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CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

March 15, 1974

By the Staff
Board of Governors
of the Federal Reserve System

SUPPLEMENTAL NOTES

The Domestic Economy

Autos. Sales of new domestic-type autos in the first 10 days of March were at a 7.0 million unit annual rate, a third below the level of the same period a year ago and 6 percent below the month of February as a whole. The decline from last month was due in part to the termination of some sales incentive contests in February.

Inventories. Book value of retail trade inventories rose at a \$1.7 billion annual rate in January (p), following the sharply upward-revised \$7.5 billion December rate. In January, auto stocks increased at a \$.4 billion rate down from the \$1.6 billion gain in December and the \$8.1 billion rise in November. Nondurable goods inventories rose \$.8 billion, annual rate in January. The retail trade inventory-sales ratio fell from 1.51 in December to 1.48 in January.

Book value of total manufacturing and trade inventories increased at an annual rate of \$28.6 billion in January (p), sharply lower than the \$44.6 billion December rate. The overall manufacturing and trade inventory-sales ratio edged down from 1.46 in December to 1.43 in January.

Retail trade inventories have been revised from 1972 to date, reflecting a benchmark adjustment and revised seasonal factors. The accompanying tables reflect these new data and supercede those in the March Greenbook.

BUSINESS INVENTORIES
(Change at annual rates in seasonally adjusted
book values, \$ billions)

	1973				1974
	QIII	QIV	Nov.	Dec.	Jan. (p)
Manufacturing and trade	21.1	36.5	40.2	44.6	28.6
Manufacturing, total	12.4	19.0	14.5	29.2	14.7
Durable	9.8	12.8	8.3	21.6	9.7
Nondurable	2.6	6.3	6.2	7.7	5.0
Trade, total	8.7	17.5	25.7	15.4	13.9
Wholesale	4.5	6.6	10.6	7.9	12.2
Retail	4.2	10.9	15.1	7.5	1.7
Auto	1.2	4.4	8.1	1.6	.4

INVENTORY RATIOS

	1972	1973	1973	1974
	Dec.	Jan.	Dec.	Jan. (p)
<u>Inventories to sales:</u>				
Manufacturing and trade	1.47	1.45	1.46	1.43
Manufacturing, total	1.61	1.58	1.60	1.54
Durable	1.92	1.87	1.98	1.91
Nondurable	1.23	1.23	1.18	1.13
Trade, total	1.33	1.31	1.32	1.31
Wholesale	1.18	1.17	1.09	1.09
Retail	1.43	1.41	1.51	1.48
<u>Inventories to unfilled orders:</u>				
Durable manufacturing	.856	.846	.716	.713

Manufacturers' inventory and sales anticipations. According to a survey conducted in January, manufacturers expected the book value of their inventories to increase at an annual rate of \$18.0 billion in the current quarter and at a rate of \$19.6 billion in the second quarter of 1974. The actual fourth quarter 1973 rate of \$19.2 billion was about \$8 billion larger than had been anticipated in the October survey.

Manufacturers expect sales to decline at an annual rate of 11.9 percent in the current quarter and to increase at an annual rate of 8.0 percent in the second quarter of 1974. Sales grew at a 16.1 percent annual rate in the fourth quarter. Inventory-shipments ratios of 1.71 and 1.74 are expected for the first and second quarters of 1974 respectively, compared with the fourth quarter ratio of 1.60.

The Domestic Financial Situation

Mortgage market. In February, average interest rates on new commitments for conventional new- and existing-home mortgages fell by 10 and 5 basis points, respectively, according to the HUD (FHA) field office opinion survey--a finding consistent with the results of the FHLMC weekly survey of conventional mortgage rates at selected S&L's. Private secondary market yields on FHA-insured new-home mortgages averaged 8.54 percent at the end of February--64 basis points below the September peak.

AVERAGE RATES AND YIELDS ON NEW-HOME MORTGAGES
(HUD-FHA Field Office Opinion Survey)

End of month	Primary market		Secondary market <u>1/</u>		
	Conventional loans		FHA-insured loans		
	Level <u>2/</u>	Spread <u>4/</u>	Level <u>3/</u>	Spread <u>4/</u>	Discounts
	(percent)	(basis points)	(percent)	(basis points)	(points)
1973 - Low	7.70 (Jan.)	30 (Jan.)	7.55 (Jan.)	15 (Jan.)	2.2 (Dec.)
High	8.95 (Sept.)	114 (Sept.)	9.18 (Sept.)	137 (Sept.)	9.4 (July)
Sept.	8.95	114	9.18	137	5.2
Oct.	8.80	83	8.97	100	3.6
Nov.	8.75	90	8.86	101	2.8
Dec.	8.75	77	8.78	80	2.2
1974 - Jan.	8.65	40	--	--	--
Feb.	8.55	45	8.54	44	2.3

1/ Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates on FHA-insured loans.

2/ Average contract rate (excluding fees or points) on commitments for conventional first mortgage loans, rounded to the nearest 5 basis points.

3/ Average gross yield (before deducting servicing costs) to investors on 30-year minimum-downpayment FHA-insured first mortgages for immediate delivery in the private secondary market (excluding FNMA), assuming prepayment in 15 years.

4/ Average gross mortgage rate or yield minus average yield on new issues of Aaa utility bonds in the last week of the month.

Offerings to FNMA in its March 11 auction of forward purchase commitments for FHA/VA home mortgages increased sharply from the volume in recent auctions, and the average yield on accepted bids edged up by one basis point from the February 28 auction--the first increase since mid-September of last year. Rather than a surge in mortgage originations, the substantial increase in offerings reflected in part a decline in the demand for mortgages for pools to back issues of GNMA-guaranteed securities and, more generally, growing doubt among mortgage bankers that the downtrend in mortgage yields since September is likely to continue.

FNMA COMMITMENT AUCTIONS
(FHA/VA HOME MORTGAGES)

	Offerings		Percent of offers accepted	Yield to FNMA <u>1/</u> (percent)
	Received (millions of dollars)	Accepted (millions of dollars)		
1973 - High	551 (9/4)	289 (9/4)	88 (4/16)	9.37 (9/17)
Low	25 (10/15, 11/26)	17 (10/15)	43 (8/20)	7.69 (1/8)
Sept. 4	551	289	52	9.27
17	138	108	79	9.37
Oct. 1	33	25	76	9.11
15	25	17	68	8.97
30	28	22	79	8.94
Nov. 12	29	23	79	8.87
26	25	21	84	8.81
Dec. 17	39	36	94	8.78
1974 - Jan. 14	40	36	89	8.71
Feb. 11	50	49	98	8.53
25	58	42	73	8.43
Mar. 11	351	285	81	8.44

1/ Average gross yield on mortgages FNMA has committed to purchase within four months, assuming a prepayment period of 12 years for 30-year loans. The yield is calculated before deduction of 38 basis points paid by FNMA for mortgage servicing and without inclusion of FNMA commitment charges.

CORRECTION

Page I - 19, end of last sentence of text should be 300,000.

INTEREST RATES

	1973		1974	
	Highs	Lows	Feb. 19	Mar. 14
<u>Short-Term Rates</u>				
Federal funds (wkly. avg.)	10.84(9/26)	5.61(1/3)	8.93(2/13)	9.03(3/13)
3-month				
Treasury bills (bid)	9.05(8/14)	5.12(1/4)	7.03	7.72
Comm. paper (90-119 day)	10.50(9/19)	5.63(1/12)	7.88	8.50
Bankers' acceptances	11.00(9/20)	5.75(1/11)	8.13	8.63
Euro-dollars	11.69(8/9)	5.81(1/5)	8.44	8.88
CD's (NYC) 90-119 day				
Most often quoted new	10.75(9/19)	5.50(1/3)	8.00(2/13)	8.25(3/13)
6-month				
Treasury bills (bid)	9.00(9/13)	5.38(1/4)	6.80	7.54
Comm. paper (4-6 mo.)	10.50(9/20)	5.63(1/12)	7.75	8.25
Federal agencies	9.80(9/13)	5.64(1/3)	7.16	7.96(3/13)
CD's (NYC) 180-269 day				
Most often quoted new	9.38(8/15)	5.63(1/3)	7.50(2/13)	7.75(3/13)
1-year				
Treasury bills (bid)	8.50(9/13)	5.40(1/4)	6.39	7.02
Federal agencies	9.49(8/13)	5.86(1/2)	7.01	7.67(3/13)
CD's (NYC)				
Most often quoted new	8.50(9/19)	5.75(1/3)	7.25(2/13)	7.25(3/13)
Prime municipals	6.00(8/8)	3.20(1/3)	3.70(2/15)	4.20
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	8.13(8/7)	6.23(1/4)	6.76	7.14
20-years	7.83(8/7)	6.04(1/3)	7.44	7.67
Corporate				
Seasoned Aaa	7.77(8/24)	7.10(1/2)	7.87	8.00
Baa	8.68(8/30)	7.88(1/12)	8.61	8.63
New Issue Aaa Utility	8.52(8/8)	7.29(1/10)	8.05(2/13)	8.33p(3/13)
Municipal				
Bond Buyer Index	5.59(8/1)	4.99(10/10)	5.18(2/13)	5.32(3/13)
Mortgage--average yield				
in FIMA auction	9.37(9/17)	7.69(1/8)	8.53(2/11)	8.44(3/11)

SUPPLEMENTAL APPENDIX A*
MONTHLY SURVEY OF TIME AND SAVINGS DEPOSITS AT MEMBER BANKS
JANUARY 1974

Four-year consumer-type deposits at member banks showed a sharp increase of more than \$1.4 billion in January according to data reported in a new special monthly survey of time and savings deposits (Table 1). The January increase was more than three times the December growth and reversed a gradual slowing in four-year deposit inflows over the October-December period. Although larger banks continued to issue the largest share of such deposits, inflows also were substantial at the smaller banks. The January surge in four-year deposits offset a sizable decline in other small denomination time deposits and accounted for almost all the increase in small denomination consumer-type balances at commercial banks during that month (Table 2, columns (3) and (1)).

In addition to four-year certificates, the special survey also obtains data on large time deposits at member banks other than negotiable CD's at weekly reporting banks.^{1/} Over the four months for which survey data are available, these other large deposits--which are not considered to be consumer accounts--have been responsible for a major share of the growth in the "other time" component of M₂ at member banks. In January, large time deposits other than negotiable CD's at weekly reporting banks increased close to \$2.5 billion, thus accounting for over two-thirds of the growth in the "other time" component of M₂ at member banks; the remainder of the increase was in four-year deposits (Table 3).

* Prepared by Martha S. Scanlon, Economist, Banking Section, Division of Research and Statistics.

^{1/} Such deposits would include negotiable and non-negotiable CD's at nonweekly reporting banks and non-negotiable CD's at weekly reporting banks.

TABLE 1

CHANGE IN FOUR-YEAR DEPOSITS IN DENOMINATIONS OF \$1,000-\$100,000
 AT MEMBER BANKS BY SIZE OF BANK
 OCTOBER 1973 - JANUARY 1974
 (In millions of dollars, not seasonally adjusted)

	All member banks	Size of bank (total deposits in millions of dollars)		
		Less than 100	100 - 500	Over 500
	(1)	(2)	(3)	(4)
1973 - October	+ 703	+ 243	+ 178	+ 282
November	+ 593	+ 103	+ 168	+ 323
December	+ 439	+ 186	+ 105	+ 147
1974 - January p	+1,434	+ 539	+ 327	+ 568
Total p	+3,169	+1,071	+ 778	+1,320

NOTE: Changes are calculated from deposit data reported for last Wednesday of each month. Figures may not add to totals due to rounding.

p - Preliminary.

TABLE 2

NET CHANGE IN CONSUMER-TYPE TIME AND SAVINGS DEPOSITS
AT MEMBER BANKS

OCTOBER 1973 - JANUARY 1974

(In millions of dollars, not seasonally adjusted)

	Total savings and time deposits less than \$100,000 <u>1/</u>	Savings deposits	Time deposits less than \$100,000	
			4-year deposits \$1,000-\$100,000	All other
1973 - October	- 153	- 215	+ 703	- 641
November	- 174	- 534	+ 593	- 233
December	+ 904	+ 106	+ 439	+ 359
1974 - January p	+1,071	+ 717	+1,434	-1,080
Total: Oct.-Jan.	+1,648	+ 74	+3,169	-1,595

NOTE: Changes are calculated from single day data for last Wednesday of each month. Figures may not add to totals due to rounding.

1/ Column (1) is the sum of columns (2) through (4).

TABLE 3

NET CHANGE IN "OTHER TIME" COMPONENT OF M₂ AT MEMBER BANKS
BY TYPE OF DEPOSIT

OCTOBER 1973 - JANUARY 1974

(In millions of dollars, not seasonally adjusted)

	"Other time" deposit component of M ₂ 1/	Total time deposits of \$100,000 or more less large negotiable CD's at weekly reporting banks	Savings and time deposits of less than \$100,000
1973 - October	+1,520	+1,673	- 153
November	- 197	- 23	- 174
December	+2,326	+1,423	+ 904
1974 - January	+3,517	+2,446	+1,071
Total: Oct.-Jan.	+7,166	+5,519	+1,648

NOTE: Changes are calculated from single day data for last Wednesday of each month. Figures may not add to totals due to rounding.

1/ "Other time" deposits equal total time and savings deposits at member banks less large negotiable CD's at weekly reporting banks. Column (1) is the sum of columns (2) and (3).

SUPPLEMENTAL APPENDIX B*
QUARTERLY SURVEY OF BANK LENDING PRACTICES
FEBRUARY 15, 1974

The most recent Quarterly Survey of Changes in Bank Lending Practices taken February 15, 1974, indicated continued deterioration of expectations for commercial and industrial loan demand among the 125 respondents. About one-third of the participants thought that loan demand was weaker than at the time of the previous survey in November last year, and looking ahead, nearly half the respondents thought loan demand would moderate still further in the next three months (Table 1).

Although by historical standards, the 10.6 per cent seasonally adjusted annual rate of growth of C&I loans at all commercial banks in the three months ending in February (roughly the period between surveys) is high, for the first three quarters of 1973 business loans grew at an annual rate of 25.9 per cent. Thus, the respondents' perception of weakness in the demand for C&I loans must be understood within the context of the extremely rapid pace of business borrowing at banks over most of last year.

With loan demand weakening and the cost of funds declining, there was an easing in interest rate policy reported by more than half of the respondents, as indicated in Table 1. This is consistent with the decline in the prime rate by 50 basis points over the three-month period between surveys. A significantly higher proportion of the smaller banks--those with total assets of less than \$1 billion--moved toward lower interest rates than larger banks (Table 2), but the survey results do not suggest why this is the case.

As in the preceding survey, the bulk of the respondents reported that their nonprice terms of lending were unchanged from three months earlier, while the remainder reported mixed tendencies toward both ease and tightening. Moves toward ease were indications of more lenient review of credit lines of local service area customers and greater willingness to make term loans to businesses, consumer installment loans, single-family mortgages, and participation loans with correspondents (Table 1). There were, on the other hand, some noteworthy offsetting moves toward firmness, especially at the smaller banks, in weighing the value of a loan applicant as a depositor or as a source of collateral business and in applying standards of credit worthiness to business loan applicants. Many respondents commented that careful attention was being given to loans to firms whose earnings might be adversely affected by inflation or the shortage of petroleum.

Geographically, the February survey did not show any significant divergence in any of the Districts from the national pattern on expectations about loan demand or terms of lending.

* Prepared by Paul W. Boltz, Economist, Banking Section, Division of Research and Statistics.

NOT FOR QUOTATION OR PUBLICATION

TABLE 1

QUARTERLY SURVEY OF CHANGES IN BANK LENDING PRACTICES
 AT SELECTED LARGE BANKS IN THE U.S. 1/
 (STATUS OF POLICY ON FEBRUARY 15, 1974 COMPARED TO THREE MONTHS EARLIER)
 (NUMBER OF BANKS & PERCENT OF TOTAL BANKS REPORTING)

	TOTAL		MUCH STRONGER		MODERATELY STRONGER		ESSENTIALLY UNCHANGED		MODERATELY WEAKER		MUCH WEAKER	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION)												
COMPARED TO THREE MONTHS AGO	125	100.0	0	0.0	15	12.0	69	55.2	40	32.0	1	0.8
ANTICIPATED DEMAND IN NEXT 3 MONTHS	125	100.0	0	0.0	13	10.4	55	44.0	57	45.6	0	0.0
	ANSWERING QUESTION		MUCH FIRMER POLICY		MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
LENDING TO NONFINANCIAL BUSINESSES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	125	100.0	1	0.8	2	1.6	52	41.6	68	54.4	2	1.6
COMPENSATING OR SUPPORTING BALANCES	125	100.0	0	0.0	6	4.8	115	92.0	4	3.2	0	0.0
STANDARDS OF CREDIT WORTHINESS	125	100.0	2	1.6	16	12.8	107	85.6	0	0.0	0	0.0
MATURITY OF TERM LOANS	125	100.0	0	0.0	4	3.2	109	87.2	12	9.6	0	0.0
REVIEWING CREDIT LINES OR LOAN APPLICATIONS												
ESTABLISHED CUSTOMERS	125	100.0	0	0.0	2	1.6	116	92.8	7	5.6	0	0.0
NEW CUSTOMERS	125	100.0	4	3.2	12	9.6	88	70.4	21	16.8	0	0.0
LOCAL SERVICE AREA CUSTOMERS	125	100.0	0	0.0	3	2.4	109	87.2	13	10.4	0	0.0
NONLOCAL SERVICE AREA CUSTOMERS	125	100.0	1	0.8	14	11.2	97	77.6	13	10.4	0	0.0

1/ SURVEY OF LENDING PRACTICES AT 125 LARGE BANKS REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY
 AS OF FEBRUARY 15, 1974.

TABLE 1 (CONTINUED)

ANSWERING QUESTION	MUCH FIRMER POLICY		MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
FACTORS RELATING TO APPLICANT 2/										
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	125	100.0	4	3.2	20	16.0	99	79.2	2	1.6
INTENDED USE OF THE LOAN	125	100.0	4	3.2	1	0.8	113	90.4	7	5.6
LENDING TO "NONCAPTIVE" FINANCE COMPANIES										
TERMS AND CONDITIONS:										
INTEREST RATES CHARGED	125	100.0	0	0.0	5	4.0	78	62.4	40	32.0
COMPENSATING OR SUPPORTING BALANCES	125	100.0	0	0.0	5	4.0	118	94.4	2	1.6
ENFORCEMENT OF BALANCE REQUIREMENTS	125	100.0	0	0.0	9	7.2	115	92.0	1	0.8
ESTABLISHING NEW OR LARGER CREDIT LINES	125	100.0	2	1.6	12	9.6	91	72.8	20	16.0
WILLINGNESS TO MAKE OTHER TYPES OF LOANS	ANSWERING QUESTION		CONSIDERABLY LESS WILLING		MODERATELY LESS WILLING		ESSENTIALLY UNCHANGED		MODERATELY MORE WILLING	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
TERM LOANS TO BUSINESSES	125	100.0	1	0.8	3	2.4	97	77.6	24	19.2
CONSUMER INSTALMENT LOANS	124	100.0	1	0.8	5	4.0	96	77.5	21	16.9
SINGLE FAMILY MORTGAGE LOANS	122	100.0	5	4.1	9	7.4	85	69.6	23	18.9
MULTI-FAMILY MORTGAGE LOANS	121	100.0	7	5.8	13	10.7	93	76.9	8	6.6
ALL OTHER MORTGAGE LOANS	123	100.0	7	5.7	14	11.4	95	77.2	7	5.7
PARTICIPATION LOANS WITH CORRESPONDENT BANKS	124	100.0	0	0.0	4	3.2	102	82.3	18	14.5
LOANS TO BROKERS	124	100.0	1	0.8	9	7.3	106	85.4	8	6.5

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

NOT FOR QUOTATION OR PUBLICATION

TABLE 2

COMPARISON OF QUARTERLY CHANGES IN BANK LENDING PRACTICES AT BANKS GROUPED BY SIZE OF TOTAL DEPOSITS 1/
 (STATUS OF POLICY ON FEBRUARY 15, 1974, COMPARED TO THREE MONTHS EARLIER)
 (NUMBER OF BANKS IN EACH COLUMN AS PER CENT OF TOTAL BANKS ANSWERING QUESTION)

	SIZE OF BANK -- TOTAL DEPOSITS IN BILLIONS											
	TOTAL		MUCH STRONGER		MODERATELY STRONGER		ESSENTIALLY UNCHANGED		MODERATELY WEAKER		MUCH WEAKER	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION)												
COMPARED TO THREE MONTHS AGO	100	100	0	0	19	7	51	58	30	34	0	1
ANTICIPATED DEMAND IN NEXT 3 MONTHS	100	100	0	0	11	10	41	46	48	44	0	0
	TOTAL		MUCH FIRMER		MODERATELY FIRMER		ESSENTIALLY UNCHANGED		MODERATELY EASIER		MUCH EASIER	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
LENDING TO NONFINANCIAL BUSINESSES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	100	100	0	1	2	1	54	33	44	62	0	3
COMPENSATING OR SUPPORTING BALANCES	100	100	0	0	6	4	90	93	4	3	0	0
STANDARDS OF CREDIT WORTHINESS	100	100	2	1	7	17	91	82	0	0	0	0
MATURITY OF TERM LOANS	100	100	0	0	2	4	81	92	17	4	0	0
REVIEWING CREDIT LINES OR LOAN APPLICATIONS												
ESTABLISHED CUSTOMERS	100	100	0	0	2	1	91	95	7	4	0	0
NEW CUSTOMERS	100	100	2	4	9	10	72	69	17	17	0	0
LOCAL SERVICE AREA CUSTOMERS	100	100	0	0	0	4	89	86	11	10	0	0
NONLOCAL SERVICE AREA CUSTOMERS	100	100	0	1	7	14	78	78	15	7	0	0

1/ SURVEY OF LENDING PRACTICES AT 54 LARGE BANKS (DEPOSITS OF \$1 BILLION OR MORE) AND 71 SMALL BANKS (DEPOSITS OF LESS THAN \$1 BILLION) REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF FEBRUARY 15, 1974.

TABLE 2 (CONTINUED)

	NUMBER ANSWERING QUESTION		SIZE OF BANK MUCH FIRMER POLICY		-- TOTAL DEPOSITS IN BILLIONS MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
FACTORS RELATING TO APPLICANT 2/												
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	100	100	4	3	11	20	83	76	2	1	0	0
INTENDED USE OF THE LOAN	100	100	2	4	0	1	91	91	7	4	0	0
LENDING TO "NONCAPTIVE" FINANCE COMPANIES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	100	100	0	0	2	6	70	56	28	35	0	3
COMPENSATING OR SUPPORTING BALANCES	100	100	0	0	2	6	96	93	2	1	0	0
ENFORCEMENT OF BALANCE REQUIREMENTS	100	100	0	0	7	7	93	92	0	1	0	0
ESTABLISHING NEW OR LARGER CREDIT LINES	100	100	4	0	4	14	73	72	19	14	0	0
	NUMBER ANSWERING QUESTION		CONSIDERABLY LESS WILLING		MODERATELY LESS WILLING		ESSENTIALLY UNCHANGED		MODERATELY MORE WILLING		CONSIDERABLY MORE WILLING	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
WILLINGNESS TO MAKE OTHER TYPES OF LOANS												
TERM LOANS TO BUSINESSES	100	100	0	1	4	1	74	81	22	17	0	0
CONSUMER INSTALMENT LOANS	100	100	0	1	4	4	79	77	15	18	2	0
SINGLE FAMILY MORTGAGE LOANS	100	100	4	4	12	4	57	79	27	13	0	0
MULTI-FAMILY MORTGAGE LOANS	100	100	6	6	15	7	71	81	8	6	0	0
ALL OTHER MORTGAGE LOANS	100	100	4	7	15	9	73	80	8	4	0	0
PARTICIPATION LOANS WITH CORRESPONDENT BANKS	100	100	0	0	4	3	81	83	15	14	0	0
LOANS TO BROKERS	100	100	2	0	4	10	81	89	13	1	0	0

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

SUPPLEMENT APPENDIX C*
DEMAND DEPOSIT OWNERSHIP SURVEY
JANUARY 1974

Preliminary demand deposit ownership data indicate that the weakness in gross IPC demand deposits (not seasonally adjusted) at weekly reporting banks in January was concentrated in deposits held by nonfinancial businesses (see table). Although such deposits normally decline in January, the drop in nonfinancial business accounts in the current period was substantially larger than the average January decline of earlier years. Household deposits and deposits of financial business increased close to or only a little below the average for January in other recent years.

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Table 1

CHANGE IN LEVEL OF GROSS IPC DEPOSITS BY OWNERSHIP
CATEGORY, WEEKLY REPORTING BANKS
(Billions of dollars, not seasonally adjusted)

Year	Financial business				Nonfinancial business				Households			
	Oct.	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
1970	-.2	.4	-.1	n.a.	-.1	.2	2.2	n.a.	-.3	.2	2.2	n.a.
1971	.1	-.1	.7	.4	.9	.3	2.8	-1.7	0	.1	0	.4
1972	.4	.4	.2	--	1.0	.5	3.9	-1.8	0	.4	.5	.7
1973	.5	-.2	.2	.3	1.0	1.3	3.2	-1.3	.1	.2	.5	.6
1974	n.a.	n.a.	n.a.	.3	n.a.	n.a.	n.a.	-2.4	n.a.	n.a.	n.a.	.4

Year	Foreign				All other				Total			
	Oct.	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
1970	--	-.1	--	n.a.	.3	-.4	.1	n.a.	-.3	.3	4.5	n.a.
1971	--	--	.1	--	-.1	.1	.5	--	.8	.3	4.1	-1.0
1972	--	--	--	-.1	--	.1	.4	--	1.4	1.4	5.1	-1.2
1973	--	.1	.2	--	.1	.1	.2	.2	1.7	1.4	4.2	-.2
1974	n.a.	n.a.	n.a.	--	n.a.	n.a.	n.a.	-.1	n.a.	n.a.	n.a.	-1.8

Note: Data are before deduction for cash items in process of collection.

Figures may not add to totals due to rounding.