

Prefatory Note

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,¹ and then making the scanned versions text-searchable.² Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

¹ In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

² A two-step process was used. An advanced optical character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

August 16, 1974

By the Staff
Board of Governors
of the Federal Reserve System

SUPPLEMENTAL NOTES

The Domestic Economy

Construction and real estate. Seasonally adjusted private housing starts, which had increased in June, dropped sharply in July to an annual rate of 1.34 million units--the lowest rate since May 1970. Starts of all types of units were down, although the already reduced rate of multi-family starts was especially weaker than a month earlier. While all regions shared in the decline, starts in the Northeast were substantially lower than in June. Residential building permits also declined in July, the fourth consecutive month-to-month decrease, and reached the lowest level in 7 years.

Despite an increase in single-family unit completions in June, total completions of new housing units in the second quarter slowed further to an annual rate of about 1.7 million units, their lowest since mid-1971. However, the backlog of dwellings under construction continued relatively high, totaling 1.5 million units at the end of June.

Mobile home shipments edged down further in June, and, in the second quarter, shipments were 32 percent below the first quarter 1973 peak.

New home prices in the second quarter of 1974 continued to rise. The Census Bureau's price index of new single-family homes sold, which adjusts for differences in house characteristics, increased to 157 percent of the 1967 average--9 percent above a year earlier, but somewhat less than the 11 percent year-over-year increase in the second quarter of 1973.

NEW HOUSING UNITS
(Seasonally adjusted annual rates, in millions of units)

	1974				Percent change in July from:	
	QI	QII(p)	June(p)	July(p)	Month ago	Year ago
Permits (r)	1.34	1.17	1.11	1.04	- 6	- 43
Starts	1.63	1.56	1.59	1.34	- 16	- 38
1-family	.94	.98	1.01	.94	- 7	- 24
2- or more-family	.69	.58	.58	.39	- 32	- 57
Under construction <u>1/</u>	1.56	1.48	1.48	n.a.	- 2 <u>2/</u>	- 12 <u>2/</u>
Completions	1.90	1.73	1.82	n.a.	+ 8 <u>2/</u>	- 16 <u>2/</u>
MEMO:						
Mobile home shipments	.46	.44	.44	n.a.	- 2 <u>2/</u>	- 27 <u>2/</u>

1/ Seasonally adjusted, end of period.

2/ Percent changes based on June.

Sales of new domestic-type autos in the first 10 day period of August were at a seasonally adjusted annual rate of 9.9 million units, 5 percent above the same period a year ago. This was the second consecutive 10 day period sales were above those of last year and is attributed to the closing of incentive contests at Chevrolet and borrowing of sales from months ahead as consumers try to beat the big price increases on 1975 models. In July this year, the sales rate was 8.2 million units; in August last year, the rate was 9.5 million units.

The Domestic Financial Situation

Consumer credit. Personal bankruptcy filings increased sharply during the second quarter, continuing the first quarter's upturn. Bankruptcies filed were 14.4 percent higher than in last year's second quarter, according to the U.S. Courts, and preliminary July figures indicate a 22 percent advance over July last year.

An index of non-rate terms on new car loans at finance companies continued to decline during the second quarter indicating more restrictive lending terms. In recent months the index has fallen because declining loan-value-to-dealer-cost ratios have outweighed the effect of the emerging movement towards over-36 month maturities.

PERSONAL BANKRUPTCIES

	Number cases filed	Percent change year-over-year
1971	172,643	- 8.3
1972	159,144	- 7.8
1973	157,672	- .9
1973 - QI	37,918	- 8.5
QII	39,394	+ .4
QIII	41,521	+ 4.4
QIV	38,884	+ .7
1974 - QI	43,051	+13.5
QII	45,074	+14.4

Source: Administrative Office, U.S. Courts. Seasonally adjusted at the Board of Governors.

NON-RATE NEW-CAR LOAN TERMS
LOAN TERMS INDEX, S.A.
(FINANCE COMPANIES)

1971	93.8
1972	100.1
1973	104.6
1973 - QI	104.7
- QII	105.4
- QIII	103.6
- QIV	104.8
1974 - QI	103.2
- QII	101.6

NOTE: This index is a weighted average of the proportion of all new car contracts at finance companies having maturities of 31-36 months, and over 36 months, and of the proportion included in three categories of loan-value-to-dealer-cost ratio: 101-105 percent, 106-110 percent, and over 110 percent. The index is constructed so that higher index values represent more liberal terms.
1965QI = 100.0.

Mortgage market. According to the HUD (FHA) opinion survey, average interest rates on new commitments for conventional new- and existing-home loans in the primary market rose 15 basis points further during July to new highs of 9.40 percent--45 basis points above the peak last September. Private secondary market yields on 9 percent FHA-insured new-home mortgages rose 39 basis points to a new high of 9.85 percent. With such mortgages selling at discounts of more than 6 points, the maximum contract interest rate on Government-underwritten mortgages was raised one-half percentage point to a record level of 9-1/2 percent, effective August 14.

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

End of month	Primary market		Secondary market ^{1/}		
	Conventional loans		FHA-insured loans		
	Level ^{2/} (percent)	Spread ^{4/} (basis points)	Level ^{3/} (percent)	Spread ^{4/} (basis points)	Discounts (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)
1974 - Jan.	8.65	40	--	--	--
Feb.	8.55	45	8.54	44	2.3
Mar.	8.60	- 4	8.66	2	3.2
Apr.	8.90	- 8	9.17	19	5.1
May	9.15	6	9.46	37	5.3
June	9.25	-25	9.46	- 4	5.3
July	9.40	n.a.	9.85	n.a.	6.3

- ^{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.

Deposit flows. Based on sample data, the FHLB staff estimate that S&Ls had a net outflow of about \$200 million during the first 10 days of August. The table below shows the pattern of estimated intra-monthly flows in early August and in other previous periods.

ESTIMATED DEPOSIT FLOWS AT INSURED SAVINGS
AND LOAN ASSOCIATIONS
(Millions of dollars)

	1st 10 days	2nd 10 days	last 11 days	Month
1973 - August	-300	-500	-700	-1,500
1972 - August	800	400	400	1,600
1974 - July	0	-100	-400	- 500
August	-200	--	--	--

INTEREST RATES

	1974			
	Highs	Lows	July 15	Aug. 15
<u>Short-Term Rates</u>				
Federal funds (wkly. avg.)	13.55(7/3)	8.81(2/27)	13.34(7/10)	12.02(8/14)
3-month				
Treasury bills (bid)	9.02(8/8)	6.93(2/6)	7.62	8.76
Comm. paper (90-119 day)	12.25(7/17)	7.75(2/22)	12.25	11.75
Bankers acceptances	12.75(8/15)	8.13(2/25)	12.75	12.75
Euro-dollars	14.38(7/16)	8.25(2/18)	14.38	13.63
CD's (NYC) 90-119 day				
Most often quoted new	12.00(7/17)	7.88(2/20)	12.00(7/10)	11.88(8/14)
6-month				
Treasury bills (bid)	9.01(8/8)	6.80(2/19)	7.64	8.76
Comm. paper (4-6 mo.)	12.13(7/10)	7.50(2/22)	12.00	11.63
Federal agencies	9.98(8/15)	7.16(2/19)	9.79	9.98
CD's (NYC) 180-269 day				
Most often quoted new	10.75(7/17)	7.50(2/27)	10.75(7/10)	10.50(8/14)
1-year				
Treasury bills (bid)	8.65(5/3)	6.37(2/15)	7.87	8.49
Federal agencies	9.59(7/10)	7.01(2/19)	9.40	9.59
CD's (NYC)				
Most often quoted new	9.75(7/17)	7.00(2/27)	9.75(7/10)	9.25(8/14)
Prime municipals	6.50(7/12)	3.70(2/15)	6.50(7/12)	6.00(8/16)
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	8.68(8/2)	6.72(2/14)	8.42	8.57
20-years	8.63(8/13)	7.40(1/4)	8.31	8.58
Corporate				
Seasoned Aaa	8.99(8/15)	7.73(1/2)	8.69	8.99
Baa	9.76(8/16)	8.54(1/2)	9.52	9.76
New Issue Aaa Utility	10.30(7/31)	8.05(2/13)	10.25(7/10)	10.10p(8/14)
Municipal				
Bond Buyer Index	6.95(7/10)	5.16(2/6)	6.95(7/10)	6.61(8/14)
Mortgage--average yield				
in FIMA auction	10.12(8/12)	8.43(2/25)	9.90	10.12(8/12)

CORRECTIONS

Part II, Section III page 4. Table - Commercial Bank Credit.

In July, business loans at banks grew at a 19.7 percent annual rate, not the -19.7 percent rate shown in the table.

Part II, Section IV page 7. In the table on "U.S. Balance of Payments".

The line on "Bank-reported claims" includes some liquid claims reported by nonbanking concerns.

SUPPLEMENTAL APPENDIX A*
MONTHLY SURVEY OF BANK LOAN COMMITMENTS
June 30, 1974

Unused commitments for business loans, loans to nonbank financial institutions, and real estate mortgages all declined during June at the 134 banks reporting in the Monthly Survey of Bank Loan Commitments. During the second quarter as a whole, unused commitments in most categories of loans reported on the survey grew more slowly than in the first quarter or declined and, hence, total unused commitments fell. An important exception to the general trend has been the relatively rapid growth of unused commitments for term loans to business. While this may be an unrecognized seasonal development--the survey began only late last year--nonfinancial corporations appear to be building up large commitments for financing through at least late 1975.

The decline in volume of unused commitments in the second quarter appears to be attributable to both the sharp expansion of outstanding loans in some categories and to the declining rate of extensions of new commitments. The large rise in loans made under commitments to nonbank financial institutions during the quarter undoubtedly contributed to the decline in unused commitments to those institutions. On the other hand, while business loans at the survey banks grew only slightly less rapidly than during the first quarter, unused commitments for these loans grew at half the pace of the first quarter. Further, unused commitments for real estate loans declined at the same time that outstanding real estate loans made under commitment remained about unchanged. The decline in new commitment activity presumably reflects more restrictive bank lending policies. Substantial tightening in terms of lending was reported by banks in the May lending practices survey and has been confirmed more recently in staff conversations with bank lending officers.

The easing in unused commitments caused most utilization ratios to rise appreciably in June. Except for business term loans, the utilization ratios have been gradually rising since the survey began late last year.

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

NOT FOR
QUOTATION OR
PUBLICATION

MONTHLY SURVEY OF BANK LOAN COMMITMENTS
AT SELECTED LARGE U.S. BANKS 1/
(AS OF JUN. 30, 1974)

TABLE 1 - UNUSED COMMITMENTS

(DOLLAR AMOUNTS IN BILLIONS)

	(1) C & I FIRMS TOTAL		(2) C & I TERM LOANS		(3) C & I REVOLVING CREDITS		(4) C & I TERM LOANS & REV. CREDITS		(5) C & I CONFIRMED LINES		(6) C & I OTHER COMMITMENTS		(7) NON-BANK FINANCIAL INSTITUTIONS		(8) REAL ESTATE MORTGAGES		(9) TOTAL COMMITMENTS	
	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG
NOVEMBER 30	83.3	0.0	5.3	0.0	19.0	0.0	24.2	0.0	54.6	0.0	4.4	0.0	27.6	0.0	8.7	0.0	119.5	0.0
DECEMBER 31	82.7	-0.7	5.5	3.8	18.6	-2.1	24.0	-0.8	54.3	-0.5	4.3	-1.8	26.9	-2.4	8.7	0.3	118.3	-1.0
JANUARY 31	84.7	2.4	5.2	-4.8	18.3	-1.6	23.5	-2.3	56.6	4.1	4.6	7.1	27.9	3.6	8.5	-2.6	121.0	2.3
FEBRUARY 28	85.4	0.9	5.5	4.7	18.5	1.3	24.0	2.0	56.7	0.3	4.7	1.7	28.2	1.1	8.4	-1.2	122.0	0.7
MARCH 31	84.8	-0.7	5.7	4.6	18.4	-0.5	24.1	0.7	55.9	-1.6	4.8	2.5	27.8	-1.4	8.1	-3.4	120.7	-1.0
APRIL 30	84.9	0.1	6.3	10.8	18.6	1.1	25.0	3.4	55.2	-1.3	4.8	-0.3	26.7	-3.9	8.1	0.2	119.7	-0.8
MAY 31	86.2	1.5	6.2	-2.4	18.8	1.1	25.0	0.2	56.6	2.6	4.6	-4.3	26.8	0.2	8.0	-1.3	120.9	1.0
JUNE 30	85.9	-0.3	6.8	9.8	19.1	1.7	25.9	3.7	55.7	-1.5	4.3	-6.8	26.5	-1.1	7.8	-2.1	120.2	-0.5
NOV 73 - JUN 74 AVERAGE	84.7	0.5	5.8	3.8	18.7	0.2	24.5	1.0	55.7	0.3	4.6	-0.3	27.3	-0.6	8.3	-1.4	120.3	0.1

NUMBER OF BANKS 134

1/ BANKS PARTICIPATING IN THE MONTHLY LOAN COMMITMENT SURVEY ARE SELECTED WEEKLY REPORTING BANKS WITH TOTAL DEPOSITS OF \$100 MILLION OR MORE.

** NOTE: MINOR INCONSISTENCIES MAY OCCUR DUE TO ROUNDING. **

NOT FOR
QUOTATION OR
PUBLICATION

MONTHLY SURVEY OF BANK LOAN COMMITMENTS
AT SELECTED LARGE U.S. BANKS 1/
(AS OF JUN. 30, 1974)

TABLE 2 - LOANS UNDER COMMITMENTS 2/

(DOLLAR AMOUNTS IN BILLIONS)

	(1) C & I FIRMS TOTAL		(2) C & J TERM LOANS		(3) C & I REVOLVING CREDITS		(4) C & I TERM LOANS & REV. CREDITS		(5) C & I CONFIRMED LINES		(6) C & I OTHER COMMITMENTS		(7) NON-BANK FINANCIAL INSTITUTIONS		(8) REAL ESTATE MORTGAGES		(9) TOTAL COMMITMENTS	
	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG
NOVEMBER 30	70.3	0.0	18.6	0.0	19.7	0.0	38.2	0.0	25.7	0.0	6.4	0.0	18.0	0.0	17.8	0.0	106.2	0.0
DECEMBER 31	71.8	2.1	19.0	2.7	19.6	-0.3	38.6	1.2	26.6	3.4	6.6	3.0	19.8	9.6	18.1	1.4	109.7	3.2
JANUARY 31	70.9	-1.3	19.0	-0.4	19.7	0.7	38.6	-0.1	25.5	-4.0	6.7	1.3	18.4	-7.0	18.1	0.0	107.3	-2.1
FEBRUARY 28	72.3	2.0	19.2	1.2	20.2	2.5	39.4	2.1	26.4	3.6	6.5	-2.9	18.3	-0.4	18.1	0.2	108.8	1.3
MARCH 31	77.0	6.5	19.4	1.3	21.2	4.7	40.6	3.0	29.7	12.4	6.7	3.6	19.3	5.6	18.2	0.7	114.6	5.3
APRIL 30	79.2	2.8	20.5	5.5	21.4	1.0	41.9	3.1	30.8	3.6	6.5	-3.2	20.6	6.4	18.2	-0.2	117.9	2.9
MAY 31	79.8	0.8	20.7	1.0	21.8	1.8	42.5	1.4	30.3	-1.5	7.0	7.9	20.4	-0.7	18.2	0.1	118.4	0.4
JUNE 30	82.0	2.7	20.8	0.5	22.2	2.2	43.1	1.4	31.9	5.4	6.9	-1.2	22.8	11.5	18.1	-0.7	122.8	3.6
NOV 73 - JUN 74 AVERAGE	76.2	2.2	19.8	1.7	20.9	1.8	40.7	1.7	28.7	3.3	6.7	1.2	19.9	3.6	18.1	0.2	114.2	2.1

NUMBER OF BANKS 134

1/ BANKS PARTICIPATING IN THE MONTHLY LOAN COMMITMENT SURVEY ARE SELECTED WEEKLY REPORTING BANKS WITH TOTAL DEPOSITS OF \$100 MILLION OR MORE.

2/ LOANS UNDER COMMITMENTS ARE DEFINED AS ALL LOANS UNDER COMMITMENTS CURRENTLY OR PREVIOUSLY IN FORCE, LESS REPAYMENTS OF THE PRINCIPAL. THE REPORTED DATA ARE DISTORTED BY TAKEDOWNS OF LOAN COMMITMENTS BY OVERSEAS BRANCHES OF US BANKS AND LOAN SALES.

** NOTE: MINOR INCONSISTENCIES MAY OCCUR DUE TO ROUNDING. **

NOT FOR
QUOTATION OR
PUBLICATION

MONTHLY SURVEY OF BANK LOAN COMMITMENTS
AT SELECTED LARGE U.S. BANKS 1/
(AS OF JUN. 30, 1974)

TABLE 3 - UTILIZATION RATIO 2/

(PERCENTAGES)

	(1) C & I FIRMS TOTAL	(2) C & I TERM LOANS	(3) C & I REVOLVING CREDITS	(4) C & I TERM + REV.	(5) C & I CONFIRMED LINES	(6) C & I OTHER COMMITMENTS	(7) NON-BANK FINANCIAL INSTS.	(8) REAL ESTATE MORTGAGES	(9) TOTAL	(10) SHORT -TERM TOTAL ^{3/}
NOVEMBER 30	45.8	77.8	50.9	61.2	32.0	59.4	39.5	67.3	47.0	39.8
DECEMBER 31	46.5	77.6	51.4	61.6	32.8	60.5	42.3	67.5	48.1	41.1
JANUARY 31	45.6	78.4	51.9	62.1	31.1	59.2	39.7	68.1	47.0	39.6
FEBRUARY 28	45.9	77.8	52.2	62.2	31.8	58.1	39.4	68.4	47.1	39.8
MARCH 31	47.6	77.3	53.5	62.7	34.7	58.3	41.0	69.3	48.7	41.8
APRIL 30	48.3	76.4	53.5	62.7	35.8	57.6	43.5	69.2	49.6	42.9
MAY 31	48.1	77.0	53.6	62.9	34.9	60.5	43.3	69.5	49.5	42.7
JUNE 30	48.8	75.4	53.7	62.4	36.4	61.9	46.2	69.8	50.5	44.3
NOV 73 - JUN 74 AVERAGE	47.1	77.2	52.6	62.2	33.7	59.4	41.9	68.7	48.4	41.5
NUMBER OF BANKS	134									

1/ BANKS PARTICIPATING IN THE MONTHLY LOAN COMMITMENT SURVEY ARE SELECTED WEEKLY REPORTING BANKS WITH TOTAL DEPOSITS OF \$100 MILLION OR MORE.

2/ THE UTILIZATION RATIO IS THE RATIO, EXPRESSED AS A PERCENTAGE, OF LOANS UNDER COMMITMENTS TO THE SUM OF UNUSED COMMITMENTS AND LOANS UNDER COMMITMENTS

3/ EXCLUDES REAL ESTATE LOANS AND TERM LOANS.

** NOTE: MINOR INCONSISTENCIES MAY OCCUR DUE TO ROUNDING. **

NOT FOR
QUOTATION OR
PUBLICATION

MONTHLY SURVEY OF BANK LOAN COMMITMENTS
AT SELECTED LARGE U.S. BANKS 1/
(AS OF JUN. 30, 1974)

TABLE 4 - NEW COMMITMENTS

(DOLLAR AMOUNTS IN BILLIONS)

	(1) C & I FIRMS TOTAL		(2) C & I TERM LOANS		(3) C & I REVOLVING CREDITS		(4) C & I TERM LOANS & REV. CREDITS		(5) C & I CONFIRMED LINES		(6) C & I OTHER COMMITMENTS		(7) NON-BANK FINANCIAL INSTITUTIONS		(8) REAL ESTATE MORTGAGES		(9) TOTAL COMMITMENTS	
	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG	AMT	% CHG
NOVEMBER 30	4.9	0.0	1.1	0.0	1.2	0.0	2.2	0.0	1.8	0.0	0.8	0.0	0.9	0.0	0.8	0.0	6.5	0.0
DECEMBER 31	5.0	1.4	1.3	22.6	1.1	-5.4	2.4	8.2	1.7	-1.3	0.7	-11.3	1.0	21.2	1.0	36.7	7.0	8.1
JANUARY 31	4.8	-2.8	0.8	-39.2	0.9	-22.4	1.7	-31.7	2.2	23.3	0.8	21.4	0.9	-12.5	0.9	-16.1	6.6	-6.1
FEBRUARY 28	4.5	-6.6	0.8	1.1	0.9	5.8	1.7	3.6	2.1	-3.6	0.6	-29.7	0.7	-22.3	0.8	-10.2	6.0	-9.2
MARCH 31	6.2	38.6	1.3	60.7	1.3	41.8	2.6	50.8	2.7	31.5	0.6	11.7	0.9	22.8	0.9	12.7	8.0	33.3
APRIL 30	6.9	11.0	1.2	-8.7	1.6	28.5	2.8	9.6	3.0	8.1	0.6	-1.0	1.1	23.2	0.9	3.2	8.9	11.4
MAY 31	6.6	-4.7	1.3	6.7	1.5	-6.0	2.8	-0.6	2.8	-6.0	0.7	9.8	1.4	26.0	0.9	-0.5	8.9	-0.5
JUNE 30	6.2	-6.2	1.2	-7.1	1.6	4.8	2.8	-0.6	2.6	-5.8	0.6	-8.4	1.2	-13.9	0.9	-5.6	8.2	-7.3
NOV 73 - JUN 74 AVERAGE	5.6	4.4	1.1	5.2	1.3	6.7	2.4	5.6	2.4	6.6	0.7	-1.1	1.0	6.4	0.9	2.9	7.5	4.2

NUMBER OF BANKS 134

1/ BANKS PARTICIPATING IN THE MONTHLY LOAN COMMITMENT SURVEY ARE SELECTED WEEKLY REPORTING BANKS WITH TOTAL DEPOSITS OF \$100 MILLION OR MORE.

** NOTE: MINOR INCONSISTENCIES MAY OCCUR DUE TO ROUNDING. **

SUPPLEMENTAL APPENDIX B *
DEMAND DEPOSIT OWNERSHIP SURVEY
SECOND QUARTER, 1974

Demand Deposit Ownership Survey data for all commercial banks indicate a smaller increase in total gross IPC demand deposits (not seasonally adjusted) in the second quarter of 1974 than in comparable quarters of the three preceding years for which data are available. (Table 1.) This weakness followed a much larger than usual decline in such balances in the first quarter, so that on balance for the first six months, gross deposits have declined relatively more than in previous years.

While the first quarter decline in IPC deposits reflected mainly a sharp reduction in nonfinancial business deposits, most of the second quarter weakness was concentrated in demand balances of households. Financial business deposits also declined somewhat more than usual. Nonfinancial business deposits, on the other hand, expanded at a close-to-seasonal pace in the second quarter.

The reduced growth in consumer balances occurred primarily at regional banks outside the major money market centers (Table 2). Part of this weakness may have reflected a drawing down of excess balances built up in the first quarter when the energy crisis created considerable uncertainty in financial markets. In addition, the availability to consumers of market instruments at increasingly attractive yields may have led to additional economizing in cash balances.

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

Table 1
 CHANGE IN LEVEL OF GROSS IPC DEPOSITS BY OWNERSHIP
 CATEGORY, ALL COMMERCIAL BANKS ^{1/}
 (Billions of dollars, not seasonally adjusted)

Year	Financial business				Nonfinancial business				Households			
	QI	QII	QIII	QIV	QI	QII	QIII	QIV	QI	QII	QIII	QIV
1970	n.a.	n.a.	-.1	.3	n.a.	n.a.	2.7	4.6	n.a.	n.a.	2.4	2.2
1971	1.0	-.2	-.2	.6	-6.4	3.3	1.9	6.9	.8	1.8	1.2	1.2
1972	1.7	-2.3	0	.9	-5.8	5.0	4.0	8.4	-3.9	5.7	2.6	2.4
1973	-.2	-.1	.2	.3	-7.1	3.8	1.7	7.9	-.3	2.2	1.8	1.0
1974	-.2	-.6			-7.7	4.0			.6	.9		

Year	Foreign				All other				Total			
	QI	QII	QIII	QIV	QI	QII	QIII	QIV	QI	QII	QIII	QIV
1970	n.a.	n.a.	-.2	-.1	n.a.	n.a.	.4	.3	n.a.	n.a.	5.3	7.3
1971	.1	-.1	-.1	.1	.3	0	-.8	1.0	-4.2	4.9	2.1	9.7
1972	0	0	0	.1	1.6	-1.3	.4	.9	-6.3	7.1	7.0	12.6
1973	.2	.3	.1	.3	-.5	0	.2	.4	-8.0	6.3	4.0	9.8
1974	-.2	-.1			-1.4	.1			-8.9	4.3		

^{1/} Changes are based on daily averages of last-month-quarter to last-month-in-quarter, not annualized.
 Data are before deduction for cash items in process of collection.

Figures may not add to totals due to rounding.

Table 2

SECOND QUARTER CHANGE IN LEVEL OF GROSS IPC DEMAND DEPOSITS
 BY OWNERSHIP CATEGORY, AT WEEKLY REPORTING BANKS VS NON-WEEKLY REPORTING BANKS 1/
 (Billions of dollars, not seasonally adjusted)

Year	Financial business			Nonfinancial business			Households		
	WRB	NON-WRB	TOTAL	WRB	NON-WRB	TOTAL	WRB	NON-WRB	TOTAL
1971	-.1	-.1	-.2	1.7	1.6	3.3	.5	1.3	1.8
1972	.1	-2.2	-2.3	1.3	3.7	5.0	.7	5.0	5.7
1973	-.2	.1	-.1	1.7	2.1	3.8	.6	1.6	2.2
1974	-.5	-.1	-.6	1.9	2.1	4.0	.5	.4	.9

Year	Foreign			All other			Total		
	WRB	NON-WRB	TOTAL	WRB	NON-WRB	TOTAL	WRB	NON-WRB	TOTAL
1971	-.1	0	-.1	.3	-.3	0	2.4	2.5	4.9
1972	.1	-.1	0	0	-1.3	-1.3	2.2	4.9	7.1
1973	.3	0	.3	-.1	.1	0	2.3	4.0	6.3
1974	-.1	0	-.1	0	.1	.1	1.8	2.5	4.3

1/ Changes are based on daily averages of last-month-in-quarter to last-month-in-quarter, not annualized. Data are before deduction for cash items in process of collection. Only data for total and weekly reporting banks are reported; figures for non-weekly reporting banks are residuals.

Figures may not add to totals due to rounding.