

grew at about twice the rate of the first postwar decade. Consumers were the major source of these increased inflows—accounting for about two-thirds of the additional growth of total time and savings deposits during this period.

Four increases in Regulation Q ceiling rates in the period from 1962 through 1965 permitted banks to continue to attract deposits from consumers. But the decision of large banks in early 1961 to issue large-denomination negotiable certificates of deposit (CD's) to nonfinancial businesses broadened the area of bank competition for funds and signaled the beginning of more intensive efforts to attract deposits.

Time deposit inflows accelerated to an average annual rate of 15 per cent over the 1962–65 period. Acquisitions by consumers accounted for about one-half of the increased inflow, a smaller proportion than in the previous 5 years. On the other hand, expanded purchases by nonfinancial corporations accounted for almost one-third of the additional inflow, as compared with about one-fourth in the 1957–61 period. Large banks obtained more than one-third of their time deposit inflows from negotiable CD's in 1962–65 and accounted for most of the growth in total time deposits at all banks. But banks in all size groups, located all over the country, had accelerated time and savings deposit inflows in this period.

With a vast increase in their time deposits, banks expanded sharply the amount of funds supplied to credit markets in the form of loans and investments. Annual growth rates of bank credit, which averaged about 4 per cent in the first 10 years after World War II, accelerated to an average of nearly 9 per cent in the period 1962–65. The share of bank credit in the total supply of funds to nonfinancial borrowers rose correspondingly. In the 1962–65 period of accelerated time deposit growth, bank credit accounted for more than one-third of the total, compared with only about one-fifth in the first postwar decade.

PUBLIC FINANCIAL ASSET PORTFOLIOS

The larger inflows of time deposits at banks altered the percentage distribution of financial asset acquisitions of the public—with time deposits gaining at the expense of other financial assets. In the period from 1957 through 1961 the increased share of financial asset purchases by the public that were allocated to time deposits was accompanied mainly by a relative decline in the public's accumulation of money, as Chart 2 indicates. The proportion devoted to acquisitions of market securities did decline