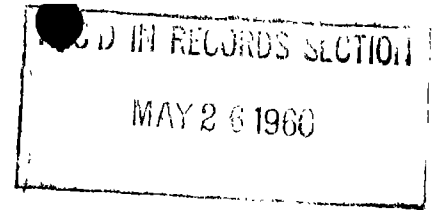




BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



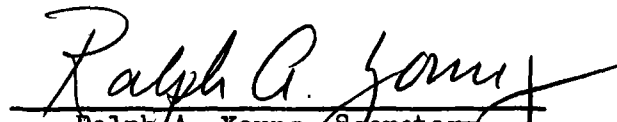
May 25, 1960.

CONFIDENTIAL (FR)

TO: Federal Open Market Committee

FROM: Mr. Young

Attached for your information is a set of tables presenting preliminary flows-of-funds estimates for the first quarter of 1960 and comparative data for other periods. These data were discussed in the staff memorandum on "Recent Economic and Financial Developments in the United States and Abroad," sent to the Committee, and also in Mr. Thomas' presentation at the meeting of the Committee. The data help to illuminate the changes in financial conditions that brought about the sharp readjustment in interest levels in the first quarter.


Ralph A. Young, Secretary,
Federal Open Market Committee

Attachment

Flow-of-Funds/Saving
 Preliminary estimates
 for first quarter 1960

Table 1. NATIONAL SAVING
 (Billions of dollars)

	Annual totals			Quarterly totals						Change in net flow from:	
	1957	1958	1959	Q4-1957	Q1-1958	Q4-1958	Q1-1959	Q4-1959	Q1-1960	Q4-58 to Q1-59	Q1-59 to Q1-60
	Net-national saving	37.5	13.9	36.5	4.7	6.7	4.0	10.3	7.4	11.7	+3.4
PLUS: Capital consumption changes	72.7	74.9	78.4	18.7	18.1	19.4	19.1	20.2	20.4	+.8	+1.3
EQUALS: Gross national saving	110.2	93.8	114.9	23.4	24.8	23.4	29.4	27.6	32.1	+4.2	+2.7
LESS: Government saving	.3	-12.8	-9.5	-6.3	3.1	-9.2	.2	-6.5	3.4	+2.7	+3.2
EQUALS: Gross private saving	<u>109.9</u>	<u>106.6</u>	<u>124.4</u>	<u>29.7</u>	<u>21.7</u>	<u>32.6</u>	<u>29.2</u>	<u>34.1</u>	<u>28.7</u>	<u>+1.5</u>	<u>-.5</u>
Consumer saving	67.9	67.2	73.1	15.6	17.0	16.6	18.9	16.3	19.3	-.3	+.4
Nonfinancial business saving	38.0	36.1	47.0	14.0	3.6	15.8	9.0	17.1	7.5	+1.3	-1.5
Financial business saving	3.9	3.4	4.3	.1	1.0	.2	1.4	.6	1.9	+.4	+.5

FEDERAL RESERVE SYSTEM
 RECORDS SECTION
 MAY 10 1960

Flow-of-Funds/Saving
Preliminary estimates
for first quarter 1960

Table 2

SECTOR NET FINANCIAL INVESTMENT

(+ indicates net funds advanced, - indicates net funds raised)

(Billions of dollars)

Sectors	Annual totals			Quarterly totals						Change in net flow from:	
	1957	1958	1959	Q4-1957	Q1-1958	Q4-1958	Q1-1959	Q4-1959	Q1-1960	Q4-58 to Q4-59	Q1-59 to Q1-60
Government	<u>.6</u>	<u>-13.1</u>	<u>-8.9</u>	<u>-5.6</u>	<u>2.3</u>	<u>-7.9</u>	<u>-1.0</u>	<u>-4.6</u>	<u>2.7</u>	<u>+3.3</u>	<u>+3.7</u>
Federal	3.6	-8.2	-4.5	-5.0	3.5	-7.6	.7	-4.8	3.8	+2.8	+3.1
State and local	-3.0	-4.9	-4.4	-.6	-1.2	-.3	-1.7	.2	-1.1	+.5	+.6
Private domestic sectors	<u>4.5</u>	<u>13.5</u>	<u>8.0</u>	<u>4.7</u>	<u>-.9</u>	<u>7.3</u>	<u>1.9</u>	<u>4.0</u>	<u>-2.1</u>	<u>-3.3</u>	<u>-4.0</u>
Consumer	11.3	12.5	12.3	1.8	4.8	2.8	4.0	2.5	2.5	-.3	-1.5
Nonfinancial business	-9.4	-2.4	-8.5	3.3	-6.2	5.0	-3.8	1.3	-7.0	-3.2	-3.2
Financial business	2.6	3.4	4.2	-.4	.5	-.5	1.7	-.3	2.4	+.2	+.7
Foreign transactors	-4.2	-.4	1.7	-.7	-.3	*	.4	.8	.1	+.8	-.3

Flow-of-Funds/Saving
 Preliminary estimates
 for first quarter 1960

Table 3
 CONSUMER SAVING AND INVESTMENT
 (Billions of dollars)

	Annual totals			Quarterly totals						Change in net flow from:	
	1957	1958	1959	Q4-57	Q1-58	Q4-58	Q1-59	Q4-59	Q1-60	Q4-58 to Q4-59	Q1-59 to Q1-60
Net saving	27.9	25.5	30.0	5.4	6.7	6.2	8.3	5.2	8.0	-1.0	-.3
PLUS: Depreciation	40.0	41.6	43.0	10.2	10.3	10.5	10.6	11.1	11.3	+.6	+.7
EQUALS: Gross saving	67.9	67.2	73.1	15.6	17.0	16.6	18.9	16.3	19.3	-.3	+.4
LESS: Tangible capital expenditures (for homes, durable goods, etc.)	58.5	55.8	65.2	16.2	12.7	16.6	14.5	13.5	15.3	+1.9	+.8
Items unaccounted for	-1.3	-1.1	-4.3	-2.4	-.5	-2.8	.4	-4.7	1.6	-1.9	+1.2
EQUALS: Net financial investment	11.3	12.5	12.3	1.8	4.8	2.8	4.0	2.5	2.5	-.3	-1.5
PLUS: Net increase in liabilities (mortgage debt, consumer credit, security credit, and other)	11.8	12.1	20.8	3.6	.4	5.9	3.0	6.8	2.1	+.9	-.9
EQUALS: Net acquisition of financial assets	<u>23.1</u>	<u>24.6</u>	<u>33.1</u>	<u>5.4</u>	<u>5.2</u>	<u>8.7</u>	<u>7.0</u>	<u>9.3</u>	<u>4.5</u>	<u>+.6</u>	<u>-2.5</u>
Demand deposits and currency	-.8	2.5	1.1	1.3	-1.3	2.2	-1.1	1.6	-2.9	-.6	-1.8
Fixed value redeemable claims (time deposits, savings and loans and credit union shares, savings bonds)	9.8	13.6	9.5	2.9	3.3	3.6	2.3	2.0	1.5	-1.6	-.8
Saving through life insurance and pension funds	9.0	10.3	10.9	2.3	2.6	2.8	2.7	2.9	2.9	+.1	+.2
Net investment in unincorporated business	-4.5	-5.5	-5.2	-1.1	-1.4	-1.4	-1.3	-1.3	-1.2	+.1	+.1
Credit and equity market instruments	<u>9.7</u>	<u>3.6</u>	<u>16.7</u>	<u>.2</u>	<u>2.0</u>	<u>1.4</u>	<u>4.5</u>	<u>4.2</u>	<u>4.3</u>	<u>+2.8</u>	<u>-.2</u>
Federal obligations	2.5	-2.3	10.6	-1.0	-.3	.5	3.1	3.8	2.3	+3.3	-.8
Other securities and mortgages	7.2	5.9	6.1	1.2	2.3	.9	1.4	.4	2.0	-.5	+.6

Flow-of-Funds/Saving
Preliminary estimates
for first quarter 1960

Table 4
FUNDS RAISED AND ADVANCED IN CREDIT AND EQUITY MARKETS
(Billions of dollars)

	Annual flows			Quarterly flows						Change in net flows from:	
	1957	1958	1959	Q4-57	Q1-58	Q4-58	Q1-59	Q4-59	Q1-60	Q4-58 to Q4-59	Q1-59 to Q1-60
Total flows in credit and equity markets	36.6	45.2	61.9	11.9	2.8	22.7	7.3	17.7	2.7	-5.0	-4.6
By type of instrument:											
Federal obligations	1.3	9.1	11.5	2.0	-2.0	7.7	*	4.2	-4.1	-3.5	-4.1
All other	35.4	36.2	50.3	9.9	4.9	15.0	7.3	13.5	6.8	-1.5	-5.5
Securities	16.2	16.8	14.1	3.8	5.1	3.5	3.6	3.1	3.4	-.4	-.2
Mortgage debt	12.1	14.6	19.2	2.9	2.5	4.4	4.1	4.5	3.5	+.1	-.6
All other loans 1/	7.1	4.8	17.0	3.2	-2.7	7.1	-.4	5.9	-.1	-1.2	+.3
By sector raising funds:											
Federal Government	1.0	9.3	10.9	2.3	-2.0	7.9	-.2	4.2	-4.1	-3.7	-3.9
State and local governments	4.9	5.9	5.1	1.1	2.0	.8	1.3	.5	1.3	-.3	*
Foreign borrowers	1.4	2.4	.8	.6	.5	.7	.2	*	.2	-.7	*
Private domestic sectors	28.2	27.6	45.1	7.8	2.2	13.3	6.1	13.0	5.3	-.3	-.8
Consumers	11.7	12.0	20.8	3.6	.4	5.9	3.0	6.8	2.1	+.9	-.9
Nonfinancial business	15.0	14.1	18.5	3.1	2.2	5.3	2.3	3.9	3.6	-1.4	+1.3
Financial business	2.6	1.5	5.8	1.1	-.4	2.1	.8	2.3	-.4	+.2	-1.2
By sector advancing funds:											
Government (Federal, State, and local)	5.1	3.7	6.6	1.3	.9	1.5	1.3	1.1	.8	-.4	-.5
Foreign lenders	.6	-.1	3.1	.4	-.5	.3	.1	.7	.5	+.4	+.4
Private domestic nonfinancial sectors	8.7	5.0	22.2	2.4	-.4	6.1	5.4	6.3	4.0	+.2	-1.4
Consumers	9.7	3.6	16.7	.2	1.9	1.4	4.5	4.2	4.3	+2.8	-.2
Nonfinancial business	-1.0	1.4	5.5	2.2	-2.3	4.7	.9	2.1	-.3	-2.6	-1.2
Commercial banking system	4.3	17.0	5.2	3.6	-1.2	8.0	-5.6	3.4	-7.9	-4.6	-2.3
Other financial institutions	17.8	19.7	24.8	4.1	4.1	6.9	6.2	6.3	5.4	-.6	-.8
Savings institutions 2/	7.2	9.1	10.6	1.3	1.7	2.3	2.8	1.6	2.2	-.7	-.6
Insurance companies and private pension funds	8.3	8.8	9.6	2.0	2.3	2.5	2.4	2.7	2.8	+.2	+.4
Other 3/	2.3	1.8	4.6	.8	.1	2.1	1.0	2.0	.4	-.1	-.6

For notes to table see following page.

Notes to Table 4

- 1/ Consumer credit, security credit, open-market paper, other bank loans, policy loans, government lending.
- 2/ Mutual savings banks, savings and loan associations, and credit unions.
- 3/ Mainly brokers and dealers, finance companies, and open-end investment funds.

Flow-of-Funds/Saving
Preliminary estimates
for first quarter 1960

Table 5. SUMMARY OF PRINCIPAL FINANCIAL FLOWS

(Billions of dollars)

	Annual totals			Quarterly totals						Change in net flows from:	
	1957	1958	1959	Q4-57	Q1-58	Q4-58	Q1-59	Q4-59	Q1-60	Q4-58 to Q4-59	Q1-59 to Q1-60
Credit and equity market instruments ^{1/}	36.6	45.2	61.9	11.9	2.8	22.7	7.3	17.7	2.7	-5.0	-4.6
Fixed value redeemable claims	<u>10.1</u>	<u>16.1</u>	<u>7.5</u>	<u>2.9</u>	<u>5.5</u>	<u>3.1</u>	<u>2.3</u>	<u>1.5</u>	<u>1.5</u>	<u>-1.6</u>	<u>-2.8</u>
Time deposits	<u>6.8</u>	<u>10.1</u>	<u>2.2</u>	<u>1.4</u>	<u>4.3</u>	<u>.9</u>	<u>1.1</u>	<u>-.2</u>	<u>-.2</u>	<u>-1.1</u>	<u>-.9</u>
At commercial banks	5.5	8.0	1.1	1.0	3.6	.5	.6	-.2	*	-.7	-.6
At mutual savings banks and Postal Savings	1.3	2.1	1.1	.4	.7	.4	.5	*	.3	-.4	-.3
Savings and loan and credit union shares	5.2	6.5	7.2	1.8	1.3	2.3	1.4	2.2	1.5	-.1	+1
U. S. Savings bonds ^{2/}	-1.9	-.5	-1.8	-.4	-.1	-.2	-.2	-.6	-.2	-.4	*
Consumer share of total	9.8	13.6	9.5	2.9	3.3	3.6	2.3	2.0	1.5	-1.6	-.8
Demand deposits and currency	<u>-.8</u>	<u>5.8</u>	<u>1.1</u>	<u>3.1</u>	<u>-5.2</u>	<u>8.0</u>	<u>-7.3</u>	<u>3.8</u>	<u>-9.1</u>	<u>-4.2</u>	<u>-1.8</u>
Change in holdings of											
Federal Government	.2	.1	.7	-2.7	1.5	*	-.5	-1.3	-.4	-1.3	+1
Other domestic sectors	*	<u>6.2</u>	<u>1.2</u>	<u>4.0</u>	<u>-4.4</u>	<u>6.1</u>	<u>-4.9</u>	<u>4.5</u>	<u>-7.1</u>	<u>-1.6</u>	<u>-2.1</u>
Consumer	-.8	2.5	1.1	1.3	-1.3	2.2	-1.1	1.6	-2.9	-.6	-1.8
Nonfinancial business	.3	3.1	-.4	1.4	-2.8	2.8	-3.1	1.6	-3.5	-1.2	-.4
Other domestic ^{3/}	.5	.6	.5	1.4	-.4	1.0	-.7	1.2	-.8	+2	-.1
Foreign holders	.2	*	.1	*	-.3	.3	-.1	-.1	-.4	-.4	-.3

^{1/} See Table 4 for breakdowns by financial instrument, by debtor sector, and by creditor sector.

^{2/} Covers only savings bonds held by consumers; other savings bonds are covered in credit and equity market instruments.

^{3/} Financial sectors and State and local governments.