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CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

November 21, 1969

The Domestic Economy

Consumer prices. In October consumer prices rose 0.4 per cent or at an annual rate of 5 per cent, about the same as in the third quarter but somewhat slower than in September. However, except for a special downward adjustment in costs of medical care, the rise would have been about the same as in September. The CPI was 5.6 per cent above October 1968.

Food prices dropped seasonally--for the first time since February--as prices of food consumed at home reflected a decline in meat prices. Apparel and upkeep costs continued to advance strongly, even after seasonal adjustment. The cost of both food and apparel was over 5 per cent higher in October than in the same period of 1968.

Durable commodity prices rose sharply in October reflecting the introduction of 1970 model autos and a large rise in the price of homes. The rise in new car prices of about 4.7 per cent unadjusted, or about 0.4 per cent seasonally adjusted, was not too different than in 1967 and 1968. Used car prices also rose, but somewhat less sharply.

The rise in service costs in October was held to 0.3 per cent as a result of a decline of 0.6 per cent in medical care services, which have risen over 7 per cent in the last year. The decline reflects an accounting adjustment to correct an overstatement of the rise in costs in 1968. The adjustment is made once a year when information from major health insurance carriers is analyzed. Other service costs continued to increase sharply, led by a rise of 0.9 per cent in finance and insurance costs.

In November and December new car prices will rise less and used car prices will decline if the usual seasonal pattern prevails. Retail food prices are not expected to change greatly for the rest of the year.

CONSUMER PRICES
(Per cent change at annual rates)

	Dec. 1968-Mar. 1969	1969 March-June	1969 June-September	1969 September-October	Oct. 1968-Oct. 1969
All items	6.0	6.4	5.2	4.8	5.6
Durables	8.8	2.0	-.4	16.8	4.3
Nondurables	3.6	7.6	5.6	2.4	4.9
Services	8.0	6.8	7.6	3.6	7.2
Insurance & finance 1/	14.4	10.4	11.6	10.8	11.5
Medical care	10.8	8.0	7.2	-7.2	7.4
Seasonally adjusted					
Food	4.0	8.8	5.2	0	5.2
Apparel & upkeep	5.2	5.2	4.8	6.0	5.3

1/ Includes mortgage interest, taxes and insurance, automobile insurance, and other auto expenses.

Durable new orders. New orders for durable goods dipped by 1.2 per cent in October following a sharp increase in September, according to the advance report. Order backlogs also fell, while shipments rose slightly and the ratio of unfilled orders to shipments declined slightly further.

New orders for machinery and equipment were off by a tenth, but remain at relatively advanced levels. The greatest declines were at the industry groups which had increased most in September. Declines in machinery and equipment and in the motor vehicle group were partly offset by a rebound in orders in the volatile defense group; on balance, however, defense orders are still at reduced levels compared with those prevailing from mid-1968 through early 1969. Orders for consumer durables other than autos dropped slightly, as did orders for iron and steel, while there were moderate increases for primary nonferrous and fabricated metals.

Cyclical indicators. Of the 8 leading cyclical indicators used in the calculation of the preliminary Census composite, enough are now available to suggest a decline in October. Series declining were the manufacturing workweek, inverted initial claims for unemployment insurance, industrial materials prices, housing permits, new orders for durable goods, and machinery and equipment orders--the last being a major component of plant and equipment contracts and orders. Series rising included the common stock price index and the ratio of price to unit labor cost.

Rental vacancy rates in the third quarter of the year (confidential) were the lowest for any third quarter in the history of the quarterly series which began in 1956. Underscoring the strength of basic shelter demands in relation to the available supply, vacancy rates for homes also remained unusually low, as shown in the table.

HOUSING VACANCY RATES
(Per cent)

	Average for third quarter of:					
	1957	1965	1966	1967	1968	1969 1/
Rental units	5.2	7.2	6.8	6.4	5.4	5.0
Northeast	3.3	4.6	4.9	4.3	3.4	2.8
North Central	5.4	6.4	5.8	5.6	5.4	5.5
South	6.0	7.9	7.1	7.8	6.8	6.3
West	7.1	10.8	10.2	8.1	6.2	5.8
Home-owner units	0.8	1.5	1.3	1.3	1.1	1.0
Northeast	0.6	0.8	0.8	0.6	0.7	0.7
North Central	0.7	1.2	0.9	1.0	0.9	0.9
South	0.9	1.9	1.6	1.6	1.4	1.1
West	1.3	2.0	2.3	2.0	1.4	1.2

1/ Confidential until release, November 24.

The Domestic Financial Situation

Mortgage market. Based on data which has just become available, seasonally adjusted new mortgage commitments at all savings and loan associations apparently declined 2 per cent during October, in line with the particularly poor savings flow experience. The backlog of outstanding commitments, although still rather high, edged lower for the sixth consecutive month. In anticipation of possible severe withdrawals in the upcoming January reinvestment period, and combined with the current depressed savings flow pattern, the S&Ls could be expected to pursue a cautious commitment policy during the remainder of the year.

Corporate and municipal bond markets. Corporate and municipal bond yields continued to advance this week. Yields on new corporate bonds rose sharply to new peaks; the largest issue of the week, a high quality bond yielding 8.90 per cent, attracted substantial institutional interest and sold out, generating some investor interest in older, slow-moving offerings. A heavy calendar of new municipal issues contributed to the 19 basis point rise--to 6.36 per cent--in the Bond Buyer Index.

Government securities market. Yields in all sectors of the U.S. Government securities market have continued to rise since Monday. Most Treasury bill rates have gained another 25 to 50 basis points, putting all of the key issues at new record highs, with the 3-month bill closing yesterday at 7.35 per cent. Notes and bonds have advanced generally 15 to 25 basis points since Monday. Intermediate issues still remain considerably below their October 1 peaks. However, some long-term bonds have surpassed their previous highs. The 20-year constant maturity series, for instance, reached 6.90 per cent, 9 basis points above its October 1 level.

The very sharp increases in the bill area reflect concern over the large prospective increase in supply from three auctions beginning today on three consecutive trading days totaling $7 billion, including $2.5 billion of new money. The market's nervousness is heightened by the fact that demand for bills (apart from official account buying) has been light, while dealer bill positions are still relatively large. Moreover, dealers will have less time to dispose of new bill awards just after the auctions because of the shortened holiday week.

KEY INTEREST RATES

	1969			
	Lows	Highs	October 27	November 20
Short-Term Rates				
Federal funds (weekly averages)	5.95 (1/1)	9.68 (10/15)	8.68 (10/22)	8.79 (11/19)
3-months				
Treasury bills (bid)	5.87 (4/30)	7.35 (11/20)	6.99	7.35
Bankers' acceptances	6.38 (2/17)	8.50 (7/9)	8.00	8.13
Euro-dollars	7.06 (1/22)	12.50 (6/10)	9.63	10.71
Federal agencies	6.03 (3/28)	8.39 (11/20)	7.52 (10/22)	8.39
Finance paper	6.13 (3/11)	8.25 (7/30)	8.00	8.13
CD's (prime NYC)				
Highest quoted new issue	6.00	6.00	6.00	6.00
Secondary market	6.40 (4/30)	8.70 (7/23)	8.50 (10/22)	8.50
6-months				
Treasury bills (bid)	5.96 (4/30)	7.87 (11/20)	7.23	7.87
Bankers' acceptances	6.50 (2/17)	8.62 (7/9)	8.13	8.25
Commercial paper	6.25 (1/7)	8.88 (10/8)	8.38	8.63
Federal agencies	6.32 (1/16)	8.58 (11/20)	7.80 (10/22)	8.58
CD's (prime NYC)				
Highest quoted new issue	6.25	6.25	6.25	6.25
Secondary market	6.50 (1/30)	9.00 (7/23)	8.75 (10/22)	8.75
1-year				
Treasury bills (bid)	5.86 (1/16)	7.69 (11/20)	7.10	7.69
Prime municipals	3.90 (1/2)	5.85 (9/17)	5.45 (10/22)	5.45
Intermediate and Long-Term				
Treasury coupon issues				
5-years	6.11 (1/20)	8.04 (10/1)	7.28	7.72
20-years	5.91 (6/5)	6.90 (11/20)	6.48	6.90
Corporate				
Seasoned Aaa	6.56 (1/2)	7.41 (10/14)	7.27	7.37
Baa	7.26 (2/3)	8.28 (10/14)	8.17	8.27
New Issue Aaa				
No call protection	7.03 (1/23)	7.80 (6/18)	--	--
Call protection	6.90 (2/20)	8.44 (11/19)	7.82 (10/22)	8.44
Municipal				
Bond Buyer Index	4.82 (1/23)	6.37 (9/4)	6.07 (10/22)	6.36
Moody's Aaa	4.57 (1/2)	5.95 (11/20)	5.80 (10/22)	5.95
Mortgage--implicit yield in FNMA weekly auction 1/	7.66 (1/6)	8.63 (10/20)	8.60	8.51 (11/17)

1/ Yield on 6-month forward commitment after allowance for commitment fee and required purchase and holding of FNMA stock. Assumes discount on 30-year loan amortized over 15 years.

Flow of funds, third quarter. Total credit flows to private nonfinancial borrowers--all except the Federal Government--finally tipped downward in the third quarter after a strong first-half rate of borrowing that marked the peak of a 2-1/2 year expansion in funds raised. The drop in the private total--from a $102 billion annual rate, seasonally adjusted, in the first half of the year to a $86 billion rate in the summer--occurred in all sectors and in both long- and short-term credit markets (Table 1). The sharpest reductions were in state and local government security issues and bank loans. Short-term credit from nonbank sources, particularly loans held by bank affiliates, was well above the first-half rate but not sufficiently increased to offset the cutback in bank loan flows. Mortgage borrowing was only slightly down from the first half.

Table 1

NET FUNDS RAISED
(In billions of dollars, seasonally adjusted annual rates)

	1966	1967	1968	H1/69	QIII/69
Total funds raised	68.5	82.6	97.4	92.5	100.9
U.S. Government	3.5	13.0	13.4	-9.6	15.1
All other borrowers	64.9	69.6	84.1	102.1	85.8
State & local gov't. securities	5.7	7.7	9.9	11.5	6.8
Corporate & foreign securities	11.9	18.2	13.3	16.4	14.1
Mortgages	22.3	22.0	27.3	28.1	27.2
Bank loans n.e.c.	10.3	9.6	13.4	16.5	5.8
Other	14.7	12.0	20.2	29.6	31.8

For corporate business the $5 billion reduction in credit flow from the first half contrasted sharply with a $4-1/2 billion increase in capital spending, bringing a major shift toward internal resources during the quarter. (Table 2) With corporate profits down somewhat from first-half rates, this increased internal financing appears, from preliminary estimates, to have been mainly in the form of a reduction in liquid asset holdings during the quarter (line 4). An actual drop in business liquid-asset holdings, after seasonal adjustment, is fairly rare in the 1960's and over the postwar period was associated generally with slow-downs in economic activity. Reductions occurred in the summer of 1966 and in early 1967, and before that during all quarters

Table 2

CORPORATE BUSINESS
(In billions of dollars, seasonally adjusted annual rates)

	1966	1967	1968	H1/69	QIII/69
1. Retained funds	61.2	61.2	63.1	63.3	63.4
2. Capital expenditures	77.1	72.5	76.9	85.2	89.7
3. Credit market borrowing	25.4	29.3	31.0	41.2	36.2
4. Net change in liquid assets	1.9	.6	10.1	4.9	-6.1
5. Other financial uses, net	7.6	17.4	7.1	14.4	16.0

of 1960. In the 1950's liquid assets fell sharply in 1956 and during the 1957-58 recession, although to some extent this reflected decreases in tax liabilities through payment acceleration. If liquid assets did in fact decrease during the summer (direct evidence is not yet in) it may have brought the actual liquidity ratios to new postwar lows. In relation both to short-term liabilities and to the rate of business activity, corporate liquidity seems to have dropped to and perhaps gone below the troughs of late 1966. These ratios had held roughly even during 1967 and 1968, and the ratios were maintained fairly well during the first half of this year.

Liquid-asset reductions by business were heavily concentrated in CD runoffs and in U.S. Government securities, with sizable offsets in purchases of both commercial paper and short-term municipal issues. This left the U.S. Government securities market heavily dependent on households and on state and local government funds for support. The present estimates for household buying of Governments during the summer are extremely high, offsetting both decreases in bank time deposit balances and sharply reduced flows into savings institutions. Through direct purchases, households may have been the only sizable net source of funds to the Governments market during the summer, and the effect has been to elevate measurably the position of Governments in household portfolios.

Financial disintermediation has been severe this year by any basis of comparison, despite heavy volumes of direct credit market borrowing by financial institutions to offset deposit drains. In Table 4, line 2 and line 12 suggest the extent to which lending based on deposits, insurance reserves, and net internal funds has fallen off during 1969, while line 7 totals the use of open-market borrowing by financial institutions during the period. Total lending by finance, on lines 3 and 13, is down markedly from even 1966 in relation to credit demands, with third-quarter decreases concentrated in banks and savings institutions. The sharp rise in third-quarter lending by other finance (line 6) is dominated (1) by FNMA and home loan bank lending, which were in turn financed by borrowing on line 9, and (2) by finance company and bank affiliate credit to business covered mainly by commercial paper sales in line 11.

This shift in the third quarter from banks and savings institutions to open-market finance borrowers maintained total intermediary lending at first-half rates, but did not increase intermediation to anything near the levels of recent years. Some of this activity, moreover, was lending among intermediaries, such as from home loan banks to savings and loan associations, that raised the aggregate flows more than the net supply of funds to nonfinancial borrowers. After allowance for such inflation of the totals, intermediary activity was somewhat lower in the third quarter than earlier in the year.

Apart from erratically high Federal Government borrowing and offsetting buildup in Government cash balances, the third-quarter evidence is of a significant constriction in credit flows and of business liquidity in the face of rising financing needs, with the funds supplied predominantly by nonfinancial investors buying securities in open markets (Table 3, line 4). Business liquidity shifted in form toward short-term claims on private borrowers and state and local governments, while household assets were shifted toward Governments and credit agencies supporting the mortgage market.

Table 3

SOURCES OF CREDIT MARKET FUNDS
(Billions of dollars, Seasonally Adjusted Annual Rates)

	1966	1967	1968	H1/69	QIII/69
1. Total funds raised and advanced (= lines 1 + 7)	68.5	82.6	97.4	92.5	100.9
Private domestic nonfinancial Investors:					
2. Total deposits and securities	42.8	47.7	58.1	50.4	37.5
3. Deposits a/	23.7	50.6	44.3	7.7	-16.9
4. Credit market instruments b/	19.1	-3.0	13.8	42.7	54.4
5. Business	3.6	*	9.0	18.5	10.3
6. State & local govts.	3.4	1.2	.7	8.1	4.5
7. Households	12.1	-4.2	4.1	16.0	39.6
8. Credit sources except line 1:	25.7	34.9	39.3	42.1	63.4
9. U.S. Govt. cash balances	- .4	1.2	-1.2	-7.4	14.8
10. Foreign	.7	5.0	4.0	13.4	12.7
11. Other	25.4	28.7	36.5	36.1	35.9

a/ At banks and savings institutions. Includes currency.
b/ Includes credit market claims on financial institutions.

Table 4

FINANCIAL INTERMEDIATION
(Billions of dollars, Seasonally Adjusted Annual Rates)

	1966	1967	1968	H1/69	QIII/69
1. Total funds raised by nonfinancial sectors	68.5	82.6	97.4	92.5	100.9
2. Net funds advanced by financial institutions ([3] - [6])	43.7	78.0	74.1	30.7	27.3
3. Total funds advanced by financial institutions	58.5	81.7	93.0	62.7	66.1
4. Banks	16.8	37.0	39.2	10.3	- .2
5. Savings institutions	7.9	15.2	15.5	19.5	10.8
6. Other	33.8	29.5	38.3	33.0	55.5
7. Credit market borrowing by financial institutions a/	14.8	3.7	18.9	32.0	38.8
8. Banks b/	2.8	.4	2.0	13.7	6.2
9. Sponsored credit agencies	4.8	- .6	3.5	6.3	12.3
10. Svgs. & loan associations	.1	-1.7	1.1	3.3	4.4
11. Other finance c/	7.1	5.6	12.3	8.7	15.9
Percentage ratios:					
12. Net lending/total funds raised ([2]/[1])	64%	94%	76%	33%	27%
13. Total lending/total funds raised ([3]/[1])	85%	99%	95%	67%	66%
14. Borrowings/Total lending by finance ([6]/[3])	25%	5%	20%	51%	59%

a/ Plus bank borrowings from foreign branches.
b/ Excludes bank affiliates not consolidated in bank reports. See note a.
c/ Finance companies, nonconsolidated bank affiliates, security dealers, and investment companies.

Corrections:

Page II - 17, line 2: "million" should read "months'".

Page III - 22. The last column in the table should be November 14.

SUPPLEMENTAL APPENDIX A: SURVEY OF STATE AND LOCAL GOVERNMENT BORROWING REALIZATIONS: THIRD QUARTER, 1969*

Preliminary analysis of the experimental survey of State and local government borrowing realizations for the third quarter of 1969 indicates that these governments experienced at least a $1.67 billion shortfall in long-term borrowing attributable to high interest rates. This equaled about three-fourths of the $2.2 billion of borrowing they actually accomplished.[1/] Capital outlay and contract award cutbacks as a consequence of these shortfalls, estimated from the sample, will range between $600 and $750 million. This is equal to 7 to 9 per cent of the actual second quarter total of $8 billion of State and local capital expenditures.

Additional analysis is required to update the borrowing expectations of the entire sample. Nonetheless, it appears that State and local governments would like to borrow $5.0 to $5.8 billion in the fourth quarter of this year.

Borrowing Shortfalls

Table 1 gives a breakdown by type of governmental unit of the long-term borrowing State and local governments accomplished and of the shortfalls induced by high interest rates. Only those shortfalls

1/ Long-term bond sales for the third quarter of 1969 amounted to $2.43 billion, while the estimates for total borrowing based on the survey sample, are $2.20 billion. Evidently the blown-up survey results reported herein captured only 90.5 per cent of the borrowing actually accomplished. No attempt has yet been made to correct for this discrepancy. Of the 594 units included in the quarterly survey, all but 8 responded, for a response rate of 98 per cent.

* Prepared by John E. Petersen, Economist, Capital Markets Section, currently on leave to the Urban Institute.

attributable to high borrowing costs are analyzed in this appendix, even though perhaps as much as $1 billion of additional shortfalls were due to other factors. Some of these other factors may have been partly related to the level of interest rates. Thus, the estimates for interest rate effects on borrowing--and on spending--may be understated.

Table 1

LONG-TERM BORROWING AND SHORTFALLS 1/
INDUCED BY HIGH INTEREST RATES
3rd Quarter 1969, Millions of Dollars

Type of unit	(1) Actual Borrowing	(2) Shortfalls induced by high interest rates 1/	(2)/(1) Ratio
State 2/	622	638	1.04
County	201	111	.55
City & town	773	371	.48
Special Dist.	152	70	.46
School Dist.	450	479	1.06
Total	$2,199	$1,669	.76

1/ Includes postponements, abandonments, and reductions in issues.
2/ Includes State authorities and colleges.

Altogether, high interest rates in the third quarter forstalled an estimated $1.67 billion in desired long-term borrowing. 2/ While all units of government experienced severe cutbacks below planned borrowing, State governments and school districts fared worst. For the State category, the primary reason for the large cutback in borrowing

2/ The amount of long-term borrowing shortage which had high interest rates as at least a contributing factor was $1.82 billion. When multiple reasons for shortfalls were given, the amount of the shortfalls was distributed proportionately among them. The same device was used in allocating the spending impacts.

apparently was rate ceilings in several large, traditionally high borrowing, States. For school districts, rate ceilings were also important, but in addition many school districts are of small unit size, are not rated by bond rating services, and have great difficulty marketing bonds in tight financial markets. For both States and school districts, borrowing shortfalls exceeded the long-term borrowing actually accomplished by them in the third quarter.

Effects on Capital Spending

Table 2 shows the effect on spending plans of the borrowing shortfalls induced by high interest rates. Such borrowing disappointments are apparently resulting in a $600 to $750 million reduction in State and local spending below planned levels.[3/] The impacts again appear to be heaviest for State governments and school districts. The ratio of aggregate spending reduction to total borrowing shortfalls attributed to the high cost of borrowing is approximately 40 per cent, twice the rate found in the System's survey on the 1966 borrowing and spending experiences of these governments.

3/ The expenditure impacts have been estimated as a range because 12 of the 68 units reporting capital spending impacts did not estimate the amount of the reduction. In these cases, the amount of the borrowing shortfalls has been used as a proxy for the spending reduction. Thus, the reduction amounts explicitly given by units form the bottom of the range whereas addition of the proxied amounts gives the upper limit.

Table 2

CAPITAL SPENDING AND CONTRACT AWARD CUTBACKS
INDUCED BY HIGH INTEREST RATES
3rd Quarter, 1969

Type of unit	Contract and spending cutbacks 1/ (Millions of dollars)	Ratio of cutbacks to borrowing shortfalls (Per cent) 2/
State	229 to 312	36 to 49
County	47 to 48	43
City & town	109 to 131	29 to 35
Special Dist.	10	14
School Dist.	214 to 264	45 to 55
Total	609 to 755	38 to 45

1/ Upper limit of range is given by addition of proxy amounts of spending reduction where units indicated spending cutbacks but failed to give a dollar estimate.
2/ Long-term borrowing shortfalls induced by high interests are given in Table 1.

The estimated expenditure effects will take time to be felt fully, because of the lags inherent in the construction process. Nevertheless, on an annual rate basis, they suggest a \$2.4 to \$3.0 billion reduction in capital spending below planned levels. Capital expenditures were at a \$32 billion annual rate at midyear 1969 and have been growing on the order of 10 per cent a year recently. It appears, therefore, that the restrictive credit conditions experienced this year could erase most of the "normal" growth in these expenditures in the near future.

Alternative Means of Financing Shortfalls

A total of $772 million in long-term borrowing shortfalls attributed to high interest rates did not lead to spending reductions. As is shown in Table 3, short-term borrowing was overwhelmingly the major stopgap employed to keep expenditure plans on schedule. Drawing down of liquid assets was of very little importance, as were reductions in other expenditures. About 18 per cent of the dollar volume of the shortfalls did not lead to spending effects because the borrowing was planned well in advance of cash needs.

Table 3

ALTERNATIVE MEANS OF FINANCING
SHORTFALLS DUE TO HIGH INTEREST RATES
3rd Quarter, 1969

Means	Millions of dollars	Per cent of total
Short-term borrowing	464	64
Liquid assets	60	8
Reductions in current expenditures	9	1
No immediate need	128	18
Other means	63	9
Total	722	100

Note: Items do not add to totals due to rounding.

The relative importance of these various means of alternatively financing shortfalls contrasts markedly with those used by State and local governments in 1966 when expenditure effects were much milder.[4/] Use of liquid assets and borrowing in advance of needs, were very important in 1966. The greatly diminished importance of these alternatives to long-term borrowing reflect the debilitating impacts of prolonged restrictive credit market conditions on the sector's financial holdings. The depletion of these buffers probably accounts in part for the more severe spending impacts now being experienced. As units borrow less--and closer to cash needs--their asset position, and the insulation it provides, progressively shrinks. Funds are no longer on hand to bridge the borrowing-expenditure gap as they did in 1966.

Revisions of Borrowing Expectations

The amount of long-term borrowing anticipated by respondents should be interpreted as a desired amount that could be accomplished if conditions permit. Obviously, factors other than adverse interest rate developments are going to displace intended borrowings. Only time and intensive examination of all the reasons for shortfalls will establish those patterns which bias expectations.

Nevertheless, first approximations of the potential demand can be extracted from combining the results of the annual and follow-up surveys. Allowing for revised plans and for what may prove to be some upward bias in earlier reporting of anticipations, it is estimated that

4/ The System's 1966 survey indicated that short-term borrowing accounted for about 45 per cent of those shortfalls not leading to capital spending cutbacks; liquid assets, 25 per cent; and borrowing planned in advance of cash needs, 30 per cent. Other sources--including cuts in current expenditures--constituted the remaining 5 per cent of borrowing shortfalls not leading to capital spending cutbacks.

desired long-term borrowing is \$5.8 billion for the fourth quarter of 1969.[5/] That is, \$5.8 billion is the amount that could be brought to market were "everything else" to be completed on time. Since under even the most favorable conditions they could not be, \$5 billion of planned long-term borrowing in the fourth quarter is probably more realistic.

5/ This allows for a 50 per cent attrition rate in not yet authorized borrowing. Discussion with survey field officers and very summary inspections of data, indicate that units that simply misunderstood the survey may have overreported anticipated third quarter borrowing by as much as \$0.5 to \$1 billion. This would be long-term borrowing that could not have been accomplished in any event.