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CLASS II - FOMC

June 17, 1977

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

TABLE OF CONTENTS

SUPPLEMENTAL NOTES

The Domestic Nonfinancial Economy

Private housing starts edged up 1.6 per cent in May to a seasonally adjusted annual rate of 1.93 million units; the May pace was 10 per cent above the advanced average for both the first quarter of 1977 and the fourth quarter of last year.

Single family starts in May increased 2 per cent to 1.46 million units--only slightly below the highest monthly figure posted (March 1977) since the series has been reported. Multifamily starts, at 458 thousand units, were virtually unchanged from an upward revised April rate, thus continuing 5 per cent above the first quarter average.

Regionally, strong increases in housing starts were registered in the Northeast and North Central states--19 and 11 per cent, respectively. In both cases the increase more than offset declines recorded a month earlier. In the South and the West, starts continued to decline, but the declines were less than 5 per cent in each area.

Total residential building permits were up 3 per cent in May, attaining the second highest level of the current housing upswing. Single family permits increased 4 per cent, while multifamily edged up 1 per cent.

PRIVATE HOUSING STARTS AND
RESIDENTIAL BUILDING PERMITS

	Mar.(r)	Apr.(r)	May	Per cent change from April 1977	Per cent change from May 1976
	(Thousands of units, SAAR)				
STARTS	2,089	1,899	1,929	+ 2	+34
1 - family	1,503	1,433	1,461	+ 2	+34
2 - or more - family	586	466	468	--	+36
Northeast	202	188	223	+19	+47
North Central	510	480	531	+11	+27
South	814	763	728	- 5	+46
West	563	468	447	- 5	+22
PERMITS	1,712	1,563	1,606	+ 3	+39
1 - family	1,208	1,030	1,070	+ 4	+33
2 - or more - family	504	533	536	+ 1	+53
Northeast	217	178	199	+12	+41
North Central	402	385	380	- 1	+33
South	545	541	550	+ 2	+41
West	548	449	477	+ 6	+40
MEMO: Mobile home shipments	275	252	242	- 4	- 2

NOTE: r = revised, p = preliminary--means change is less than 1 per cent.

Industrial production in May increased by an estimated 1.1 per cent, following gains of 0.8 per cent and 1.5 per cent in April and March, respectively. Increases in output in May were widespread among products and materials, but auto production edged off for the second successive month. At a level of 137.8 per cent of the 1967 average, industrial production in May was 3.5 per cent above the level in February, and also in December, and 6.3 per cent higher than a year earlier.

Output of both durable and nondurable consumer goods increased further in May. Auto assemblies--at a 9.2 million unit annual rate--declined 1.4 per cent from the April index level, but production of other consumer durable goods, particularly home goods, increased sharply. Production of business equipment increased by 1.8 per cent, following a gain of 1.6 per cent now indicated for April; business equipment output in May was 4.3 per cent above that in February, and also in December, and almost 11 per cent higher than a year earlier. Output of construction supplies also continued to advance strongly last month.

Production of materials increased 1.2 per cent in May. Durable goods materials output rose sharply, particularly iron and steel. Production of nondurable goods materials increased moderately.

INDUSTRIAL PRODUCTION
(Seasonally Adjusted)

Indexes, 1967=100	1977				Per cent changes		
	Feb.	Mar.	Apr. (p)	May (e)	Month ago	Year ago	QIV to QI
Total	133.2	135.2	136.3	137.8	1.1	6.3	1.3
Products, total	133.9	135.1	135.9	137.2	1.0	6.4	1.7
Final products	131.8	133.3	134.0	135.2	.9	6.2	1.7
Consumer goods	141.0	143.0	143.0	143.6	.4	4.5	1.5
Durable goods	146.1	152.3	152.4	152.8	.3	6.7	2.1
Nondurable goods	138.9	139.1	139.5	140.0	.4	3.6	1.2
Business equipment	143.1	144.4	146.7	149.3	1.8	10.9	2.4
Intermediate products	141.8	141.9	143.0	144.8	1.3	7.3	2.0
Construction supplies	135.7	136.4	137.8	139.6	1.3	6.6	.7
Materials	132.4	135.4	136.8	138.5	1.2	6.0	.8

p--preliminary e--estimated

Capacity utilization in manufacturing is estimated to have increased 0.9 percentage point in May to 83.3 per cent. Utilization rates in the primary processing and advanced processing sectors of manufacturing are estimated to have increased by about the same amount. Large gains in steel production were an important element in the increase in primary processing utilization rates. Moderate gains were widespread throughout the rest of the primary processing sector, with the exception of the petroleum industry, in which production moved down slightly from a high level of operations in April. Increases in production of equipment other than motor vehicles contributed significantly to the rise of advanced processing utilization rates.

Capacity utilization in materials increased an estimated 0.8 percentage point in May to 83.1 per cent. Gains were most pronounced amongst durable goods materials, with the jump in steel production contributing largely to this rise. Utilization rates for nondurable goods materials and energy materials moved up by small amounts.

Personal income rose at a slower rate in May than in April, as declines in transfer payments and farm proprietors' income offset somewhat continued strong growth of wages and salaries. Wage and salary disbursements rose at a 11.2 per cent annual rate in May--little changed from the rate in April and the first quarter. Payroll gains were most rapid in manufacturing--particularly in the durable goods sector in which May gains in employment and hours were concentrated.

The May decline in transfer payments reflects the one-time speedup in April of the payment of veterans' life insurance dividends. Farm proprietors' income declined for the second consecutive month in May, after increasing steadily since last fall. Rental income rose sharply last month, reflecting the return to a more normal level following the large April losses from flood damage.

PERSONAL INCOME
(Per cent change from preceding comparable period at a compound annual rate; based on seasonally adjusted data)

	1976				1977			
	QI	QII	QIII	QIV	QI	Mar.1/	Apr.1/	May1/
Current dollars								
Total personal income	10.1	9.5	7.3	10.7	12.4	18.3	9.0	7.6
Nonagricultural income	12.6	7.8	9.2	11.2	11.4	18.2	9.6	8.3
Wage & salary disbursements	12.6	9.4	7.8	10.7	11.8	17.9	11.5	11.2
Private	14.1	10.1	8.2	10.5	13.4	21.0	12.6	12.2
Manufacturing	18.0	10.9	5.7	8.6	15.8	26.6	10.7	16.1
Government	7.2	7.1	6.7	11.5	6.2	6.0	7.2	7.1
Nonwage income	7.2	9.3	6.3	10.7	14.6	18.7	5.2	2.0
Transfer payments	14.1	-2.3	10.9	9.0	13.2	20.7	4.7	-16.8
Dividends	11.7	16.7	12.1	28.6	-1.1	16.0	9.5	9.4

1/ Per cent change at annual rate, not compounded.

The book value of retail trade inventories rose at a $7.6 billion annual rate in April--substantially slower than the $18.2 billion annual rate rise in March and $12.0 billion rate increase in the first quarter. On net, all of the April accumulation was at nondurables retailers--particularly general merchandise stores. Durable goods sellers actually reduced their stocks by about $.4 billion; excluding autos, however, durable stocks were up $.5 billion in the month.

Manufacturing and trade inventories were accumulated in April in book value terms at a $35.6 billion annual rate, slightly more than the $32.8 billion first quarter gain. The ratio of inventories to sales for all manufacturing and trade in April edged up to 1.45 from 1.43 in March.

The Domestic Financial Economy

No textual addendums to the Greenbook were required, but the usual updating of interest rate developments is contained in the table on page 7.

ERRATA

Part I: Page I-2, line 10: change "April" to "March".

Page I-16, line 14: change "smaller to" to "similar to".

Part II: Page II-15, line 16: change "nonresidential" to "residential".

Page III-16, line 18: change "sales of FNMA" to "sales to FNMA".

INTEREST RATES
(One day quotes--in per cent)

	1977		1977	
	Highs	Lows	May 16	June 16
Short-Term Rates				
Federal funds (wkly. avg.)	5.45(5/25)	4.47(1/5)	5.34(5/18)	5.37(6/15)
3-month				
Treasury bills (bid)	5.17(5/20)	4.39(1/3)	4.99	5.02
Comm. paper (90-119 days)	5.50(6/10)	4.63(1/10)	5.38	5.40
Bankers' acceptances	5.63(5/23)	4.66(1/3)	5.40	5.39
Euro-dollars	6.19(5/24)	4.88(1/5)	5.81	5.69
CD's (NYC) 90 days				
Most often quoted new	5.44(5/25)	4.50(1/5)	5.13(5/11)	5.35(6/15)
6-month				
Treasury bills (bid)	5.40(5/19)	4.54(1/3)	5.24	5.22
Comm. paper (4-6 mos.)	5.63(6/1)	4.63(1/7)	5.50	5.50
CD's (NYC) 180 days				
Most often quoted new	5.72(6/1)	4.65(1/5)	5.50(5/11)	5.63(6/15)
1-year				
Treasury bills (bid)	5.62(5/19)	4.66(1/3)	5.45	5.43
CD's (NYC)				
Most often quoted new	6.00(5/25)	5.00(1/5)	5.72(5/11)	5.88(6/15)
Prime municipals	3.10(5/27)	2.65(1/7)	3.10(5/13)	3.05(6/10)
Intermediate- and Long-Term				
Treasury (constant maturity)				
3-year	6.68(5/20)	5.73(1/3)	6.52	6.36
7-year	7.35(5/11)	6.50(1/3)	7.24	7.02
20-year	7.80(5/11)	7.20(1/3)	7.73	7.64
Corporate				
Seasoned Aaa	8.13(3/14)	7.87(1/5)	8.08	7.93(6/15)
Baa	9.18(2/25)	8.89(6/15)	8.99	8.89(6/15)
Aaa Utility New Issue	8.34(5/18)	7.90(1/5)	8.32(5/13)	8.01p(6/17)
Recently Offered	8.33(5/4)	7.95(1/5)	8.32(5/13)	8.08p(6/17)
Municipal				
Bond Buyer Index	5.93(2/2)	5.55(6/16)	5.82(5/12)	5.55
Mortgage--average yield in FNMA auction	8.79(5/31)	8.46(1/12)	8.74	8.77(6/13)

APPENDIX A*

BANK CREDIT REVISION

The commercial bank credit figures used in this month's analysis of financial developments reflect revisions based on the December 31, 1976 Call Report. This Appendix explains the effects of the revision on previous estimates of loans and investments.

December Call Report data indicated that growth in commercial bank credit was considerably larger over the second half of 1976 than the previous partially estimated data had indicated. The seasonally adjusted annual rate of growth in total loans and investments over that period was 2.6 percentage points higher than estimated--9.3 per cent after revision compared with 6.7 per cent before revision--as shown on Table 1. The new, higher level for total bank credit reflected a sharp upward revision in total loans and a moderate upward revision in holdings of U.S. Treasury securities offset in part by a downward revision in "other" securities.

The level of the total bank credit series was raised by $9.5 billion as of December 1976, and the level of the total loan series was raised by $10.8 billion as shown in Table II. The latter was somewhat larger than any previous dollar revision in the loan series and the total bank credit revision was larger than any other except for that in June 1976. The level of U.S. Treasury securities was raised $0.4 billion--close to the average amount of revision in recent years. But the level of "other securities" was reduced $1.7 billion--a somewhat larger dollar change than usual and also one of the few downward revisions in this item.

The revisions reflect three sources of error in the original monthly estimates, as discussed below.

1. Nonmember bank credit estimates. The December Call Report suggested that total credit expansion at nonmember banks between June 30 and the December 29, 1976 last-Wednesday reporting date was $4.5 billion

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*Prepared by Edward R. Fry, Senior Economist, and Mary Jane Harrington, Economist, Banking Section, Division of Research and Statistics.

more than previously estimated.[1/] Loans (including domestic interbank loans) were $4.3 billion higher and holdings of U.S. Treasury securities were $0.8 billion higher while holdings of "other" securities were $0.7 billion lower. Nonmember estimates were revised for earlier months back through July 1976--i.e., back to the previous Call Report benchmark. In addition, the revised levels were carried forward from December 1976 into current monthly estimates. These revisions of levels for current months, however, had little effect on changes in bank credit over recent months. The $4.3 billion estimating error in loans (including interbank) at nonmember banks was about the same as the average of such errors over the five previous Calls.

2. Estimates of domestic interbank loans. The bank credit series measure credit extended to the nonbank public. Estimates of domestic interbank loans are deducted from total loans and total bank credit for this purpose based on data from several sources.[2/] The December Call indicated that interbank loan estimates were too high. Reduction of these estimates by about $1.7 billion as of December 3. resulted in further upward revision of total loans and total bank credit by this amount. This revision in interbank loan estimates was relatively large by historical standards.

3. "Window-dressing" estimates. When the last-Wednesday current reporting date differs from the Call Report date, as usually happens, an estimate of the difference in levels between these two dates must be made and incorporated in bank credit estimates in anticipation of the Call Report benchmarks that become available with a lag. The estimated change in bank credit between these dates is termed "window-dressing. Between December 29 and the December 31, 1976 Call, the actual change in

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1/ Initial estimates for nonmember banks are based on data reported weekly by the smaller member banks, using ratios that relate nonmember amounts to the amounts reported by smaller member banks in the most recently available mid-year or end-of-year Call Report. Previous estimates reflected Call Report relationships as of June 30, 1976. Data for large member banks are reported weekly.

2/ Domestic interbank loans, including Federal funds transactions with banks, are estimated on the basis of data reported each Wednesday by member banks. Nonmember estimates rely on data reported by small member banks and Call Report ratios of nonmember to small member interbank loans.

total bank credit appears to have been $7.4 billion--$3.4 billion higher than estimated. This error in estimating "window-dressing" required a relatively large $4.9 billion upward revision for total loans which was partially offset by a $1.5 billion reduction in estimated "window-dressing" for investments. Among loan categories, the principal changes were upward revisions of $0.8 billion in business loans, $2.9 billion in security loans, and $1.5 billion in "other" loans. The unusually large security loan error reflected technical adjustments associated with heavy runoffs of System repurchase agreements in the last two days of December which resulted in unanticipated bank financing of security portfolios. The downward revision of window-dressing estimates for bank investments resulted when the Call Report indicated little change in security holdings between December 29 and December 31. Increases in investments, especially in "other" securities, had been estimated on the basis of average changes for past periods.

"Window-dressing" errors affect only the December levels and monthly changes involving December and January--i.e., the larger increase in loans in December was followed by a correspondingly smaller increase in January. Changes in other months were not affected by this factor.

There is an additional source of error that may be involved in original monthly estimates but which cannot be measured directly in the case of the December 31, 1976 Call. Errors in the original reported member bank data which are incorporated directly into the credit series or, as in the case of small banks which affect estimates for nonmember banks, can only be determined when the last-Wednesday reporting date coincides with a Call date. Information on past available dates has indicated that such reporting errors, in some cases, have been substantial.

Among the major loan categories, business loans were $0.7 billion higher on December 31, 1976 than had been previously estimated. As noted above, the error was largely in "window-dressing" rather than in the nonmember estimates. Real estate loans were $0.4 billion higher. Compared with other recent periods, these were relatively small errors for the two series. Security loans were $2.9 billion higher than estimated--again largely a "window'dressing" error as indicated above. Revisions in agricultural loans and in loans to nonbank financial institutions were negligible.

Consumer loans, which accounted for a substantial portion of total loan growth in 1976, have not yet been revised to the December benchmark. This series is a component of the consumer credit series for which adjustments are in process. In the bank credit series,

benchmark correction for consumer loans is reflected in the "all other" loan category until the consumer credit series are revised. All other loans were raised $6.5 billion as of December 31 based on the new Call Report data. Indications are that about $4.0 billion of this increase in the level of all other loans will be in consumer loans. The consumer credit series were last benchmarked in December 1975, so this revision will be spread over the entire year 1976. Accordingly, it is anticipated that consumer loan growth at banks will be raised substantially for the year 1976--from the current 8.2 per cent to above 12-1/2 per cent. Thus, the consumer component of bank loans, which previously had been considered one of the most important categories of loan growth in 1976, will assume even greater importance.

Over the January-May 1977 period, the higher nonmember bank estimating ratios established from the December Call Report were used to derive revised estimates for nonmember banks. Accordingly, the estimated level of the commercial bank credit series was raised in all of these months. However, because the temporary one-month window-dressing revisions raised the December level more than for subsequent months, growth rates between December and subsequent months have been reduced. For example, the first quarter growth rate in total bank credit has been reduced to an annual rate of 9.5 per cent from the earlier estimated rate of 11.5 per cent. While changes from December are smaller, the temporary window-dressing effect does not affect levels for other months nor the underlying trend of bank credit.

All data subsequent to December 1976 are subject to further revision when the June 1977 Call Report becomes available.

Table I

COMMERCIAL BANK CREDIT[1/]
COMPARISON OF OLD AND REVISED RATES OF GROWTH[2/]
(Seasonally adjusted changes at annual percentage rates)

	Total Loans & Investments[3/]		US Treasury Securities		Other Securities		Total Loans[3/]		Business Loans[3/]		Real Estate	
	Old	Revised	Old	Revised	Old	Revised	Old	Revised	Old	Revised	Old	Revised
1976--2nd half	6.7	9.3	4.6	5.5	7.0	4.7	7.0	11.2	7.2	8.0	9.3	9.7
3rd quarter	5.5	7.2	-1.3	0.8	7.5	6.6	6.2	8.5	4.6	3.9	8.7	9.3
4th quarter	7.9	11.2	10.6	10.1	6.5	2.7	7.7	13.7	9.7	12.0	9.6	9.9
1976--year	7.3	8.6	22.0	22.5	3.5	2.3	6.1	8.3	2.2	2.6	10.0	10.2
1977--1st quarter[p/]	11.5	9.5	23.9	25.9	-2.1	0.5	13.1	9.1	9.9	8.1	11.8	12.6
1976--July	2.2	4.1	-21.5	-19.0	10.8	10.8	4.2	6.5	6.2	4.8	9.3	9.3
August	8.4	9.7	32.3	30.9	3.3	2.5	5.6	7.9	—	—	5.9	6.7
September	5.8	7.6	-13.8	-8.8	8.2	6.6	8.8	10.8	7.5	6.8	10.8	11.7
October	12.1	13.5	-7.6	-6.3	4.1	3.3	17.9	19.9	18.3	17.7	9.1	8.3
November	9.6	11.1	11.5	12.7	21.9	22.0	5.9	7.9	14.0	14.7	9.0	10.7
December	1.7	8.6	27.9	23.9	-6.4	-16.8	-0.7	13.0	-3.3	3.3	10.6	10.6
1977--January[p/]	8.9	3.7	-9.9	-4.9	-4.0	4.9	16.0	4.9	8.6	3.3	9.7	12.1
February[p/]	14.5	14.7	57.4	57.0	5.6	5.6	9.4	9.7	9.9	9.2	12.0	12.8
March[p/]	10.7	10.0	23.8	24.8	-8.0	-8.8	13.5	12.5	11.1	11.8	13.5	12.6
April[p/]	13.9	14.0	-9.3	-9.3	28.2	28.3	14.4	14.5	12.3	13.6	13.3	14.1

1/ Last-Wednesday-of-month series except for June and December which are adjusted to the last business day of the month.

2/ Data revised to reflect adjustment to December 31, 1976 Call Report benchmarks.

3/ Includes outstanding amounts of loans reported as sold outright to banks to their own foreign branches, nonconsolidated nonbank affiliates of the bank's holding company (if not a bank) and nonconsolidated nonbank subsidiaries of holding companies.

Table II

SEASONALLY ADJUSTED BANK CREDIT[1/]
COMPARISON OF OLD AND REVISED LEVELS[2/]
(In billions of dollars)

	Total Loans & Investments[3/]		US Treasury Securities		Other Securities		Total Loans[3/]		Business Loans[3/]		Real Estate	
	Old	Revised	Old	Revised	Old	Revised	Old	Revised	Old	Revised	Old	Revised
1976--July	754.7	755.9	93.0	93.2	146.1	146.1	515.6	516.6	175.8	175.6	143.2	143.2
August	760.0	762.0	95.5	95.6	146.5	146.4	518.0	520.0	175.8	175.6	143.9	144.0
September	763.7	766.8	94.4	94.9	147.5	147.2	521.8	524.7	176.9	176.6	145.2	145.4
October	771.4	775.4	93.8	94.4	148.0	147.6	529.6	533.4	179.6	179.2	146.3	146.4
November	777.6	782.6	94.7	95.4	150.7	150.3	532.2	536.9	181.7	181.4	147.4	147.7
December	778.7	788.2	96.9	97.3	149.9	148.2	531.9	542.7	181.2	181.9	148.7	149.0
1977--January[p/]	784.5	790.6	96.1	96.9	149.4	148.8	539.0	544.9	182.5	182.4	149.9	150.5
February[p/]	794.0	800.3	100.7	101.5	150.1	149.5	543.2	549.3	184.0	183.8	151.4	152.1
March[p/]	801.1	807.0	102.7	103.6	149.1	148.4	549.3	555.0	185.7	185.6	153.1	153.7
April[p/]	810.4	816.4	101.9	102.8	152.6	151.9	555.9	561.7	187.6	187.7	154.8	155.5

1/ Last-Wednesday-of-month series except for June and December which are adjusted to the last business day of the month.
2/ Data revised to reflect adjustment to December 31, 1976 Call Report benchmarks.
3/ Includes outstanding amounts of loans reported as sold outright to banks to their own foreign branches, nonconsolidated nonbank affiliates of the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of holding companies.

APPENDIX B*
CHANGES IN BANK LENDING PRACTICES

The mid-May Lending Practices Survey shows that for the first time since August 1974, a majority of respondents perceived that business-loan demand was stronger than at the time of the preceding survey. The national pattern of moderate strengthening appears to be uniform across all regions—except in New York City, where only one of eight responding banks indicated stronger loan demand. In addition to being fairly widespread regionally, increased loan demand has been experienced by both the larger and the smaller banks in the sample, with somewhat more of the strength coming at banks with less than $1 billion in deposits. Further, the responding bankers as a group were even more optimistic than they were in mid-February about the prospects for business loan demand in the near future. With regard to the terms of lending, almost two-thirds of the bankers reported unchanged interest rate policy, with somewhat over half of the rest reporting moderately firmer policy. The May survey also indicated a continuation of earlier trends toward moderately easier policies regarding compensating balances and the negotiation of term loans to business, and toward an increased willingness to make various types of loans other than short-term business loans.

The breakdowns for business loan demand show that over one-half of the respondents reported that demand in mid-May was moderately stronger than in mid-February, and virtually all other respondents reported that demand was essentially unchanged. Slightly over two-thirds were anticipating moderately stronger business loan demand over the next three months, with most of the remainder anticipating unchanged demand. This forecast is more optimistic than in mid-February, when somewhat less than three-fifths anticipated stronger demand.

About two-thirds of the bankers reported unchanged interest rate policy; and of the remainder, slightly more banks reported moderately firmer policy than reported moderately easier policy. It is interesting to note that this survey was taken at a time of rising market rates, and on May 13, just before the survey was taken, the prime rate increased from 6 1/4 per cent to 6 1/2 per cent.

With regard to other changes in lending practices, over four-fifths of the respondents reported that policy regarding compensating balances was unchanged, with most of the others reporting moderately easier policy. Thus, the trend toward easier balance requirements, noted in the responses to earlier surveys, continues--although at a somewhat abated pace. Similarly, the trend toward a more accommodative policy when negotiating the maturity of term loans continues. There has been a significant shift toward greater

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willingness to make all types of loans surveyed, with the exception of multi-family mortgage loans, where bankers are still cautious.

Bankers generally reported that standards of credit-worthiness were essentially unchanged. However, it should be noted that while significant proportions of the respondents have at times reported higher standards of credit-worthiness, reports of lower standards have been rare. As was the case in May and November of 1976 and in February 1977, moderately easier policy with regard to establishing new or larger credit lines with finance companies was reported by about one-tenth of the banks. These proportions have been the highest since February 1974, when about one-sixth of the respondents reported moderately easier policy.

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 MAY 15, 1977 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	121	100.0	1	0.8	61	50.4	57	47.1	2	1.7	0	0.0
ANTICIPATED DEMAND IN NEXT 3 MONTHS	120	100.0	1	0.8	81	67.5	36	30.0	2	1.7	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	121	100.0	0	0.0	25	20.7	77	63.6	19	15.7	0	0.0
COMPENSATING OR SUPPORTING BALANCES	121	100.0	0	0.0	3	2.5	99	81.8	18	14.9	1	0.8
STANDARDS OF CREDIT WORTHINESS	121	100.0	0	0.0	3	2.5	115	95.0	3	2.5	0	0.0
MATURITY OF TERM LOANS	121	100.0	0	0.0	2	1.7	96	79.3	20	16.5	3	2.5
REVIEWING CREDIT LINES OR LOAN APPLICATIONS												
ESTABLISHED CUSTOMERS	121	100.0	0	0.0	0	0.0	110	90.9	10	8.3	1	0.8
NEW CUSTOMERS	121	100.0	1	0.8	3	2.5	105	86.8	11	9.1	1	0.8
LOCAL SERVICE AREA CUSTOMERS	121	100.0	0	0.0	0	0.0	113	93.4	7	5.8	1	0.8
NONLOCAL SERVICE AREA CUSTOMERS	121	100.0	1	0.8	5	4.1	108	89.3	6	5.0	1	0.8

1/ SURVEY OF LENDING PRACTICES AT 121 LARGE BANKS REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF MAY 15, 1977.

TABLE 1 (NUED)

	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
FACTORS RELATING TO APPLICANT 2/												
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	121	100.0	1	0.8	9	7.4	106	87.7	4	3.3	1	0.8
INTENDED USE OF THE LOAN	121	100.0	2	1.7	2	1.7	116	95.8	1	0.8	0	0.0
LENDING TO "NONCAPTIVE" FINANCE COMPANIES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	121	100.0	1	0.8	9	7.4	108	89.3	3	2.5	0	0.0
COMPENSATING OR SUPPORTING BALANCES	121	100.0	1	0.8	0	0.0	115	95.1	5	4.1	0	0.0
ENFORCEMENT OF BALANCE REQUIREMENTS	121	100.0	1	0.8	2	1.7	116	95.8	2	1.7	0	0.0
ESTABLISHING NEW OR LARGER CREDIT LINES	121	100.0	1	0.8	3	2.5	104	86.0	13	10.7	0	0.0

	ANSWERING QUESTION		CONSIDERABLY LESS WILLING		MODERATELY LESS WILLING		ESSENTIALLY UNCHANGED		MODERATELY MORE WILLING		CONSIDERABLY MORE WILLING	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
WILLINGNESS TO MAKE OTHER TYPES OF LOANS												
TERM LOANS TO BUSINESSES	121	100.0	0	0.0	2	1.7	81	66.9	35	28.9	3	2.5
CONSUMER INSTALMENT LOANS	120	100.0	0	0.0	1	0.8	88	73.4	28	23.3	3	2.5
SINGLE FAMILY MORTGAGE LOANS	120	100.0	0	0.0	2	1.7	89	74.1	23	19.2	6	5.0
MULTI-FAMILY MORTGAGE LOANS	119	100.0	0	0.0	3	2.5	111	93.3	5	4.2	0	0.0
ALL OTHER MORTGAGE LOANS	120	100.0	0	0.0	2	1.7	104	86.6	14	11.7	0	0.0
PARTICIPATION LOANS WITH CORRESPONDENT BANKS	121	100.0	1	0.8	0	0.0	103	85.2	17	14.0	0	0.0
LOANS TO BROKERS	121	100.0	1	0.8	4	3.3	96	79.4	17	14.0	3	2.5

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.