- 49	- 64	+ 30
Public utilities	+108	+ 136	+ 174	+ 378	+ 25	- 137	+ 35	+ 108
Construction	- 8	- 9	- 46	- 51	+ 71	+ 66	- 18	+ 7
All other types of business	+ 83	+ 22	+ 8	+ 153	+ 305	+ 161	+ 89	+ 138
Classified	+814	+ 948	+ 890	+2,858	+2,925	+ 875	+ 546	+2,683
Unclassified	- 29	- 28	- 322	- 170	3/+ 256	4/+ 25	5/+ 191	- 49
<b>Total change</b>	<b>+785</b>	<b>+ 920</b>	<b>+ 568</b>	<b>+2,688</b>	<b>3/+3,181</b>	<b>4/+ 899</b>	<b>5/+ 737</b>	<b>+2,634</b>

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

2/ Data are for December 25, 1957.

3/ Includes CCC certificates of interest which are estimated to have declined \$200 million. In October 1955, the level of business loans was increased by \$318 million to correct classification errors. No back figures were revised and changes for the July-October period include the revisions.

4/ Includes CCC certificates of interest which are estimated to have increased \$385 million.

5/ Includes CCC certificates of interest which are estimated to have increased \$410 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 December 25, 1957.

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Table 2 (continued)

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

Business of Borrower	Last Wednesday in December to last Wednesday in December					
	1957 2/	1956	1955	1954	1953	1952
Food processors	- 8	+ 520	- 60	- 7	- 120	- 114
Commodity dealers	- 115	+ 353	+ 8	+ 176	- 252	+ 28
Trade concerns	+ 98	+ 349	+ 473	+ 79	+ 208	+ 36
Total	- 25	+1,222	+ 421	+ 248	- 164	- 50
Sales finance	+ 183	- 224	+1,293	- 143	- 228	+ 327
All other - total	+1,471	+3,844	+2,593	- 789	+ 465	+1,671
Metals and products	+ 480	+1,291	+ 401	-1,125	+ 94	+1,111
Textiles, apparel and leather	+ 10	+ 232	+ 291	+ 29	+ 49	- 113
Petroleum, coal, etc.	+ 404	+ 852	+ 521	+ 78	+ 93	+ 426
Other manufacturing and mining	+ 70	+ 441	+ 216	- 63	+ 41	+ 112
Public utilities	+ 603	+ 715	+ 411	- 99	+ 103	- 59
Construction	- 48	- 12	+ 240	+ 153	- 5	+ 31
All other types of business	- 48	+ 325	+ 513	+ 238	+ 90	+ 163
Classified	+1,629	+4,843	+4,307	- 684	+ 74	+1,948
Unclassified	- 599	- 141	3/ - 23	4/ - 273	5/ - 84	- 150
Total change	+1,030	+4,702	3/ +4,284	4/ - 957	5/ - 10	+1,798

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

2/ Data are for December 25, 1957.

3/ Includes CCC certificates of interest which are estimated to have declined \$821 million. In October 1955, the level of business loans was increased by \$318 million to correct classification errors. No back figures were revised; most of the misclassification probably occurred in 1955.

4/ Includes CCC certificates of interest which are estimated to have increased \$410 million.

5/ Includes CCC certificates of interest which are estimated to 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 December 25, 1957.

Not for publication

Table 2 (continued)

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

Business of Borrower	Last Wednesday in December to last Wednesday in July					
	1957	1956	1955	1954	1953	1952
Food processors	- 538	- 402	- 605	- 500	- 740	- 891
Commodity dealers	- 497	- 244	- 395	- 297	- 608	- 575
Trade concerns	- 43	+ 167	+ 176	- 67	+ 192	- 138
Total	-1,078	- 479	- 824	- 864	-1,156	-1,604
Sales finance	+ 86	- 525	+ 552	- 189	- 53	- 249
<u>All other - total</u>	<u>+1,729</u>	<u>+2,989</u>	<u>+1,655</u>	<u>- 506</u>	<u>+ 736</u>	<u>+1,119</u>
Metals and products	+ 706	+1,241	+ 131	- 710	+ 395	+1,002
Textiles, apparel and leather	+ 168	+ 267	+ 248	+ 91	+ 185	- 52
Petroleum, coal, etc.	+ 263	+ 488	+ 331	- 75	- 31	+ 205
Other manufacturing and mining	+ 223	+ 445	+ 182	- 14	+ 106	+ 82
Public utilities	+ 429	+ 337	+ 386	+ 38	+ 67	- 167
Construction	- 3	+ 39	+ 169	+ 87	+ 13	+ 24
All other types of business	- 57	+ 172	+ 208	+ 77	+ 1	+ 25
Classified	+ 739	+1,985	+1,382	-1,559	- 473	- 735
Unclassified	- 277	+ 29	<u>2/</u> - 279	<u>3/</u> - 297	- 274	- 101
Total change	+ 462	+2,014	<u>2/</u> +1,103	<u>3/</u> -1,856	- 747	- 836

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

2/ Includes CCC certificates of interest which are estimated to have declined \$620 million.

3/ Includes CCC certificates of interest which are estimated to have increased \$25 million.

Not for publication

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Loans for purchasing and carrying securities increased in December as is usual. Over the year, they showed little change, compared with a substantial decline in 1956. Real estate loans rose moderately further, and during the last half of 1957, growth in these loans was about the same as in the comparable period of 1956. Since these loans showed little change in the first half of 1957 in contrast with a substantial rise in the first half of 1956, growth in 1957 was less than half that in 1956. Consumer loans, which had declined in November, probably increased again in December. Over the year, growth in these loans totaled \$1.3 billion, about the same as in 1956.

During 1957, total credit at commercial banks increased around \$4 billion, about the same as in 1956 but less than in other recent years. Loan growth of \$3.4 billion was less than half as large as in 1956, reflecting principally the difference in business loan behavior during the two years. On the other hand, holdings of U. S. Government securities declined less than \$1 billion, less than a third as much as in 1956. Holdings of other securities increased \$1.3 billion compared with a decline in 1956.

Deposits and currency. Preliminary estimates indicate that demand deposit and currency holdings of businesses and individuals increased \$1.6 billion during the December reporting period, November 28-December 25, about \$1.5 billion less than the usual seasonal amount. On December 25, the seasonally adjusted money supply was more than one per cent below the level on December 26 last year. The substantial increase in bank credit in December was reflected primarily in a contra-seasonal buildup of Government balances rather than in the usual large rise in the privately-held money supply. U. S. Government deposits at commercial banks and Reserve Banks increased \$1 billion during the December reporting period in contrast with substantial declines in all other recent years.

Between December 25 and December 31, 1957, demand deposits adjusted and currency outside banks probably increased about \$900 million, compared with a \$400 million rise in the same period of 1956. Therefore, over the year ending December 31, 1957, the privately-held money supply declined \$1.5 billion, or about one per cent.

Not for publication



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

Item	1957	1956	1957	1955	1957	1956
	Nov. 28- Dec. 25 1/	Nov. 29- Dec. 31	June 27- Dec. 25 1/	July 1- Dec. 31	Jan. 1- Dec. 25 1/	Jan. 1- Dec. 31
<u>Seasonally adjusted data 1/</u>						
Demand deposits adjusted	- 1.4	- 0.3	- 2.8	2/	- 2.2	+ 0.9
Currency outside banks	- 0.1	2/	+ 0.1	+ 0.1	+ 0.3	+ 0.3
Total	- 1.5	- 0.3	- 2.7	+ 0.1	- 1.9	+ 1.2
<u>Unadjusted data 1/</u>						
Demand deposits adjusted	+ 1.3	+ 3.1	+ 2.9	+ 6.6	- 2.9	+ 1.5
Currency outside banks	+ 0.3	+ 0.3	+ 1.0	+ 0.1	+ 0.5	+ 0.1
Total	+ 1.6	+ 3.4	+ 3.9	+ 6.7	- 2.4	+ 1.6
Time deposits - total 3/	+ 1.1	+ 1.3	+ 2.3	+ 1.6	+ 6.5	+ 3.8
Commercial	+ 0.8	+ 1.0	+ 1.8	+ 0.9	+ 5.2	+ 2.2
Mutual savings	+ 0.3	+ 0.4	+ 0.7	+ 0.8	+ 1.6	+ 1.9
U. S. Government deposits	+ 1.0	- 1.2	- 0.4	- 1.6	+ 0.3	2/
Total	+ 3.7	+ 3.5	+ 5.9	+ 6.7	+ 4.4	+ 5.4
<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/	+ 1.8	+ 2.0	+ 2.8	+ 4.5	+ 6.6	+ 9.9
Commercial	+ 1.6	+ 1.3	+ 1.8	+ 3.2	+ 4.7	+ 7.2
Mutual savings	+ 0.2	+ 0.1	+ 1.2	+ 1.2	+ 2.3	+ 2.5
Bank holdings of U. S. Government securities:	+ 1.3	+ 1.0	+ 2.9	+ 2.7	- 2.5	- 3.6
Federal Reserve	+ 0.4	+ 0.6	+ 1.1	+ 1.2	- 0.9	+ 0.1
Commercial	+ 0.9	+ 0.4	+ 2.2	+ 1.9	- 0.9	- 3.0
Mutual saving and other	2/	2/	- 0.5	- 0.4	- 0.7	- 0.7
Gold stock and foreign deposits at F. R. Banks	- 0.1	+ 0.1	+ 0.2	+ 0.1	+ 0.8	+ 0.3
Other factors	+ 0.7	+ 0.4	2/	- 0.5	- 0.5	- 1.2

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 Postal Savings.

4/ Unadjusted data for December 25, 1957, and June 26, 1957, are not entirely comparable with data for prior years which are for June 30 and December 31.

5/ 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 December 25, 1957 are preliminary estimates based on data for weekly reporting member banks and estimates for other banks. Later estimates for December will be shown in the Board's statement, "Assets and Liabilities of All Banks in the United States" available at the end of January.

Table 3 (continued)

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

Item	Year ending December 31:					
	1955	1954	1953	1952	1951	1950
<u>Seasonally adjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 3.0	+ 3.3	+ 1.7	+ 3.3	+ 4.7	+ 5.5
Currency outside banks	+ 0.5	= 0.4	+ 0.4	+ 1.3	+ 1.1	= 0.2
Total	+ 3.5	+ 2.9	+ 2.1	+ 4.6	+ 5.8	+ 5.3
<u>Unadjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 3.4	+ 4.1	+ 0.9	+ 3.3	+ 6.0	+ 6.5
Currency outside banks	+ 0.4	= 0.2	+ 0.6	+ 1.2	+ 0.9	<sup>2/</sup>
Total	+ 3.8	+ 3.9	+ 1.5	+ 4.5	+ 6.9	+ 6.5
Time deposits - total <sup>3/</sup>	+ 3.1	+ 4.9	+ 4.6	+ 4.3	+ 2.2	+ 0.6
Commercial	+ 1.5	+ 3.2	+ 3.0	+ 2.8	+ 1.5	+ 0.2
Mutual savings	+ 1.8	+ 1.9	+ 1.8	+ 1.7	+ 0.9	+ 0.7
U. S. Government deposits	= 0.6	+ 0.3	= 0.8	+ 1.8	+ 0.2	= 0.4
Total	+ 6.3	+ 9.0	+ 5.3	+ 10.6	+ 9.3	+ 6.7
<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>4/</sup>	+ 14.5	+ 7.3	+ 6.0	+ 9.3	+ 8.4	+ 12.9
Commercial	+ 12.0	+ 4.6	+ 4.0	+ 7.2	+ 6.4	+ 11.5
Mutual savings	+ 2.3	+ 2.5	+ 2.0	+ 2.1	+ 2.0	+ 1.5
Bank holdings of U. S. Government securities:	= 8.1	+ 3.9	+ 0.9	+ 2.2	+ 1.2	= 3.9
Federal Reserve	= 0.1	= 1.0	+ 1.2	+ 0.9	+ 3.0	+ 1.9
Commercial	= 7.4	+ 5.6	+ 0.1	+ 1.8	= 0.5	= 5.0
Mutual saving and other	= 0.5	= 0.7	= 0.4	= 0.5	= 1.3	= 0.8
Gold stock and foreign deposits at F. R. Banks	+ 0.1	= 0.4	= 1.0	+ 0.5	+ 0.4	= 1.8
Other factors	= 0.2	= 1.8	= 0.6	= 1.4	= 0.7	= 0.5

<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 Postal Savings.

<sup>4/</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 inter-bank loans, domestic and foreign; in addition, there are probably some bookkeeping discrepancies among various banking records.

Not for publication

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Time deposits increased \$1.1 billion at all banks in the December reporting period and probably another \$1.00 billion between December 25 and December 31, when interest payments at many banks are credited. Over the year ending December 31, time deposits at commercial banks increased about \$5.5 billion, about 2-1/2 times as much as in 1956 and substantially more than in any other postwar year. In early 1957, when interest rates on time deposits were increased substantially, growth was exceptionally rapid but it moderated somewhat thereafter. Deposit growth at mutual savings banks, amounting to \$1.6 billion, was slightly less than in the previous year.

On balance, during the December reporting period, total deposits and currency increased \$3.7 billion considerably more than the \$2.8 billion increase in the December reporting period last year (November 29-December 26). Credit expansion at commercial and mutual savings banks was larger this year than last, but Federal Reserve purchases of U. S. Government securities were smaller. Foreign operations drained rather than added to deposits in December 1957, but changes in miscellaneous factors, especially Reserve Bank float, increased total deposits more this year than in the same period last year.

The seasonally adjusted annual rate of turnover of demand deposits at banks outside financial centers dropped further in November to 22.4--the same as in November a year ago and 5 per cent below the September level. Turnover had exceeded the 1956 level by 8 per cent during the first quarter of 1957 and by 6 per cent during the next two quarters. November turnover in New York City was 6 per cent above November 1956, but lower than in other recent months, while in other financial centers it was below a year earlier.

Not for publication

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: March	- 408	- 174	- 256	- 298	319
June	- 195	- 33	- 111	- 356	305
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	- 508	- 185	- 48	- 488	210
July	- 383	- 181	- 28	- 452	278
August	- 471	- 289	- 26	- 400	244
September	- 466	- 254	- 115	- 433	336
October	- 344	- 141	- 115	- 389	301
November	- 293	- 80	- 123	- 342	252
December	- 101	- 106	- 76	- 225	306
<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	- 485	- 196	- 141	- 373	224
Third	- 440	- 241	- 56	- 428	286
Fourth	- 246	- 109	- 105	- 318	286
1957: Nov. 27	- 325	- 61	- 82	- 343	161
Dec. 4	- 177	32	- 68	- 287	146
11	- 248	- 41	- 82	- 271	146
18	- 116	- 191	- 70	- 224	369
25	- 67	- 281	- 81	- 157	450
1958: Jan. 1	68	74	- 98	- 186	278

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

L.4.3

Bank reserves. Net borrowed reserves of all member banks declined further in December, averaging \$100 million compared with \$290 million in November, as shown in Table 4. Member bank borrowings from the Federal Reserve declined to an average level of \$710 million and excess reserves rose to \$610 million. The effective rate on Federal funds remained at 3 per cent on all but one day.

Reserve positions eased steadily during late December and in the week ending January 1, excess reserves exceeded borrowings by about \$70 million, the first time banks have had free reserves since mid-February 1957. In the early part of that week, borrowings and excess reserves increased but both declined over the end-of-year statement date, as is usual.

Over the month of December, as shown in Table 5, more reserves were supplied to banks through System purchases of U. S. Government securities, increases in Reserve Bank float, and other factors than were absorbed through currency outflows and increases in required reserves. System holdings of U. S. Government securities increased \$565 million on the average, with \$226 million of the increase in holdings of securities under repurchase contracts. System holdings showed little net change in mid-December when the usual increase in Reserve Bank float supplied a large volume of reserves to banks. During the week ending January 1, however, System holdings rose substantially as float declined sharply and absorbed more reserves than were supplied through currency inflows and other market factors.

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During the last half of 1957, net borrowed reserves declined \$410 million compared with a \$160 million reduction in the comparable period last year. System purchases of U. S. Government securities were smaller on the average this year than last but currency outflow and growth in required reserves were also smaller. In addition, foreign and Treasury operations added more to bank reserves this year than last. On the other hand, Reserve Bank float did not rise as much.

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Table 5

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

Item	December		July - December		January-December	
	1957	1956	1957	1956	1957	1956
<u>Member bank reserve balances</u>						
<u>Total</u>	+ 462	+ 366	+ 438	+ 602	- 115	+ 295
Required reserves <sup>1/</sup>	+ 364	+ 304	+ 326	+ 524	- 72	+ 237
Excess reserves <sup>1/</sup>	+ 98	+ 62	+ 112	+ 78	- 43	+ 58
<u>Principal factors</u>			(signs indicate effect on reserves)			
Currency in circulation	- 596	- 577	-1,029	-1,239	- 156	- 510
Gold stock and foreign accounts	+ 3	- 32	+ 196	+ 90	+ 854	+ 340
Treasury operations	+ 110	+ 3	+ 156	+ 59	+ 161	+ 32
Federal Reserve float	+ 317	+ 333	+ 273	+ 427	- 190	+ 244
Other factors	+ 132	- 87	+ 118	+ 50	- 4	+ 132
<u>Effect of above     factors on reserves</u>	- 34	- 360	- 286	- 613	+ 665	+ 238
Federal Reserve loans and investments:						
<u>Total</u>	+ 496	+ 726	+ 723	+1,213	- 780	+ 59
U. S. Govt. securities	+ 565	+ 741	+ 993	+1,043	- 783	+ 163
Outright	+ 339	+ 547	+ 698	+1,012	- 883	+ 180
Repurchase agreements	+ 226	+ 194	+ 295	+ 231	+ 100	- 17
Acceptances	+ 25	+ 24	+ 23	+ 34	- 7	+ 30
Discounts and advances:						
To member banks	- 94	- 56	- 295	- 81	+ 22	- 151
To others	---	+ 17	+ 2	+ 17	- 12	+ 17

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

Note: Changes are based on data for November and December; June and December; and December of each year.

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Table 5 (continued)

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

Item	January - December					
	1955	1954	1953	1952	1951	1950
<u>Member bank reserve balances</u>						
<u>Total</u>	<u>- 39</u>	<u>- 641</u>	<u>-1,260</u>	<u>+ 870</u>	<u>+2,919</u>	<u>+1,100</u>
Required reserves	+ 70	<u>1/ - 651</u>	<u>2/ -1,230</u>	+ 973	<u>3/ +3,120</u>	+ 876
Excess reserves	- 109	+ 10	- 30	- 103	- 201	+ 224
<u>Principal factors</u>		(signs indicate effect on reserves)				
Currency in circulation	- 516	+ 218	- 473	-1,355	-1,333	- 72
Gold stock and foreign accounts	- 42	- 290	- 969	+ 619	- 47	-1,738
Treasury operations	+ 63	+ 218	<u>4/ + 550</u>	- 184	+ 426	+ 122
Federal Reserve float	+ 397	- 26	- 244	- 113	+ 258	+ 583
Other factors	<u>- 83</u>	<u>+ 4</u>	<u>- 176</u>	<u>- 62</u>	<u>+ 32</u>	<u>+ 193</u>
<u>Effect of above factors on reserves</u>	<u>- 181</u>	<u>+ 124</u>	<u>-1,312</u>	<u>-1,095</u>	<u>- 664</u>	<u>- 912</u>
<u>Federal Reserve loans and investments:</u>						
<u>Total</u>	<u>+ 139</u>	<u>- 763</u>	<u>+ 54</u>	<u>+1,967</u>	<u>+3,579</u>	<u>+2,011</u>
U. S. Govt. securities	- 315	- 722	<u>4/ +1,239</u>	+ 991	<u>+3,064</u>	<u>+2,058</u>
Outright	- 570	- 330	+1,342	+ 566	<u>+2,974</u>	<u>+2,049</u>
Repurchase agreements	+ 255	- 392	- 103	+ 425	+ 90	+ 9
Acceptances	+ 21	---	---	---	---	---
Discounts and advances:						
To member banks	+ 593	- 195	-1,152	+ 936	+ 515	+ 24
To others	- 160	+ 154	- 33	+ 40	---	- 71

1/ Decrease of \$1.6 billion due to reduction in reserve requirements.

2/ Decrease of \$1.2 billion due to reduction in reserve requirements.

3/ Increase of \$2 billion due to increase in reserve requirements.

4/ "Treasury operations" and "outright purchases" include free gold transaction which was reflected in a \$500 million reduction in Treasury cash offset in its effect on reserves by a decrease of identical volume in Government security holdings.

Note: Changes are based on data for December of each year.

Not for publication



**Loans and Investments at All Commercial Banks**  
(In billions of dollars)

Date	Loans and investments	U. S. Govt. securities	Other securities	Total loans	Business	Real estate	Secu- rity	Farm	Con- sumer 2/	All other 2/
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	13.2	6.5
Feb. 29	157.1	59.2	16.6	81.2	32.9	21.0	4.5	4.5	13.3	6.4
March 28	158.5	58.6	16.6	83.3	34.5	21.2	4.5	4.4	13.4	6.6
April 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	14.2	6.8
July 25	158.3	56.2	16.3	85.8	35.8	21.9	4.3	4.2	14.3	6.7
Aug. 29	159.8	57.2	16.4	86.3	36.4	22.1	4.0	4.0	14.3	6.8
Sept. 26	160.7	57.0	16.6	87.2	37.0	22.3	4.1	4.2	14.4	6.7
Oct. 31	161.4	57.5	16.3	87.6	37.2	22.4	4.1	4.0	14.4	6.8
Nov. 28	162.7	58.2	16.3	88.2	37.8	22.5	4.0	4.1	14.4	6.9
Dec. 31	164.5	58.6	16.3	89.7	38.7	22.5	4.3	4.2	14.6	7.0
1957: Jan. 30	161.6	57.7	16.2	87.7	37.6	22.5	3.7	4.2	14.5	6.8
Feb. 27	161.1	56.8	16.3	87.9	37.8	22.5	3.7	4.2	14.5	6.8
March 27	161.4	55.7	16.5	89.1	39.0	22.5	3.6	4.2	14.6	6.8
April 24	163.8	57.5	16.7	89.7	39.0	22.5	3.8	4.1	14.9	6.9
May 29	163.8	52.1	16.8	89.9	38.9	22.5	3.8	4.1	15.1	7.0
June 26	164.3	55.5	16.8	92.0	40.5	22.6	3.9	4.0	15.4	7.1
July 31p	164.1	56.3	16.8	91.0	39.6	22.7	3.7	3.9	15.5	7.1
Aug. 28p	164.6	56.2	16.9	91.5	39.9	22.8	3.8	3.8	15.6	7.1
Sept. 25p	165.1	55.9	17.1	92.2	40.3	22.9	3.8	3.8	15.7	7.2
Oct. 30p	166.5	57.3	17.6	91.6	39.6	23.0	3.7	3.8	15.8	7.2
Nov. 27p	165.9	56.8	17.4	91.6	39.4	23.1	3.7	3.8	15.7	7.3
Dec. 25e	168.3	57.7	17.6	93.0	40.3	23.2	4.1	3.7	15.8	7.3

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.

2/ Data for consumer and "all other" loans have been revised beginning in 1956 in accordance with revised estimates of short- and intermediate-term consumer credit.

**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. All data for December 25, 1957, are estimates and subject to error.

Banking Section, Board of Governors,  
January 10, 1958