

FEDERAL RESERVE BANK  
of KANSAS CITY

*M. J. New*

L.4.3

JAN 23 1959

RESEARCH LIBRARY

BANKING AND MONETARY DEVELOPMENTS IN DECEMBER 1958

Summary. Total credit at all commercial banks increased moderately in December reflecting substantial loan growth offset in part by reductions in holdings of U. S. Government securities. The seasonally adjusted active money supply declined slightly, but time deposits at commercial and mutual savings banks rose. U. S. Government deposits declined as is usual in December. Member bank reserve positions tightened further, moving from a position of low free reserves to one of low net borrowed reserves.

Bank credit. Total credit at all commercial banks increased \$1.5 billion in December, less than half as much as in December a year ago, as shown on Table 1. Loan growth of \$2.5 billion, however, was considerably larger than in December of any other recent year, while a \$1.2 billion reduction in holdings of U. S. Government securities contrasted with increases in the past three years--especially with the large expansion of 1957.

U. S. Government security holdings declined sharply during the first two weeks of the December reporting period (November 27-December 10) following bank acquisitions of most of the new \$3 billion tax anticipation bills issued by the Treasury on November 20. During this period, commercial banks reduced their holdings \$900 million, of which \$300 million was outside leading city banks. Over the next three weeks, holdings dropped an additional \$300 million, all at country and nonmember banks. On December 11, the Treasury began to raise \$200 million in new money each week through increasing the sale of Treasury bills, including introduction of a new cycle of bills carrying 26 week maturities. This program was continued for six weeks through January 15 and \$1.2 billion of new money was raised. At banks in leading cities, however, bill holdings were about unchanged between December 10 and January 7. Holdings of securities other than those of the U. S. Government increased \$100 million at all commercial banks in December, considerably less than last year's \$500 million growth.

Total loans and investments at commercial banks increased \$14.4 billion in 1958, almost half again as much as the previous post-war record growth of \$10.2 billion in 1954. Increased holdings of U. S. Government securities accounted for over half the credit expansion--almost \$8 billion--a much larger rise than in any other year. Holdings of other securities also showed record growth of \$2.5 billion.

Not for publication

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

Item	1958	1957	1958	1957	1958	1957
	Nov. 27 Dec. 31	Nov. 29 Dec. 31	June 24 Dec. 31	June 27 Dec. 31	Jan. 1 Dec. 31	Jan. 1 Dec. 31
<u>Total loans (excluding interbank)</u>	+ 2.5	+ 1.7	+ 3.2	+ 1.2	+ 3.9	+ 3.5
Business	+ 0.9	+ 0.9	+ 1.2	<u>1/</u>	- 0.4	+ 1.8
Real estate	+ 0.4	+ 0.1	+ 1.8	+ <u>0.5</u>	+ 2.4	+ 0.6
Security	+ 0.7	+ 0.6	- 1.1	+ 0.3	+ 0.3	- 0.1
Agricultural	+ 0.1	+ 0.1	+ 0.4	+ 0.1	+ 0.9	- 0.1
Consumer	+ 0.1	+ 0.1	+ 0.2	+ 0.4	<u>1/</u>	+ 1.1
All other	+ 0.3	<u>1/</u>	+ 0.5	+ 0.1	+ <u>0.7</u>	+ 0.3
U. S. Government securities	- 1.2	+ 1.3	+ 1.9	+ 2.7	+ 7.9	- 0.3
Other securities	+ 0.1	+ 0.5	+ 0.3	+ 1.1	+ 2.5	+ 1.7
Total loans and investments (less interbank)	+ 1.5	+ 3.4	+ 5.5	+ 5.0	+14.4	+ 4.9

Item	Change during December					
	1956	1955	1954	1953	1952	1951
<u>Total loans (excluding interbank)</u>	+ 1.5	+ 1.8	+ 1.5	+ 0.7	+ 1.0	+ 1.0
Business	+ 0.9	+ 0.9	+ 0.3	- 0.6	+ 0.4	+ 0.6
Real estate	<u>1/</u>	+ 0.1	+ 0.2	<u>1/</u>	+ 0.1	+ 0.1
Security	+ <u>0.3</u>	+ 0.5	+ 0.7	+ <u>0.6</u>	+ 0.4	+ 0.4
Agricultural	+ 0.1	+ 0.2	+ 0.1	+ 0.5	- 0.2	<u>1/</u>
Consumer	+ 0.2	+ 0.2	+ 0.1	+ 0.1	+ 0.3	+ <u>0.1</u>
All other	+ 0.1	<u>1/</u>	+ 0.1	<u>1/</u>	+ 0.1	- 0.1
U. S. Government securities	+ 0.4	+ 0.2	- 1.1	- 0.3	- 0.8	- 0.1
Other securities	<u>1/</u>	+ 0.1	+ 0.1	+ 0.1	- 0.1	+ 0.3
Total loans and investments (less interbank)	+ 1.8	+ 2.1	+ 0.6	+ 0.6	+ 0.2	+ 1.3

1/ Less than \$50 million.

Note: Data for December 31, 1958, are preliminary estimates based on data reported by a sample of member banks. Revised estimates will be available at the end of January.

Not for publication

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

Item	End of June to end of December					
	1956	1955	1954	1953	1952	1951
<u>Total loans (excluding interbank)</u>	+ 3.4	+ 7.3	+ 3.2	+ 2.6	+ 4.9	+ 2.9
Business	+ 2.6	+ 4.4	+ 0.7	- 0.2	+ 2.6	+ 2.2
Real estate	+ 0.7	+ 1.0	+ 1.2	+ 0.5	+ 0.7	+ 0.4
Security	- 0.2	+ 0.6	+ 0.7	+ 0.8	+ 0.1	- 0.1
Agricultural	- 0.1	+ 0.1	+ 0.1	+ 1.3	+ 0.3	+ 0.3
Consumer	+ 0.4	+ 1.1	+ 0.1	+ 0.3	+ 1.1	<u>1/</u>
All other	+ 0.2	+ 0.2	+ 0.4	<u>1/</u>	+ 0.3	+ 0.1
U. S. Government securities	+ 1.9	- 1.7	+ 5.5	+ 4.8	+ 2.1	+ 3.0
Other securities	- 0.2	- 0.1	+ 0.8	+ 0.4	+ 0.1	+ 0.6
Total loans and investments (less interbank)	+ 5.1	+ 5.5	+ 9.5	+ 7.7	+ 7.2	+ 6.6

Item	End of June to end of December				
	1950	1949	1948	1947	1946
<u>Total loans (excluding interbank)</u>	+ 7.5	+ 1.9	+ 2.7	+ 4.4	+ 4.0
Business	+ 5.0	+ 0.6	+ 0.9	+ 3.3	+ 3.8
Real estate	+ 1.1	+ 0.5	+ 0.6	+ 1.1	+ 1.4
Security	+ 0.1	- 0.3	<u>1/</u>	- 0.8	- 2.0
Agricultural	<u>1/</u>	+ 0.2	+ 0.8	+ 0.1	<u>1/</u>
Consumer	+ 0.8	+ 0.7	+ 0.3	+ 0.6	+ 0.7
All other	+ 0.6	+ 0.3	+ 0.1	+ 0.1	+ 0.1
U. S. Government securities	- 3.7	+ 3.8	- 2.2	- 1.3	- 9.7
Other securities	+ 1.2	+ 0.7	<u>1/</u>	+ 0.5	+ 0.2
Total loans and investments (less interbank)	+ 4.9	+ 6.4	+ 0.5	+ 3.5	- 5.5

1/ Less than \$50 million.

Not for publication

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

Item	Year ending December 31				
	1956	1955	1954	1953	1952
<u>Total loans (excluding interbank)</u>	+ 7.6	+11.6	+ 2.9	+ 3.4	+ 6.4
Business	+ 5.5	+ 6.4	- 0.3	- 0.7	+ 2.0
Real estate	+ 1.7	+ 2.4	+ 1.7	+ 1.0	+ 1.1
Security	- 0.8	+ 0.6	+ 0.9	+ 0.4	+ 0.6
Agricultural	- 0.3	- 0.7	+ 0.2	+ 1.0	+ 0.5
Consumer	+ 1.3	+ 2.3	1/	+ 1.5	+ 1.9
All other	+ 0.5	+ 0.9	+ 0.6	+ 0.2	+ 0.3
U. S. Government securities	- 3.0	- 7.4	+ 5.6	+ 0.1	+ 1.8
Other securities	- 0.4	+ 0.4	+ 1.6	+ 0.5	+ 0.8
Total loans and investments (less interbank)	+ 4.2	+ 4.6	+10.2	+ 4.1	+ 9.0

  

Item	Year ending December 31					
	1951	1950	1949	1948	1947	1946
<u>Total loans (excluding interbank)</u>	+ 5.4	+ 9.3	+ 0.5	+ 4.4	+ 6.9	+ 4.9
Business	+ 4.0	+ 4.9	- 1.9	+ 0.8	+ 4.0	+ 4.6
Real estate	+ 1.0	+ 2.0	+ 0.7	+ 1.4	+ 2.2	+ 2.5
Security	- 0.3	+ 0.2	+ 0.3	+ 0.3	- 1.0	- 3.7
Agricultural	+ 0.5	- 0.1	+ 0.2	+ 1.2	+ 0.3	1/
Consumer	+ 0.1	+ 1.6	+ 1.0	+ 1.0	+ 1.3	+ 1.2
All other	+ 0.3	+ 0.9	+ 0.3	+ 0.3	+ 0.3	+ 0.4
U. S. Government securities	- 0.5	- 5.0	+ 4.4	- 6.6	- 5.6	-15.8
Other securities	+ 0.9	+ 2.2	+ 1.0	+ 0.2	+ 0.9	+ 0.8
Total loans and investments (less interbank)	+ 5.9	+ 6.5	+ 5.9	- 2.0	+ 2.3	-10.1

1/ Less than \$50 million.

Not for publication

Loans rose \$3.9 billion, slightly more than in 1957 but considerably less than the postwar average growth of about \$5.5 billion. Over the year as a whole, total credit growth was about evenly divided between banks in leading cities (representing largely the central reserve and reserve city group) and banks outside (largely country member and non-member). City banks, however, accounted for over two-thirds of the increase in holdings of U. S. Government securities but less than a fifth of the increase in loans. The increase in other securities was distributed fairly evenly between the two groups.

Over three-fifths of the credit growth in 1958 occurred during the first half of the year, a period in which bank credit generally declines. City banks accounted for nearly \$7 billion of this rise, reflecting growth of \$6 billion in holdings of U. S. Government securities and \$1.5 billion in other securities, offset in part by a reduction of \$900 million in loans. At banks outside leading cities, holdings of U. S. Government securities were about unchanged but loan growth and increases in holdings of other securities added over \$2 billion to total credit.

In the second half of 1958, however, credit growth at commercial banks was much less rapid than in the first half, amounting to \$5.5 billion. This was somewhat more than in the second half of 1957 but considerably below the sharp increases of the early Fifties. Loan growth accounted for over \$3 billion of the expansion and holdings of U. S. Government securities for \$2 billion. Heavy purchases of U. S. Government securities during the August, October, and November Treasury financings were partly offset by sales at other times. Practically all the credit growth occurred outside city banks. Holdings of U. S. Government securities increased \$2.6 billion at these banks and declined \$700 million at weekly reporting banks. Loans continued to increase at the smaller banks and also rose at city banks during the second half of the year.

Business loans at commercial banks increased \$900 million in December, about the same as in December of the past three years but about three times as much as in December of 1954. In the two weeks ending December 17, which included borrowing for income tax and dividend payments, business loans at city banks increased \$500 million compared with \$735 million in the comparable period last year. A smaller increase in borrowing by sales finance companies this year than last accounted for a substantial part of the difference in total tax period borrowing in the two years.

Not for publication

Table 2

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

Business of Borrower	1958	1957	1956	1955	1954	1953	1952
	Nov. 26 Dec. 31	Nov. 27 Dec. 31	Nov. 28 Jan. 2	Nov. 30 Jan. 4	Dec. 1 Jan. 5	Dec. 2 Jan. 6	Nov. 26 Dec. 31
Food processors	+ 31	- 19	+ 61	+ 14	- 10	- 36	+ 68
Commodity dealers	+ 24	+ 83	+ 109	- 17	+ 14	+ 35	+ 2
Trade concerns	- 148	- 254	- 194	- 82	- 132	- 210	- 86
Total	- 93	- 190	- 24	- 85	- 128	- 211	- 16
Sales finance	+ 460	+ 569	+ 602	+ 534	+ 226	+ 139	+ 406
<u>All other - total</u>	+ 407	+ 370	+ 258	+ 286	+ 21	- 193	+ 75
Metals and products	+ 109	+ 52	+ 69	+ 114	- 11	- 216	+ 31
Textiles, apparel and leather	- 43	- 20	- 27	- 3	- 4	- 30	- 33
Petroleum, coal, etc.	+ 43	+ 89	- 16	+ 93	+ 51	+ 30	+ 46
Other manufacturing and mining	- 7	- 65	- 23	+ 6	- 20	- 47	- 34
Public utilities	+ 174	+ 200	+ 217	+ 23	+ 63	+ 51	+ 12
Construction	+ 3	- 21	- 10	- 2	+ 14	- 14	- 10
All other types of business	+ 128	+ 135	+ 48	+ 25	- 72	+ 33	+ 63
Classified	+ 773	+ 750	+ 836	+ 736	+ 119	- 264	+ 465
Unclassified	+ 42	- 42	- 83	- 77	<u>2/</u> 79	<u>3/</u> 72	- 133
Total change	+ 815	+ 708	+ 753	+ 659	<u>2/</u> 40	<u>3/</u> 192	+ 332

- 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 \$35 million.
- 3/ Includes CCC certificates of interest which are estimated to have increased \$235 million.

Note: Classified data are for a sample of about 210 banks reporting changes in their larger loans; these banks hold about 95 per cent of total commercial and industrial loans of all weekly reporting banks and about 75 per cent of those of all commercial banks. Data are preliminary for week of December 31, 1958.

Not for publication

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

Business of Borrower	Last Wednesday in June to last Wednesday in December						
	1958	1957	1956	1955	1954	1953	1952
Food processors	+ 530	+ 331	+ 822	+ 480	+ 498	+ 501	+ 754
Commodity dealers	+ 411	+ 420	+ 739	+ 469	+ 539	+ 380	+ 662
Trade concerns	+ 94	- 8	+ 178	+ 327	+ 120	+ 1	+ 141
Total	+1,035	+ 743	+1,739	+1,276	+1,157	+ 882	+1,557
Sales finance	+ 268	- 108	+ 98	+ 704	+ 32	- 138	+ 544
All other - total	- 172	- 474	+ 883	+1,069	- 559	- 311	+ 394
Metals and products	- 452	- 496	- 71	+ 224	- 548	- 351	+ 1
Textiles, apparel and leather	- 231	- 159	- 6	+ 71	- 26	- 101	- 40
Petroleum, coal, etc.	- 18	+ 150	+ 428	+ 208	+ 88	+ 102	+ 250
Other manufacturing and mining	- 116	- 161	+ 72	+ 63	- 62	- 54	+ 36
Public utilities	+ 234	+ 183	+ 350	+ 27	- 225	+ 18	- 57
Construction	+ 52	- 49	- 66	+ 106	+ 82	- 23	+ 13
All other types of business	+ 359	+ 58	+ 176	+ 370	+ 132	+ 98	+ 191
Classified	+1,130	+ 161	+2,719	+3,050	+ 630	+ 433	+2,494
Unclassified	- 200	- 457	- 260	2/- 162	3/- 91	4/+ 150	- 59
Total change	+ 930	- 296	+2,459	2/+2,888	3/+ 539	4/+ 583	+2,435

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 \$300 million.

3/ Includes CCC certificates of interest which are estimated to have increased \$65 million.

4/ 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 about 95 per cent of total commercial and industrial loans of all weekly reporting banks and about 75 per cent of those of all commercial banks. Data are preliminary for week of December 31, 1958.

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 December						
	1958	1957	1956	1955	1954	1953	1952
Food processors	- 129	- 125	+ 520	- 60	- 7	- 120	- 114
Commodity dealers	+ 128	- 118	+ 353	+ 8	+ 176	- 252	+ 28
Trade concerns	- 71	- 9	+ 349	+ 473	+ 79	+ 208	+ 36
Total	- 72	- 252	+1,222	+ 421	+ 248	- 164	- 50
Sales finance	- 585	+ 258	- 224	+1,293	- 143	- 228	+ 327
<u>All other - total</u>	+ 23	+1,559	+3,844	+2,593	- 789	+ 465	+1,671
Metals and products	- 306	+ 439	+1,291	+ 401	-1,125	+ 94	+1,111
Textiles, apparel and leather	- 147	- 12	+ 232	+ 291	+ 29	+ 49	- 113
Petroleum, coal, etc.	- 158	+ 441	+ 852	+ 521	+ 78	+ 93	+ 426
Other manufacturing and mining	+ 41	+ 53	+ 441	+ 216	- 63	+ 41	+ 112
Public utilities	+ 57	+ 696	+ 715	+ 411	- 99	+ 103	- 59
Construction	+ 108	- 61	- 12	+ 240	+ 153	- 5	+ 31
All other types of business	+ 428	+ 3	+ 325	+ 513	+ 238	+ 90	+ 163
Classified	- 635	+1,565	+4,843	+4,307	- 684	+ 74	+1,948
Unclassified	- 380	- 612	- 141	2/- 23	3/- 273	4/- 84	- 150
Total change	-1,015	+ 953	+4,702	2/+4,284	3/- 957	4/- 10	+1,798

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 \$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.

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

4/ 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 about 95 per cent of total commercial and industrial loans of all weekly reporting banks and about 75 per cent of those of all commercial banks. Data are preliminary for week of December 31, 1958.

Not for publication

This year, large corporations were required to pay 20 per cent of their current year's tax liabilities in December compared with 15 per cent last December, but internal funds, particularly from rising profits, were larger this year than last. Banks in New York City accounted for slightly over 50 per cent of the tax-period borrowing, a larger proportion than in June or September, but about the same as a year ago. Subsequently, in the two weeks ending December 31, 1958, business loans increased \$220 million compared with a decline of \$70 million in the comparable two weeks last year.

During the five weeks ending December 31, loans to sales finance companies increased \$460 million, accounting for over half the total growth in business loans at city banks. This was somewhat less than these companies borrowed in the comparable weeks of the past three years. Loans to metals processors and to public utility concerns also increased substantially and in roughly the same volume as in 1957 and 1956. Loans to trade concerns dropped less than in other recent years.

Since mid-year, business loans at city banks have increased \$930 million. They declined \$300 million in the comparable period last year but rose \$2.5 billion to \$3 billion in the two previous years. In 1954 they had increased \$540 million. All the increase occurred outside New York City; at New York City banks, business loans declined \$60 million. The increase at banks outside New York during the second half of 1958 was nearly as large as in the comparable period of 1956 when business loan growth was substantial. However, loans to sales finance companies accounted for about one-third of the growth outside New York in 1958 but for only a negligible part of the 1956 growth at these banks. When sales finance company borrowing is omitted, growth in business loans outside New York has been only slightly more than half that of 1956. The volume of new loans made in ten districts reporting such information was somewhat larger in the last half of 1958 than in the same period a year ago and the volume of repayments was smaller.

Seasonal borrowing by food processors, commodity dealers, and trade concerns increased \$1 billion over the second half of 1958, somewhat more than last year, but less than the average of other recent years. Loans to sales finance companies increased \$270 million, more than in any other year except 1955 and 1952, but the year-end level on outstanding loans to these companies was considerably lower than in any year since 1954. Loans to public utilities, to "all other businesses", including loans to mortgage companies, and to construction companies all showed increases

Not for publication

Table 3

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

Item	1958	1957	1958	1957	1958	1957
	Nov. 27 Dec. 31	Nov. 28 Dec. 31	June 24 Dec. 31	June 27 Dec. 31	Jan. 1 Dec. 31	Jan. 1 Dec. 31
<u>Seasonally adjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	2/	- 0.8	+ 2.9	- 2.2	+ 5.2	- 1.6
Currency outside banks	- 0.2	2/	2/	+ 0.2	- 0.1	+ 0.4
Total	- 0.2	- 0.8	+ 2.9	- 2.0	+ 5.1	- 1.2
<u>Seasonally unadjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 2.9	+ 3.1	+ 8.3	+ 4.7	+ 4.2	- 1.1
Currency outside banks	- 0.2	- 0.2	+ 0.8	+ 0.5	+ 0.3	2/
Total	+ 2.7	+ 2.9	+ 9.1	+ 5.2	+ 4.5	- 1.2
Time deposits	+ 1.1	+ 1.5	+ 2.3	+ 2.7	+ 8.7	+ 6.9
Commercial banks	+ 0.8	+ 1.1	+ 1.4	+ 2.1	+ 6.8	+ 5.6
Mutual savings banks	+ 0.3	+ 0.4	+ 1.0	+ 0.8	+ 2.1	+ 1.7
U. S. Government deposits	- 1.4	+ 1.0	- 5.1	- 0.5	+ 0.2	+ 0.2
Total	+ 2.5	+ 5.3	+ 6.4	+ 7.4	+ 13.6	+ 5.9
<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>	+ 3.3	+ 2.7	+ 4.8	+ 3.7	+ 9.3	+ 7.5
Commercial	+ 2.6	+ 2.2	+ 3.5	+ 2.3	+ 6.4	+ 5.1
Mutual savings	+ 0.1	+ 0.1	+ 1.1	+ 1.1	+ 2.8	+ 2.2
Bank holdings of U. S. Government securities:	- 0.7	+ 2.0	+ 3.1	+ 3.6	+ 9.5	- 1.8
Federal Reserve	+ 0.4	+ 0.7	+ 1.2	+ 1.3	+ 2.0	- 0.7
Commercial	- 1.2	+ 1.3	+ 1.9	+ 2.7	+ 7.9	- 0.3
Mutual saving and other	2/	- 0.1	- 0.2	- 0.6	- 0.4	- 0.8
Gold stock and foreign deposits at F. R. Banks	- 0.1	- 0.1	- 0.8	+ 0.2	- 2.2	+ 0.8
Other factors	2/	+ 0.7	- 0.7	- 0.1	- 3.0	- 0.6

<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.

Note: Data for December 31, 1958, are preliminary estimates based on data reported by a sample of member banks. Revised estimates will be available at the end of January.

Not for publication

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

Item	Year ending December 31				
	1956	1955	1954	1953	1952
<u>Seasonally adjusted data</u> <sup>1/</sup>					
Demand deposits adjusted	+ 0.9	+ 3.0	+ 3.3	+ 1.7	+ 3.3
Currency outside banks	+ 0.3	+ 0.5	- 0.4	+ 0.4	+ 1.3
Total	+ 1.2	+ 3.5	+ 2.9	+ 2.1	+ 4.6
<u>Seasonally unadjusted data</u> <sup>1/</sup>					
Demand deposits adjusted	+ 1.5	+ 3.4	+ 4.1	+ 0.9	+ 3.3
Currency outside banks	+ 0.1	+ 0.4	- 0.2	+ 0.6	+ 1.2
Total	+ 1.5	+ 3.8	+ 3.9	+ 1.5	+ 4.5
Time deposits	+ 3.8	+ 3.1	+ 4.9	+ 4.6	+ 4.3
Commercial banks	+ 2.2	+ 1.5	+ 3.2	+ 3.0	+ 2.8
Mutual savings banks	+ 1.9	+ 1.8	+ 1.9	+ 1.8	+ 1.7
U. S. Government deposits	2/	- 0.6	+ 0.3	- 0.8	+ 1.8
Total	+ 5.4	+ 6.3	+ 9.0	+ 5.3	+10.6

Item	Year ending December 31					
	1951	1950	1949	1948	1947	1946
<u>Seasonally adjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 4.7	+ 5.5	+ 0.8	- 1.7	+ 3.8	n.a.
Currency outside banks	+ 1.1	- 0.2	- 0.6	- 0.6	n.a.	n.a.
Total	+ 5.8	+ 5.3	+ 0.2	- 2.3	n.a.	n.a.
<u>Seasonally unadjusted data</u> <sup>1/</sup>						
Demand deposits adjusted	+ 6.0	+ 6.5	+ 0.2	- 1.6	+ 3.8	+ 7.5
Currency outside banks	+ 0.9	2/	- 0.7	- 0.4	- 0.3	+ 0.2
Total	+ 6.9	+ 6.5	- 0.4	- 2.0	+ 3.6	+7.7
Time deposits	+ 2.2	+ 0.6	+ 1.1	+ 1.1	+ 2.5	+ 5.5
Commercial banks	+ 1.5	+ 0.2	+ 0.3	+ 0.6	+ 1.4	+ 3.7
Mutual savings banks	+ 0.9	+ 0.7	+ 0.9	+ 0.6	+ 0.9	+ 1.5
U. S. Government deposits	+ 0.2	- 0.4	+ 0.5	+ 1.3	- 1.2	-22.1
Total	+ 9.3	+ 6.7	+ 1.2	+ 0.4	+ 4.8	- 8.9

n.a. Not available.

<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.Not for publication

larger than last year and larger than the average over the five years prior to 1957. Loans to textile, apparel, and leather firms declined \$230 million, somewhat more than last year, and considerably more than in other years. While the reduction in loans to metal producers, \$450 million, was less than last year it exceeded the average decline for recent years.

Real estate loans increased further in December bringing growth over the second half of 1958 to \$1.8 billion, more than in the comparable period of any other postwar year. During the first half of 1958, growth in these loans had totaled only \$600 million, considerably more than in 1957, but considerably less than in most other recent years. Over the year 1958, the \$2.4 billion growth in real estate loans was about the same as that of 1955 and the two immediate postwar years. It exceeded growth in all other years.

Consumer loans are estimated to have increased \$100 million in December following little change since July. On balance, the small net growth in the second half of the year offset earlier declines. Lack of growth in the consumer sector was associated with the curtailment of durable goods purchases in early 1958, especially new autos. The only other recent years in which consumer loans at commercial banks have not shown substantial growth were 1951 and 1954.

Agricultural loans increased further in December bringing total growth for the year to \$900 million, more than in any other postwar year except 1948 and 1953. These loans had declined in each of the three years previous to 1958. Apparently increased credit demands on the part of farmers followed favorable price and income developments in the agricultural area.

Security loans increased \$700 million in December reflecting the usual end-of-year rise. Over 1958, these loans increased \$300 million, following a small decline in 1957. They rose sharply over the first half of the year, largely reflecting borrowing in June associated with mid-month Treasury financing, but they declined rapidly in July and August.

Deposits and currency. Seasonally adjusted demand deposit and currency holdings of businesses and individuals declined \$200 million in December. At the month-end, the active money supply was 3.2 per cent above its year-ago level. This was the largest yearly increase since 1952, but was only about half the peak postwar growth rates in 1946, 1950 and 1951. From January through July 1958, the money supply rose at an annual rate of 8 per cent, but since July, the annual growth rate was about 1-1/4 per cent.

Not for publication

Demand deposits adjusted increased \$2.9 billion in December, the normal seasonal amount. Currency outside banks declined \$200 million although normally, no change would be expected. U. S. Government deposits declined \$1.5 billion and total time deposits rose \$1.3 billion. On balance, total deposits and currency increased \$3.3 billion reflecting in addition to the credit growth at commercial banks, increases in loans and investments at mutual savings banks and additional holdings of U. S. Government securities at Federal Reserve Banks. Over 1958, total deposits and currency increased \$13.6 billion, much more than in any other postwar year; in 1951, 1952, and 1954, other years of substantial growth, total deposits and currency had increased in a range of \$9 billion to \$10.6 billion.

Time deposits at commercial banks increased \$800 million in December reflecting in part the crediting of year-end interest payments at many banks. Last year in December, these deposits had increased \$1.1 billion. Time deposit growth, which had accelerated markedly in 1957, reached an unprecedented total in the first half of 1958 of \$5.3 billion, an annual rate of growth of nearly 20 per cent. However, the rate of growth dropped sharply in the second half of 1958 when these deposits rose only \$1.4 billion, about the same as in the comparable period of several other recent years, but less than the postwar record \$2.1 billion growth in 1957. Over the year the increase of \$6.8 billion exceeded that of any other year.

At mutual savings banks, on the other hand, substantial growth in deposits continued throughout 1958. Increases in both the first and second halves of the year were larger than in any other year and deposits rose \$2.1 billion, but the percentage growth in 1958 was less than in the years 1952 through 1956. At savings and loan associations, growth in late 1958 (latest data available through November) continued to exceed that of the comparable period of 1957.

Deposit turnover. The seasonally adjusted annual rate of turnover of demand deposits at banks outside New York and other financial centers averaged 23.2 times in the fourth quarter of 1958, about the same as in the third quarter but slightly less than the third quarter 1957 peak of 23.7 times. Turnover fluctuated only slightly in 1958 after declining in late 1957. At banks in New York City, turnover averaged 50.3 times in the fourth quarter of 1958, almost 3 per cent below the fourth quarter of 1957. In contrast with behavior in other cities, turnover at banks in New York had continued to increase rapidly in late 1957 and the first half of 1958 but subsequently dropped.

Not for publication

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

	All member	New York	Chicago	Reserve City	Country
<u>Quarterly averages</u>					
1957: First	- 108	- 88	- 115	- 221	316
Second	- 485	- 196	- 141	- 373	224
Third	- 440	- 241	- 56	- 428	286
Fourth	- 265	- 109	- 105	- 320	276
1958: First	313	- 9	- 16	- 27	365
Second	508	18	4	63	422
Third	341	- 28	1	- 55	424
Fourth	33	- 35	- 17	- 192	277
1957: 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	- 133	- 105	- 77	- 228	277
1958: January	122	- 46	- 25	- 144	337
February	324	- 24	- 6	1	353
March	493	42	- 18	62	406
April	493	- 3	- 7	44	459
May	547	51	7	89	399
June	484	7	12	57	408
July	546	16	4	56	471
August	383	- 22	---	- 22	426
September	95	- 79	- 3	- 201	378
October	111	17	- 3	- 187	284
November	20	- 43	- 16	- 189	268
December	- 30	- 79	- 31	- 199	280
1958: November 26	- 22	- 50	- 19	- 169	216
December 3	- 72	---	- 21	- 302	251
December 10	54	2	- 19	- 197	268
December 17	- 38	- 68	- 18	- 185	233
December 24	12	- 173	- 47	- 151	383
December 31	- 117	- 52	- 55	- 223	213
1959: January 7	- 51	- 140	- 91	- 253	433

Note: Data for December and January are preliminary.

Not for publication

Bank reserves. Member bank reserve positions tightened somewhat further in December. Net borrowed reserves averaged \$30 million compared with free reserves of \$20 million in November, as shown in Table 4. This was the first month banks have held net borrowed reserves, on an average basis, since December 1957. Reserve positions tightened at central reserve city and reserve city banks but eased slightly at country banks. Borrowings averaged \$560 million in December, an increase of \$70 million from November, but excess reserves also rose slightly.

Reserve positions tightened in late November and early December when turn-of-the-month currency outflows, reductions in float, and changes in other factors absorbed more reserves than were supplied through System purchases of U. S. Government securities. Subsequently, however, positions eased somewhat and banks maintained free reserves, on the average, over the mid-month when reserves supplied principally by the usual sharp pre-Christmas rise in float and further System purchases of U. S. Government securities exceeded funds absorbed through currency outflows and increases in required reserves. Reserves tightened again in late December and early January when declines in float and reductions in System holdings of U. S. Government securities (in early January) reflecting sales of securities held under repurchase contracts and bill run-offs absorbed funds supplied through the post-Christmas currency inflow.

Over the month of December, as shown in Table 5, more reserves were absorbed through currency outflows (\$640 million), increases in required reserves (\$340 million), further reductions in gold stock (\$70 million), and changes in other factors draining reserves than were supplied through System purchases of U. S. Government securities (\$660 million) and increases in Reserve Bank float (\$460 million).

Interest rates. In December, the effective rate on Federal funds was generally 2-1/2 per cent although it fell as low as 1-1/2 per cent early in the month and also dropped slightly at the month-end. Money market rates increased slightly further. The rate on 4-6 months prime commercial paper rose from 3-1/8 per cent to 3-1/4 per cent; it temporarily rose to 3-3/8 per cent in mid-December. The rate on 3-6 month finance paper rose from 2-3/4 per cent to 3 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	December		July - December		January-December	
	1958	1957	1958	1957	1958	1957
<u>Member bank reserve balances</u>						
<u>Total</u>	+ 359	+ 462	+ 299	+ 438	- 521	- 115
Required reserves <u>1/</u>	+ 338	+ 396	+ 398	+ 358	- 471	- 40
Effect of reduction in requirements	---	---	---	---	-1,440	---
Effect of deposit change	+ 338	+ 396	+ 398	+ 358	+ 969	- 40
Excess reserves <u>1/</u>	+ 21	+ 65	- 99	+ 80	- 50	- 75
<u>Principal factors</u>			(signs indicate effect on reserves)			
Currency in circulation	- 638	- 596	-1,331	-1,029	- 438	- 156
Gold stock and foreign accounts	- 71	+ 3	- 908	+ 196	-2,123	+ 854
Treasury operations	- 59	+ 110	+ 8	+ 156	+ 77	+ 161
Federal Reserve float	+ 457	+ 317	+ 580	+ 273	+ 53	- 190
Other factors	- 74	+ 132	- 29	+ 118	- 262	- 4
<u>Effect of above factors on reserves</u>	- 385	- 34	-1,680	- 286	-2,693	+ 665
Federal Reserve loans and investments:						
<u>Total</u>	+ 743	+ 496	+1,981	+ 723	+2,174	- 780
U. S. Govt. securities	+ 662	+ 565	+1,563	+ 993	+2,330	- 783
Outright	+ 654	+ 339	+1,518	+ 698	+2,601	- 883
Repurchase agreements	+ 8	+ 226	+ 44	+ 295	- 271	+ 100
Acceptances	+ 5	+ 25	- 4	+ 23	- 4	- 7
Discounts and advances:						
To member banks	+ 71	- 94	+ 415	- 295	- 153	+ 22
To others	+ 5	---	+ 7	+ 2	+ 1	- 12

1/ Data for December 1958 are preliminary.

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

Not for publication

- 17 -  
Deposits and Currency  
(In billions of dollars)

Year or month	(1) Seasonally adjusted money supply 1/		(3) Cur- rency outside banks	(4) Seasonally adjusted money supply and time dep. at com'l banks (1+7)	(5) Demand deposits adjusted	(6) Time deposits				(9) U. S. Gov't deposits 2/	(11) Cur- rency outside banks	(12) Total deposits and currency (5+6+10 +11)
	Total (2+3)	Demand deposits adjusted				Total (7+8+9)	Commer- cial	Mutual savings	Postal savings			
End of Dec.												
1947	111.1	85.2	25.9	116.3	87.1	56.4	35.2	17.7	3.4	2.3	26.5	172.3
1948	108.8	83.5	25.3	114.6	85.5	57.5	35.8	18.4	3.3	3.6	26.1	172.7
1949	109.0	84.3	24.7	115.1	85.8	58.6	36.1	19.3	3.2	4.1	25.4	173.9
1950	114.3	89.8	24.5	150.6	92.3	59.2	36.3	20.0	2.9	3.7	25.4	180.6
1951	120.1	94.5	25.6	158.0	98.2	61.5	37.9	20.9	2.7	3.9	26.3	189.9
1952	124.7	97.8	26.9	165.4	101.5	65.8	40.7	22.6	2.5	5.6	27.5	200.4
1953	126.8	99.5	27.3	170.5	102.5	70.4	43.7	24.4	2.4	4.8	28.1	205.7
1954	129.7	102.8	26.9	176.5	106.6	75.3	46.8	26.3	2.1	5.1	27.9	214.8
1955	133.2	105.8	27.4	181.6	109.9	78.4	48.4	28.1	1.9	4.4	28.3	221.0
1956	134.4	106.7	27.7	185.0	111.4	82.2	50.6	30.0	1.6	4.5	28.3	226.4
1957:												
June 26	135.2	107.3	27.9	189.2	105.6	86.4	54.0	30.9	1.5	5.2	27.8	224.9
Sept 25	133.9	106.2	27.7	189.0	105.5	87.7	55.1	31.2	1.4	4.5	27.8	225.4
Dec. 31	133.2	105.1	28.1	189.3	110.3	89.1	56.1	31.7	1.3	4.7	28.3	232.3
1958:												
Jan. 29	132.2	104.7	27.5	188.8	107.6	89.8	56.6	31.9	1.3	2.9	27.3	227.7
Feb. 26	133.1	105.5	27.6	190.7	105.6	90.9	57.6	32.1	1.3	4.2	27.4	228.1
Mar. 26	134.0	106.4	27.6	192.8	104.6	92.5	58.8	32.4	1.3	6.4	27.4	230.9
Apr. 30	135.0	107.2	27.8	194.9	107.2	93.6	59.9	32.5	1.2	6.0	27.6	234.4
May 28	135.5	107.6	27.9	196.2	105.8	94.6	60.7	32.7	1.2	6.1	27.8	234.3
June 23	135.4	107.4	28.0	196.9	106.2	95.5	61.5	32.8	1.2	10.0	27.8	239.5
July 30	137.6	109.5	28.1	199.9	108.1	96.4	62.3	32.9	1.2	4.8	27.9	237.2
Aug. 27	137.3	109.2	28.1	200.0	107.5	97.0	62.7	33.1	1.2	6.2	28.0	238.7
Sept 24	136.7	108.9	27.8	199.4	108.1	97.2	62.7	33.3	1.2	5.0	27.9	238.1
Oct. 29p	137.9	110.0	27.9	200.8	110.8	97.4	62.9	33.4	1.2	4.2	28.0	240.4
Nov. 26p	138.5	110.3	28.2	200.6	111.6	96.7	62.1	33.5	1.1	6.3	28.8	243.3
Dec. 31p	138.3	110.3	28.0	201.2	114.5	97.8	62.9	33.8	1.1	4.9	28.6	245.9

p Preliminary

1/ Seasonally adjusted series begins in 1947 and is available only for last Wednesday of the month.

2/ At commercial, savings, and Federal Reserve Banks.

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	Security	Farm	Consumer	All other
1947: Dec. 31	116.2	69.2	9.0	37.9	18.2	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	33.2	20.8	5.0	4.5	13.2	6.5
1956: 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
Mar. 27	161.4	55.7	16.5	89.1	39.0	22.5	3.6	4.2	14.6	6.8
Apr. 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	57.1	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	15.3	7.2
July 31	164.1	56.3	16.8	91.0	39.6	22.7	3.7	3.9	15.4	7.2
Aug. 28	164.6	56.2	16.9	91.5	39.9	22.8	3.8	3.8	15.5	7.2
Sept 25	165.1	55.9	17.1	92.2	40.3	22.9	3.8	3.8	15.6	7.3
Oct. 30	166.5	57.3	17.6	91.6	39.7	22.9	3.7	4.0	15.7	7.2
Nov. 27	165.9	56.9	17.4	91.5	39.6	23.0	3.6	4.0	15.6	7.3
Dec. 31	169.3	58.2	17.9	93.2	40.5	23.1	4.2	4.1	15.7	7.3
1958: Jan. 29	166.2	57.7	17.9	90.5	38.8	23.1	3.6	4.2	15.5	7.2
Feb. 26	167.1	58.3	18.2	90.6	38.6	23.2	3.9	4.4	15.3	7.1
Mar. 26	169.9	59.6	18.9	91.5	39.2	23.2	4.2	4.4	15.2	7.1
Apr. 30	174.0	62.8	19.3	91.9	38.4	23.3	5.1	4.4	15.3	7.2
May 28	173.8	63.1	19.4	91.3	38.1	23.5	4.4	4.4	15.4	7.2
June 25	178.2	64.6	20.0	93.6	38.8	23.7	5.4	4.6	15.5	7.4
July 30	176.2	64.1	19.9	92.2	37.9	23.9	4.5	4.6	15.6	7.4
Aug. 27	178.3	66.1	20.2	92.1	38.3	24.1	3.6	4.6	15.6	7.6
Sept 24	177.9	64.7	20.6	92.6	38.7	24.3	3.7	4.7	15.6	7.5
Oct. 29p	179.8	66.0	20.5	93.3	38.8	24.7	3.6	4.8	15.6	7.6
Nov. 26p	182.2	67.3	20.3	94.6	39.2	25.1	3.8	4.9	15.6	7.7
Dec. 31p	183.7	66.1	20.4	97.1	40.1	25.5	4.5	5.0	15.7	8.0

p - Preliminary

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 and have been revised beginning with June 1957. Other data are partly estimated on all but June and December call dates. Data for December 31, 1958 are preliminary estimates based on data reported by a sample of member banks.