



FEDERAL RESERVE

press release

For release in morning papers of
Tuesday, February 15, 1966

February 14, 1966

Statement by J. L. Robertson, Member of the
Board of Governors of the Federal Reserve
System, at a press conference on February 14,
1966, with respect to balance of payments de-
velopments in 1965.

I am pleased to report today that foreign loans and investments of U.S. commercial banks in 1965 expanded by less than the amount provided by the target ceiling suggested in the February 1965 guidelines. This result is a tribute to the spirit of wholehearted cooperation with which banks and other financial institutions have complied with the guidelines designed to meet the important national problem of improving our balance of international payments.

Despite the usual relatively large seasonal increase in December, foreign loans and investments of monthly reporting banks on December 31, 1965, were only \$155 million higher than on December 31, 1964. Thus, at the end of the year the banking system was \$320 million below the target (105 per cent of the December 31, 1964, base) suggested by the 1965 guidelines. The increase of \$155 million last year compares with an increase of \$2.4 billion in 1964 and of over \$1 billion on the average for the three years 1961-1963, although the latter figures include some foreign claims not covered by the program, such as customers'

assets. The net change of \$2.25 billion between 1964 and 1965 was larger than the total improvement in the U.S. balance of payments.

With the \$320 million margin remaining under the 1965 target ceiling, and the additional expansion of 1 per cent of the base per quarter which would be consistent with the guidelines for 1966, banks should have more than ample leeway to accommodate all priority credit needs--for export financing and credits to developing countries--during the coming year.

On December 31, 1965, 35 banks held foreign claims in amounts which exceeded the target. However half of those banks had foreign claims of less than \$5 million each and had been over the target when the program was announced. Among the other half, a substantial portion of the excess represented an outflow of a seasonal nature in December which has since been reversed (see attached tables).

Year-end data on financial institutions other than banks are still being compiled. Statistics through the third quarter, previously released, indicated that these institutions, too, on balance were then well within the guidelines as revised in June 1965.

Data on the foreign lending activities of commercial banks in 1965 are set forth in the attached tables.

Table 1
Foreign Credits of U.S. Banks, 1965
(millions of dollars)

<u>Item</u>	<u>March</u>	<u>End of Period</u>		
		<u>June</u>	<u>Sept.</u>	<u>Dec.</u>
Number of reporting banks	150	161	160	161
Total foreign credits subject to 105 per cent ceiling	9896	9589	9503	9654
Target ceiling (105 per cent of December 1964 base)	9971	9981	9979	9975
Net expansion of credit since December 1964	398	82	- 2	155
Net leeway for further expansion of credit within target ceiling	75	391	477	320

Table 2
Foreign Credits of Banks
in Excess of Target Ceiling, 1965

<u>Item</u>	<u>March</u>	<u>End of Period</u>		
		<u>June</u>	<u>Sept.</u>	<u>Dec.</u>
Number of banks	60	56	35	35
Aggregate amount in excess of target (\$ million)	274	107	86	113

Table 3
Distribution of Excess Over Ceiling
December 31, 1965

<u>Per Cent of 1964 Base</u>	<u>Number of Banks</u>	<u>Amount in Excess of Ceiling (\$ million)</u>
105 - 110	10	\$ 78.2
110 - 115	4	9.2
115 - 120	6	6.6
Over 120	<u>15</u>	<u>19.2</u>
	35	\$113.2

Note.--Ceiling is 105 per cent of
December 1964 base.