FEBRUARY 1979

FEDERAL RESERVE BULLETIN

Domestic Financial Developments in the Fourth Quarter of 1978
Check Processing at Federal Reserve Offices
Survey of Time and Savings Deposits, October 1978

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VOLUME 65 □ NUMBER 2 □ FEBRUARY 1979

FEDERAL RESERVE BULLETIN

Board of Governors of the Federal Reserve System
Washington, D.C.

The FEDERAL RESERVE BULLETIN is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. Direction for the art work is provided by Mack R. Rowe. Editorial support is furnished by the Economic Editing Unit headed by Mendelle T. Berenson.

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Domestic Financial Developments in the Fourth Quarter of 1978

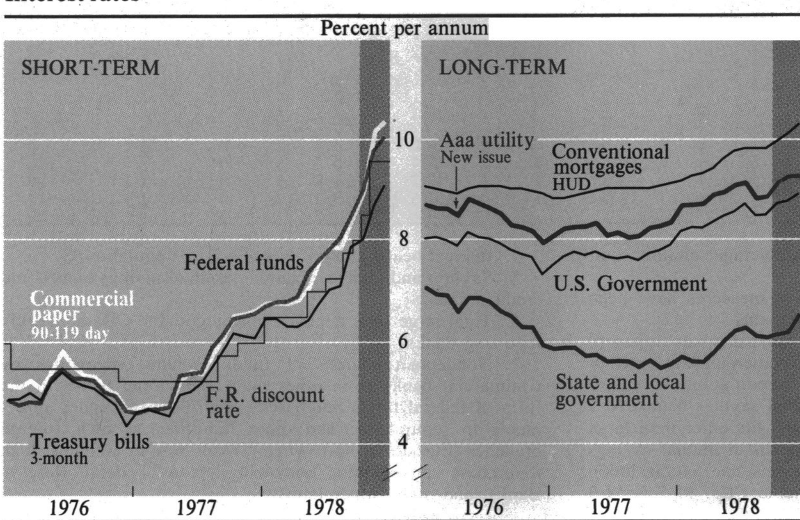
This report, which was sent to the Joint Economic Committee of the U.S. Congress, highlights the important developments in domestic financial markets during the fall and early winter.

The pace of the nation's economic activity advanced considerably further during the fourth quarter, inflationary pressures remained strong, and early in the quarter the dollar continued under substantial downward pressure in foreign exchange markets. To control inflation and to help arrest the excessive depreciation of the dollar, monetary restraint was intensified. The rate of growth in bank reserves moderated in the fourth quarter and into early 1979, and the federal funds rate increased about 1½ percentage points from September to January.

The discount rate was boosted a similar amount, including an increase of 1 percentage point initiated on November 1 as part of a joint Federal Reserve–Treasury program to support the dollar in foreign exchange markets. On that date, the Federal Reserve also announced a supplementary reserve requirement of 2 percentage points on large-denomination time deposits at member banks; this action was taken in an effort to curb the expansion of bank credit and to encourage borrowing by member banks from abroad, thereby strengthening the demand for dollar-denominated assets in Euromarkets.

Short-term interest rates generally rose in line with the upward movements in the federal funds and discount rates over the fourth quarter. The increases in Treasury bill rates, however, were held down somewhat by demands of foreign central banks that were investing the dollar proceeds of exchange market intervention. At the same time, rates on private short-term instruments were subject to especially strong upward pressures from substantial issuance of commercial paper and negotiable certificates of deposit (CDs); recently, these rates have declined somewhat from their year-end peaks.

Interest rates



Notes:

Monthly averages except for Federal Reserve discount rate and conventional mortgages (based on quotations for one day each month). Yields: U.S. Treasury bills, market yields on three-month issues; prime commercial paper, dealer offering rates; conventional mortgages, rates on first mortgages in primary markets, unweighted and rounded to nearest 5 basis points, from Department of Housing and Urban Development; Aaa utility bonds, weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to Aaa basis; U.S. government bonds, market yields adjusted to 20-year constant maturity by U.S. Treasury; state and local government bonds (20 issues, mixed quality), *Bond Buyer*.

Reflecting the higher cost of funds, the bank prime rate was increased more than 2 percentage points, to 11¾ percent.

Long-term rates moved about 1/2 of a percentage point higher during the fourth quarter, in response not only to the rise in short-term rates but also to the continuing high rate of inflation and the evidence of sustained strength in the economy. Stock prices fell sharply in late October, but reversed a portion of that decline over the balance of the quarter and in January as the dollar strengthened on foreign exchange markets and as corporations reported substantial increases in dividends and fourth-quarter earnings.

Growth in M-1 slowed markedly in the fourth quarter and remained quite weak in January, reflecting in part shifts of funds out of demand deposits associated with the authorization of automatic transfers from savings accounts as well as the cumulative impact of higher interest rates on the demand for money. Growth in the interest-earning components of the broader measures of the money stock, M-2 and M-3, slowed substantially as the quarter progressed, although on average for the entire quarter their rates of expansion were little changed from the previous quarter. Time and savings deposits subject to fixed-rate ceilings declined, but sales of six-month money market certificates (MMCs) were quite strong, as was the issuance of large time deposits included in these aggregates.

As a result of these somewhat disparate movements, all three major monetary aggre-

Changes in selected monetary aggregates [1]

Seasonally adjusted annual rate of change, in percent

Item	1976	1977	1978	1977	1978			
				Q4	Q1	Q2	Q3	Q4
Member bank reserves [2]								
Total	.6	5.3	6.9	6.3	8.9	6.2	8.6	3.1
Nonborrowed	.8	3.0	6.9	3.8	14.5	.6	6.6	5.4
Concepts of money [3]								
M-1	5.8	7.9	7.3	7.4	6.6	9.2	8.1	4.4
M-1+	12.6	9.3	5.3	6.6	5.0	7.2	6.0	2.5
M-2	10.9	9.8	8.5	7.9	7.0	8.4	9.9	7.7
M-3	12.7	11.7	9.4	10.1	8.1	8.4	10.4	9.4
M-4	7.1	10.1	10.5	10.4	10.2	10.6	10.1	9.4
M-5	10.2	11.7	10.5	11.5	10.0	9.8	10.5	10.3
Time and savings deposits at commercial banks—Total (excluding large negotiable CDs)	15.0	11.2	9.4	8.3	7.2	7.9	11.1	10.3
Savings	25.0	11.1	1.8	5.4	2.0	3.8	2.3	−.9
Other time	7.5	11.4	16.1	10.9	11.7	11.4	18.5	19.3
Small time plus total savings [4]	19.2	10.5	5.6	4.3	3.1	5.9	6.6	6.1
Deposits at thrift institutions [5]	15.6	14.5	10.6	13.2	9.7	8.5	11.1	11.7
MEMO (change in billions of dollars, seasonally adjusted):								
Large negotiable CDs at large banks	−19.1	8.0	23.1	6.6	8.4	6.6	2.6	5.5
All other large time deposits [6]	−.8	10.8	22.7	5.4	5.5	3.6	7.0	6.6
Small time deposits	16.4	14.5	17.3	1.2	1.8	3.8	5.1	6.6
Nondeposit sources of funds [7]	14.8	12.3	14.8	4.5	5.2	.9	2.3	6.7

1. Changes are calculated from the average amounts outstanding in each quarter.

2. Annual rates of change in reserve measures have been adjusted for changes in reserve requirements.

3. M-1 is currency plus private demand deposits adjusted. M-1+ is M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks. M-2 is M-1 plus bank time and savings deposits other than large negotiable CDs. M-3 is M-2 plus deposits at mutual savings banks and savings and loan associations and credit union shares. M-4 is M-2 plus large negotiable CDs. M-5 is M-3 plus large negotiable CDs.

4. Interest-bearing deposits subject to Regulation Q.

5. Savings and loan associations, mutual savings banks, and credit unions.

6. Total large time deposits less negotiable CDs at weekly reporting banks.

7. Nondeposit sources of funds include borrowings by commercial banks from other than commercial banks in the form of federal funds purchased, securities sold under agreements to repurchase, and other liabilities to own foreign branches (Eurodollar borrowings), loans sold to affiliates, loan repurchase agreements, borrowings from Federal Reserve Banks, and other minor items.

gates expanded in the fourth quarter at rates consistent with the long-run ranges set by the Federal Open Market Committee for the period from the third quarter of 1978 to the third quarter of 1979. For M-2 and M-3, these ranges were 6½ to 9 percent and 7½ to 10 percent, respectively. The growth of M-1, which the committee recognized would be affected by the introduction of automatic transfer services, was expected to fall within a range of 2 to 6 percent.

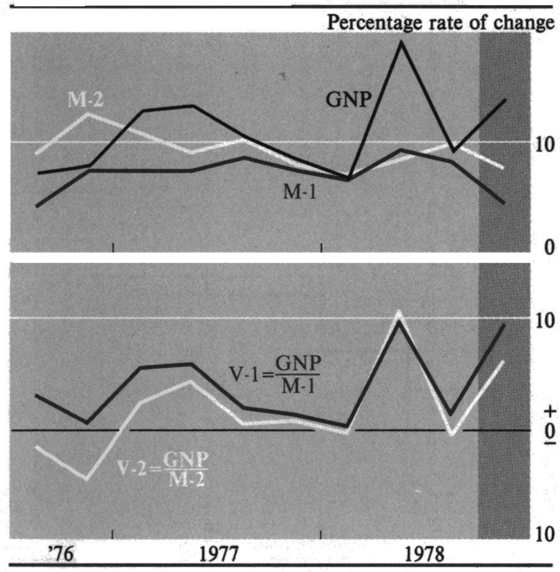
Aggregate credit flows to nonfinancial sectors totaled around $390 billion at an annual rate in the fourth quarter, somewhat below the pace of the preceding three months. Public-sector borrowing declined, as the Treasury drew down its cash balances to finance a portion of the federal deficit and as bond issuance by state and local governments fell with a decrease in advance-refunding operations. Nonfinancial businesses stepped up their short- and intermediate-term borrowing, which more than offset a decline in offerings of long-term securities. Consumer credit expanded somewhat more rapidly than in the third quarter, and the volume of home mortgage financing also increased, spurred by greater lending at thrift institutions.

Monetary Aggregates and Bank Credit

Growth in M-1 slowed markedly in the fourth quarter to an annual rate of 4½ percent on a quarterly-average basis, down from an average of 8 percent over the first three quarters of the year. On a monthly basis, M-1 was little changed on balance over the quarter, as moderate growth in October and December was about offset by a decline in November. The moderation in the growth of M-1 occurred despite a pick-up in the pace of expansion of nominal gross national product, and thus the velocity of M-1 rose at an annual rate of about 9½ percent in the fourth quarter, well above the 1¼ percent rate of the preceding quarter.

The principal cause for the slowdown in M-1 growth apparently was the sustained rise over recent months in market interest rates, which encouraged the public to economize on non-in-

Changes in income velocity of M-1 and M-2

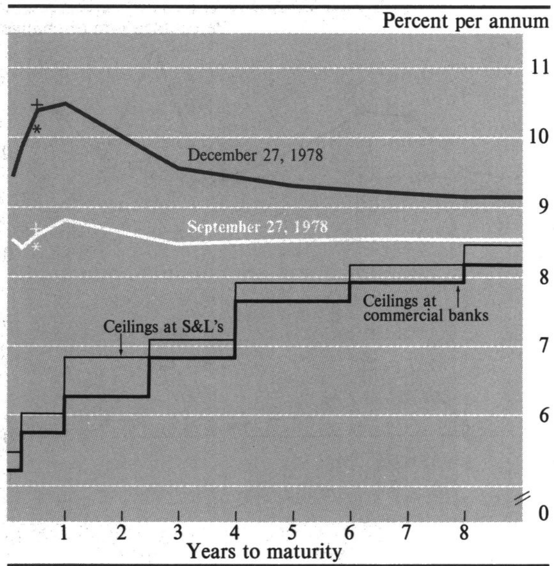


Seasonally adjusted annual rates. Money stock data are quarterly averages.

terest-bearing assets. However, the slowing of growth in M-1 during the fourth quarter and into early 1979 exceeded the amount implied by historical relationships among M-1, GNP, and interest rates. Some, but not all, of the greater slowdown can be explained by shifts of funds at commercial banks from demand deposits to household savings accounts eligible for automatic transfer services (ATS), authorized on November 1. Transfers to ATS savings accounts are estimated to have reduced growth in M-1 for the quarter as a whole about 1 percentage point at an annual rate. By the end of December, more than a third of all commercial banks were offering ATS savings accounts, and the balances outstanding in such accounts were estimated to total more than $3 billion. Something over half of these balances were thought by the banks surveyed to have been shifted from demand deposit accounts.

Despite transfers into ATS savings accounts, total savings deposits at commercial banks declined nearly 1 percent (annual rate) in the fourth quarter—the first quarterly decline since early 1970—as the spread between yields on Treasury bills and the maximum allowable yield on savings deposits reached a record 4½ percentage points by the end of the year. The

Treasury yield curves and deposit rate ceilings



+ Maximum yield on "money market" time deposits at thrift institutions.

* Maximum yield on "money market" time deposits at commercial banks.

Data reflect annual effective yields. Ceiling rates are yields derived from continuous compounding of the nominal ceiling rates. Market yield data are on an investment yield basis.

weakening in savings flows was concentrated in accounts held by individuals and nonprofit institutions. With the drop in savings deposits, the newly defined monetary aggregate, M-1+, grew at a rate of only 2½ percent, down from 6 percent in the third quarter. M-1+, which has been defined as M-1 plus all savings accounts at commercial banks and checkable deposits at thrift institutions, serves as a supplemental measure of transactions balances during the period of adjustment to ATS accounts.

The slowdown in the rate of expansion of M-2 was more moderate than the deceleration in the narrower monetary aggregates; growth in total small-denomination time deposits picked up somewhat in the fourth quarter to an annual rate of 6½ percent, while the rate of increase of large time deposits included in M-2 slowed only slightly. The stronger growth of small time deposits was attributable to large net inflows of funds to MMCs at commercial banks, the ceiling rate on which varies weekly with the rate set in auctions of six-month Treasury bills; the growth in these accounts amounted to $13¼ billion, not seasonally adjusted, compared with $7½ billion in the third quarter. Even with the maturing in December of more than $2 billion of MMCs issued by commercial banks in June, when such accounts were first authorized, banks maintained strong net gains in these deposits. Meanwhile, other small time deposits maturing in less than four years continued to decline during the fourth quarter, while small time deposits with longer maturities were essentially unchanged after having risen slowly over the preceding three months.

Outflows from time accounts subject to fixed regulatory interest rate ceilings reflected further increases in market rates above such ceilings, which caused shifting of funds to MMCs as well as to market instruments. By the end of the year, MMCs accounted for more than 5¾ percent of all small-denomination time and savings deposits at commercial banks. Although a substantial portion of MMC balances undoubtedly represents deposits that would have been held in other types of commercial bank accounts, the MMC also has enabled banks to retain funds that might otherwise have been diverted to market instruments. The relative attractiveness to small savers of financial instruments offering market rates of interest was evidenced by a rise in noncompetitive tenders for Treasury securities and a sharp increase in net sales of shares in money market mutual funds.

Issuance of MMCs also rose at savings and loan associations and mutual savings banks, boosting deposit growth at thrift institutions in the fourth quarter to an annual rate of 11¾ percent on a quarterly-average basis, up from 11 percent the preceding quarter. As a result, expansion of M-3 fell only slightly on average from its pace in the third quarter. However, growth of thrift deposits slowed in each month of the quarter, dropping from almost 14 percent in September to an estimated 9½ percent in December. During the final three months of the year, thrift institutions attracted $28 billion of new MMCs compared with $18½ billion in the third quarter. Like commercial banks, these institutions evidently had little difficulty rolling over maturing MMCs at prevailing rates in December, and by year-end MMCs accounted for more than 9 percent of total deposits at savings and loan associations and mutual savings banks.

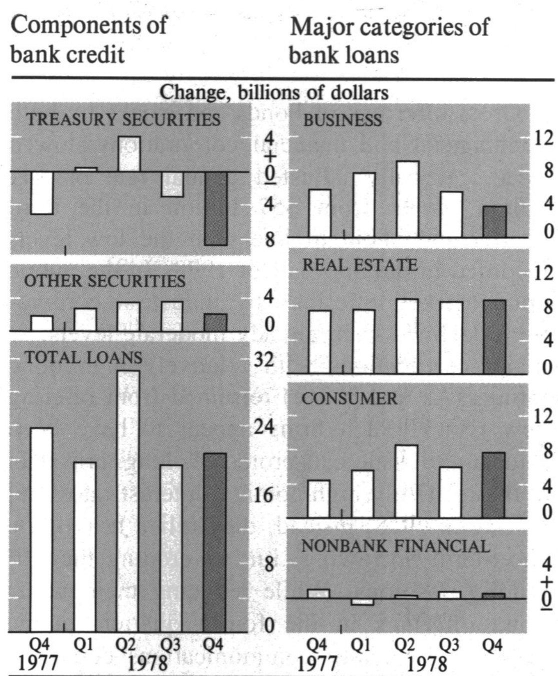
In the face of reduced growth in the fourth quarter in the deposits included in the major monetary aggregates, banks stepped up their use of managed liabilities—both nondeposit sources of funds and large-denomination time deposits not subject to rate ceilings—in order to maintain rapid expansion of loan portfolios. Banks tapped nondeposit sources for \$6¾ billion in the fourth quarter compared with \$2¼ billion in the preceding three months. These funds consisted largely of security repurchase agreements and federal funds purchased from nonbank sources. Gross Eurodollar borrowings from foreign branches also rose; but because banks increased claims on such branches by a like amount, the domestic banking system on balance acquired only a small amount of funds from foreign branches. Large banks issued \$5½ billion of negotiable CDs—not included in M-2—up from the net rise of \$2½ billion in the preceding three months. Total managed liabilities as a percent of net assets at large banks increased over the fourth quarter, nearing the previous peak reached in 1974. In addition to the traditional nondeposit sources of funds, on November 2 banks began to acquire Treasury note balances under the new tax-and-loan-account program. During the final two months of the year, balances in such accounts averaged more than \$6 billion.

Growth in total loans at commercial banks picked up slightly in the fourth quarter, primarily reflecting increased lending to consumers. The expansion of real estate loans nearly matched the strong pace of the previous two quarters, while that of business loans, which had held at the third-quarter pace in October and November, ceased in December. To help finance their loan expansion, banks allowed holdings of Treasury securities—particularly those maturing in one year or more—to fall sharply, while the growth of their portfolios of other securities moderated. Over all, the expansion of bank credit decelerated to an annual rate of 6 percent in the fourth quarter.

Business Finance

Both capital expenditures and internally generated funds at nonfinancial corporations increased slightly in the fourth quarter, leaving the financing gap at about its third-quarter level. Businesses reduced their borrowing in bond markets in the fourth quarter but continued to make substantial use of mortgages as a source of long-term credit. Despite a reduction in the growth of business loans at commercial banks, total short- and intermediate-term business credit accelerated due to a sharp rise in issuance of commercial paper and a near-record increase in borrowing from finance companies. Much of the increase in finance company loans to businesses reflected automotive-related credit, including financing of dealer inventories of automobiles and retail sales of commercial vehicles.

The reduced lending to business by commercial banks was accompanied by a cumulative increase of 2 percentage points in the prime rate during the October–December period, bringing the rate close to the record 12 percent set in 1974. In addition, data available for large banks indicate that nonprice loan terms and standards of creditworthiness tightened. Large banks reportedly also became less aggressive in the fourth quarter in granting below-prime loans and, in light of uncertainty surrounding future interest rates, in making fixed-rate loans.



Seasonally adjusted. Total loans and business loans adjusted for transfer between banks and their holding companies, affiliates, subsidiaries, or foreign branches.

Business loans and short- and intermediate-term business credit

Seasonally adjusted annual rate of change, in percent

Period	Business loans at banks[1]		Total short- and intermediate-term business credit[2]
	Total	Excluding bank holdings of bankers acceptances	
1975—Q1	-5.2	-7.4	-4.4
Q2	-8.7	-9.0	-8.9
Q3	-2.4	-2.9	-.5
Q4	...	-2.3	-3.9
1976—Q1	-6.9	-6.6	-1.2
Q2	1.6	2.1	5.9
Q3	5.3	2.8	2.3
Q4	10.6	9.7	12.8
1977—Q1	11.2	13.3	14.6
Q2	12.8	12.9	16.1
Q3	11.2	10.4	10.4
Q4	11.7	12.6	16.4
1978—Q1	15.3	16.8	14.8
Q2	17.4	17.9	17.4
Q3	10.3	10.3	9.1
Q4	6.7	8.6	15.5

1. Based on data for last Wednesday of month, adjusted for outstanding amounts of loans sold to affiliates.
2. Short- and intermediate-term business credit is business loans at commercial banks excluding bank holdings of bankers acceptances plus nonfinancial company commercial paper and finance company loans to businesses measured from end of quarter to end of quarter.

Gross offerings of bonds and stocks by both nonfinancial and financial corporations slowed to a seasonally adjusted annual rate of $41 billion, down from $57 billion in the third quarter and about in line with the low levels recorded in the first half of 1978. In the public bond market, offerings by industrial corporations declined from already moderate levels, as major corporations with relatively high bond ratings (Aa and above) refrained from offering new issues. Such firms appear to have been reluctant to issue call-protected, long-term debt at the relatively high nominal interest rates prevailing in 1978; instead, they relied heavily on short-term borrowing, further eroding their liquidity positions. While reducing their public bond offerings in the fourth quarter, public utilities, especially communications concerns, continued to account for a large portion of total new issues. Financial corporations, on the other hand, increased their public bond offerings moderately during the fourth quarter, mainly owing to a rise in sales of securities by finance companies.

Private placements of corporate bonds, mostly issues of manufacturing and industrial concerns with ratings less than Aa, are estimated to have decreased somewhat from the relatively strong pace of other recent quarters. Nonetheless, the volume of bond issuance by lower-rated corporations remained sizable by historical standards, reflecting in part the availability of loanable funds at major institutional investors such as life insurance companies and pension funds, many of which traditionally purchase the securities of such corporations. In addition, the continued strength in issuance of privately placed corporate bonds may have been encouraged by the still relatively low risk premiums associated with these securities. The spread between lower-rated (Baa) and higher-rated (Aaa) corporate bonds remained relatively narrow during the fourth quarter, despite the upward movement in long-term interest rates in 1978.

Yields on corporate bonds increased appreciably, on balance, over the fourth quarter. New issues of Aaa-rated utility bonds yielded 9.55 percent in early January, almost 3/4 of a percentage point more than at the end of September. Nevertheless, corporate bond yields re-

Gross offerings of new security issues

Seasonally adjusted annual rates, in billions of dollars

Type of security	1977	1978			
	Q4	Q1	Q2	Q3[p]	Q4[e]
Corporate, total	59	39	46	57	41
Bonds	43	32	36	45	33
Publicly offered	24	16	19	28	19
Privately placed	19	16	17	17	14
Stocks	16	7	10	12	8
Foreign	5	5	12	6	5
State and local government	46	44	50	53	43

p Preliminary.
e Estimated.

mained below their 1974 highs, in contrast to rates paid on long-term Treasury securities, which surpassed record highs early in the quarter.

Stock prices generally declined in the fourth quarter, following the pronounced gains recorded earlier in the year. In late October, stock prices moved sharply lower in apparent reaction to further weakness in the foreign exchange value of the dollar, heightened uncertainty about the outlook for inflation and economic activity, and additional increases in interest rates. Following the announcement on November 1 of the joint Treasury–Federal Reserve program to stem the decline in the foreign exchange value of the dollar, stock prices stabilized and even reversed part of the decline recorded earlier in the quarter. Stock prices generally moved upward in early January, in large part due to the strengthening of the dollar in foreign exchange markets, the continued robust growth in economic activity, and the unexpected gains in profits and dividends reported by several major corporations. After a record expansion in the previous quarter, margin credit contracted in the fourth quarter—its first quarterly decline in four years. The decline was attributable in part to liquidation of stock holdings to meet margin calls in the wake of the substantial drop in stock prices early in the quarter. The fall in stock prices and the increase in corporate earnings further depressed price-earnings ratios for most corporations from already low levels. As a result, total equity issuance declined markedly in the fourth quarter.

Government Finance

Gross bond sales by state and local governments declined significantly in the fourth quarter from the near-record level of the third quarter. The large decrease in the volume of tax-exempt offerings reflected a marked drop in advance refundings after September 1, the effective date of new Treasury Department regulations that reduced the attractiveness of these operations. The decline in such issues also may be attributable to the increased level of tax-exempt yields. State and local governments did, however, raise a larger volume of new capital over the period. As in the third quarter, sales of securities by various state and local housing authorities accounted for a sizable portion of the new issues. Property–casualty insurance companies and commercial banks continued to be the major purchasers of tax-exempt offerings.

Federal government borrowing and cash balance

Quarterly totals, not seasonally adjusted, in billions of dollars

Item	1977				1978			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[e]
Treasury financing								
Budget surplus, or deficit (–)	–18.7	8.6	–12.2	–28.8	–25.8	14.0	–8.1	–23.8
Off-budget deficit[1]	–4.3	.1	–4.9	–1.3	–3.7	–2.2	–3.1	–.1
Net cash borrowings, or repayments (–)	17.6	–1.1	19.5[4]	20.7	20.8	2.5	15.1	15.2
Other means of financing[2]	2.7	–.4	.4	2.6	2.8	–3.2	1.0	2.6
Change in cash balance	–2.6	7.2	2.8[4]	–6.8	–5.9	11.1	4.9	–6.1
Federally sponsored credit agencies, net cash borrowings[3]	.7	3.0	1.8	2.0	4.5	6.5	6.1	5.2

1. Includes outlays of the Pension Benefit Guaranty Corporation, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, Housing for the Elderly or Handicapped Fund, and Federal Financing Bank. All data have been adjusted to reflect the return of the Export-Import Bank to the unified budget.

2. Checks issued less checks paid, accrued items, and other transactions.

3. Includes debt of the Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, and Federal National Mortgage Association (including discount notes and securities guaranteed by the Government National Mortgage Association).

4. Includes $2.5 billion of borrowing from the Federal Reserve on September 30, which was repaid October 4 following enactment of a new debt ceiling bill.

e Estimated.

Interest rates on state and local obligations rose appreciably in the fourth quarter. The *Bond Buyer* index of tax-exempt bond yields, at 6.58 percent in early January, was almost 1/2 of a percentage point above its level at the end of September.

Treasury borrowing during the fourth quarter remained at about the third-quarter level of $15 billion (not seasonally adjusted), despite a relatively large increase in the budget deficit. In contrast with the third quarter, a significant portion of the deficit was financed in the fourth quarter by drawing down Treasury cash balances.

Issuance of nonmarketable Treasury obligations picked up sharply in the fourth quarter despite the reduction in purchases of such securities by state and local governments associated with the decline in advance refunding operations. The pick-up reflected a substantial increase in acquisitions by foreign official accounts with the proceeds from dollar-support operations in foreign exchange markets. The Treasury also issued $1.6 billion of obligations denominated in German marks, sold mainly to German financial institutions, as part of the effort to stem the decline in the foreign exchange value of the dollar.

In the open market, the Treasury continued to rely on coupon securities to meet its financing needs in the fourth quarter. During the four quarters of 1978, the outstanding supply of Treasury bills remained about unchanged, on balance, at $161 billion, while coupon issues increased almost $27 billion. However, most of the coupon issues had maturities of two to four years; as a result, the average maturity of privately held marketable Treasury debt, which had been three years and four months at the end of 1978, lengthened only five months during the year. In the fourth quarter, foreign official accounts also acquired a sharply increased volume of marketable Treasury issues; net purchases of these issues by all other investors were relatively small.

Net borrowing by federally sponsored credit agencies, though less than the strong pace of the third quarter on a seasonally unadjusted basis, remained quite sizable during the fourth quarter. In contrast with the borrowing in the third quarter, the major proportion of this financing was long term. As in the preceding three quarters, most of the borrowing was related to activity of sponsored credit agencies in the residential mortgage market. The Federal National Mortgage Association and the Federal Home Loan Bank System both borrowed heavily during most of the quarter to obtain funds to be channelled to mortgage lenders, and to a lesser extent, to rebuild their holdings of liquid assets.

The increase in Treasury bill rates over the fourth quarter was only slightly less than that in the federal funds rate. The pick-up in Treasury coupon yields, while generally in line with yield increases on private longer-term securities, remained well below the rise in shorter-term market rates. In consequence, the term structure of yields on Treasury securities continued to exhibit the steeply humped pattern that had emerged at the end of the third quarter, with the peak still centering on the 12-month maturity area. For maturities beyond five years, the curve remained essentially flat. The hump in the yield curve may have indicated market expectations of a turning point in late 1979 in the business and the interest rate cycles.

Mortgage and Consumer Credit

Net mortgage lending moved higher during the quarter, exceeding even its previous peak in the fourth quarter of 1977. The flow of funds into residential mortgages picked up moderately, to its most rapid rate of the year. Commercial and other nonresidential mortgage lending continued at the relatively high pace of the third quarter, reflecting principally the sustained strength in commercial construction activity.

Commercial banks maintained their mortgage lending in the fourth quarter at about the rapid pace recorded in the previous two quarters, and life insurance companies acquired substantial amounts of mortgages, as they had earlier in the year. The sustained strength in mortgage acquisitions by these diversified financial inter-

Net change in mortgage debt outstanding
Seasonally adjusted annual rates, in billions of dollars

Change	1977	1978			
	Q4	Q1	Q2	Q3 r	Q4 e
Total	152	135	142	141	144
By type of property					
Residential	117	100	105	103	106
Other [1]	35	35	37	38	38
By type of holder					
Commercial banks	32	27	36	37	36
Savings and loans	62	54	52	48	52
Mutual savings banks	8	7	6	7	7
Life insurance companies	9	6	9	10	9
FNMA and GNMA	*	6	13	8	6
Other [2]	41	35	26	31	34

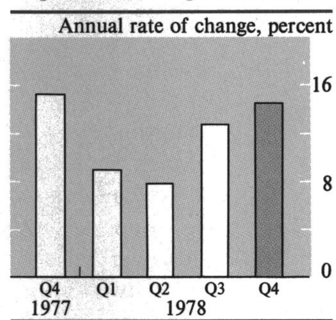
1. Includes commercial and other nonresidential as well as farm properties.
2. Includes mortgage pools backing securities guaranteed by the Government National Mortgage Association, Federal Home Loan Mortgage Corporation, or Farmers Home Administration, some of which may have been purchased by the institutions shown separately.
r Revised.
e Estimated.
* Less than $500 million.

mediaries can be attributed in part to the continued robust demand for commercial and other nonresidential mortgages, for which they are major lenders, as well as to the relative attractiveness of mortgage yields. In addition, the reduced volume of private offerings of corporate bonds permitted insurance companies to channel increases in cash flows into mortgage markets.

The bulk of the rise in mortgage lending in the fourth quarter occurred at savings and loan associations, in lagged response to the significant pick-up in deposit flows following the introduction of the money market certificate on June 1. Despite increased net sales of six-month money market certificates during the fourth quarter, deposit growth at savings and loan associations (measured on an end-of-period basis) slowed somewhat from the third-quarter pace, though it remained strong relative to deposit flows in the first half of the year. Even though deposit flows moderated during the quarter, savings and loans increased their mortgage lending by relying more heavily on borrowed funds and by reducing their liquidity. On a seasonally adjusted basis, these associations increased the rate at which they were taking down advances from Federal Home Loan Banks in the fourth quarter. In addition, at insured savings and loans, the average liquidity ratio—cash and liquid assets divided by the sum of short-term borrowings and deposits—declined during the quarter for the first time since the introduction of the variable-ceiling certificates. However, the ratio remained significantly above the minimum liquidity requirement. The weakening in deposit growth also encouraged a leveling-off in mortgage commitments outstanding at these associations toward the year-end following a pick-up early in the quarter.

Issuance of mortgage pass-through securities guaranteed by the Government National Mortgage Association (GNMA) increased further in the fourth quarter, while purchases by the Federal National Mortgage Association (FNMA) of government-underwritten home loans continued to decline somewhat. This pattern reflected in part the sustained positive spread between prices of GNMA-guaranteed, pass-through securities and prices available to originators of govern-

Deposits at savings and loans



Seasonally adjusted. Quarterly averages at annual rates.

ment-guaranteed mortgages under outstanding FNMA mortgage purchase commitments. Combined, the volume of GNMA-guaranteed, pass-through security issues plus FNMA purchases of government-underwritten home loans increased significantly in the fourth quarter, to its highest level of the year.

The average interest rate on new commitments at savings and loan associations for conventional home mortgages with 80 percent loan-value ratios increased more than 1/2 of a percentage point in the fourth quarter, about in line with increases in other long-term interest rates. The rise in mortgage rates may be attributable in part to renewed supply pressures resulting from the slackening in deposit flows at thrift institutions in the face of continued robust demand for mortgage credit.

Consumer installment credit outstanding expanded at an annual rate of just over 18 percent during the fourth quarter, slightly more than the strong expansion in the third quarter, but somewhat slower than that of the first half. The moderate increase in credit extensions during the fourth quarter was about offset by a pick-up in debt liquidations. Sales of autos at higher prices remained a significant factor in the growth of installment credit. Interest rates on automobile credit increased slightly over the quarter, and other credit terms, such as the average loan maturity at commercial banks and the down-payment requirements at finance companies, also continued to tighten. □

Check Processing at Federal Reserve Offices

James M. Brundy, David B. Humphrey, and Myron L. Kwast of the Financial Studies Section, Division of Research and Statistics, prepared this article.

In fulfilling its responsibilities for ensuring an efficient and effective payments mechanism for the nation, the Federal Reserve System operates a number of payments-mechanism facilities. These facilities include 48 check-processing centers that serve as regional and national clearinghouses for checks deposited at the Federal Reserve by commercial banks. Federal Reserve Banks have acted as check clearinghouses since shortly after the enactment of the Federal Reserve Act in 1913. Today these Federal Reserve facilities provide the infrastructure for the national check-clearing system, ensuring the availability of a basic level of check-payments services nationwide. During 1977 the Federal Reserve Banks processed more than 13 billion commercial check items with a total dollar value in excess of $6.4 trillion.

The clearing of paper checks represents only one of the payments-mechanism services provided by the Federal Reserve. Two others are a secure wire transfer service for the movement of funds between member banks, and the clearing of check-like deposit items electronically on behalf of automated clearinghouse (ACH) associations. More than 24 million wire transfers of funds, primarily bank-to-bank transactions, with a dollar value in excess of $48 trillion, were processed by the Federal Reserve System in 1977. ACH clearings totaled around $40 billion, represented by 106 million items. Although checks are now the predominant method of funds transfer used by the general public, ACH clearings are an innovative, potentially lower-cost, and rapidly growing substitute for check-clearing techniques.

Among other purposes, the Federal Reserve check-clearing facilities were initially established to eliminate the practice of "nonpar banking," under which a percentage of the face value was deducted when a check was paid. Many banks sought to avoid these remittance charges and other fees; the result was that checks were collected through circuitous routes, making the national check-collection system slow and cumbersome. Nonpar banking was therefore thought to impede commerce and economic growth. Checks cleared by the Federal Reserve System must be paid at face value, and this requirement has contributed to the virtual disappearance of nonpar banking.[1]

Checks to be cleared through the Federal Reserve initially reach a Federal Reserve office from a commercial bank in one of two ways.[2] First, member, and in some cases nonmember, banks may deposit items directly with a Federal Reserve office.[3] Second, member and nonmember banks may first send their checks to their correspondent banks, which, after some preliminary processing, deposit them with the

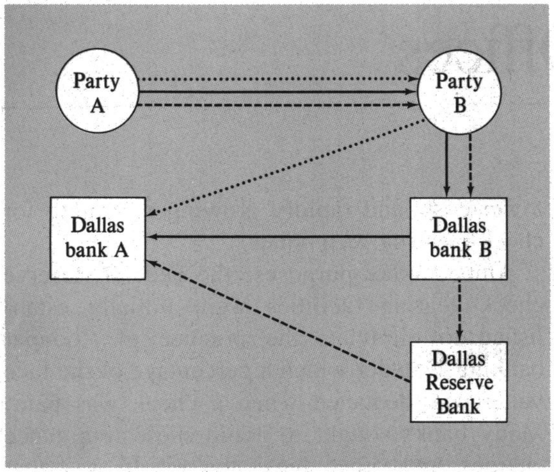
NOTE. Carol K. Keyt performed the data manipulations for this article.

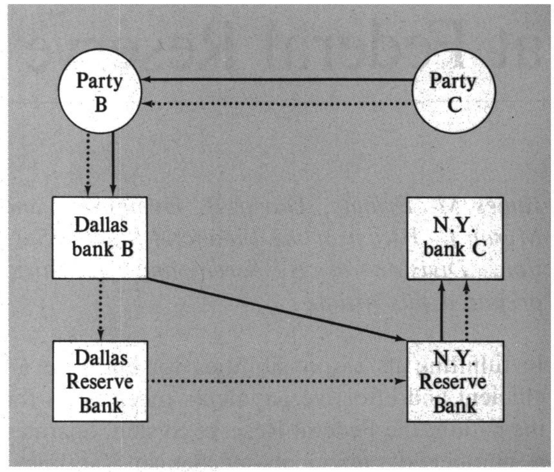
1 A more detailed overview of this issue is given in "Federal Reserve Operations in Payment Mechanisms: A Summary," FEDERAL RESERVE BULLETIN, vol. 62 (June 1976), pp. 481-89. The legal basis for Federal Reserve participation in check clearing is also presented.

2 For simplicity, direct U.S. government deposits are ignored, and indirect deposits, which pass through one or more correspondent banks, are shown here passing through only one bank.

3 Nonmember banks are permitted to deposit directly only items eligible for processing by regional check-processing centers (RCPCs); other check-processing services are provided indirectly to nonmember banks (and other financial institutions) through member correspondent banks. The RCPC program, begun in the early 1970s, was aimed at increasing the proportion of checks cleared on an overnight basis.

Check-clearing mechanism





Federal Reserve.[4] Thus, the Federal Reserve acts as a correspondent bank for commercial banks.

The check-clearing mechanism is illustrated schematically in the diagram above. If party B receives a check from party A, drawn on a local bank in the Dallas Federal Reserve Bank service area (zone), and deposits that check in the same local bank A upon which it is drawn, the check will not enter clearing channels of either correspondent banks or the Federal Reserve. This transaction is represented by the dotted lines in the left half of the diagram. From the bank's point of view, the deposited check is drawn on itself, or "on us," and no other bank need be involved. However, if parties A and B maintain accounts at two different Dallas banks, the item can be cleared in two ways. In the first, represented by solid lines in the diagram, bank B, which receives the deposited check drawn on bank A, participates in a local clearing arrangement in which banks A and B exchange checks drawn upon one another, posting them to accounts they hold with one another. In the second, shown by dashed lines, bank B redeposits the check at the local Federal Reserve Bank, which will clear the item by crediting the reserve account of bank B (or its agent), presenting the check for payment to bank A, and debiting that reserve account. These procedures concern locally deposited and locally cleared checks; these checks do not move between Reserve Banks.

A similar sequence occurs when party C, whose bank is in New York, writes a check to party B. Party B deposits the check in Dallas bank B and again sets in motion one of two clearing arrangements: (1) bank B can send the check directly to the New York Federal Reserve Bank for collection (presentment) at bank C (creating an interzone "direct send" item, represented by a solid line in the right half of the diagram); or (2) bank B can redeposit the check (now shown by a dotted line) with the Dallas Federal Reserve Bank which, in turn, sends it to the New York Federal Reserve Bank for presentment at bank C (creating an interzone deposit between Federal Reserve Banks).[5]

In May 1978 the Federal Reserve conducted a comprehensive survey of the volume of items

[4] Because the Federal Reserve requires some preparatory work before accepting items for deposit, many smaller banks (both members and nonmembers) choose to obtain access to check-collection services through correspondent banks.

[5] Another method, bank B sending the check directly to bank C in New York, is rarely used. Only for checks written for exceptionally large amounts could the extra expense of this clearing method be offset by the interest earned during the few hours saved by this more rapid clearing procedure.

and the amount of funds cleared through its check-processing function.[6] Each of the 48 Federal Reserve check-processing offices reported the total number and dollar value of checks deposited by type of item and class of depositor. During May 1978, the system cleared a daily average of more than 51 million items, with a dollar value of nearly $22 billion. The results of the May 1978 survey are presented in tables 1 through 7. In the tables, deposits at individual Reserve Banks and Branches and regional check-processing centers (RCPCs) have been aggregated to give national (system) totals and totals for each Federal Reserve District.

[6] May was selected as the survey month because previous studies had indicated that check data for April and May seem to be relatively free of seasonal distortions. See R. William Powers, "A Survey of Bank Check Volumes," *Journal of Bank Research*, vol. 6 (Winter 1976), pp. 245-56.

Local and Interzone Deposits

Of the overall total, nearly two-thirds of the items deposited were local deposits (from banks and government agencies within a Federal Reserve office service area); the balance were interzone or interoffice deposits (from institutions outside the service area). As shown in table 1, column 3, for each of the 12 Federal Reserve Districts, local deposits accounted for

1. Number of items deposited at Federal Reserve Banks

Daily average, May 1978

Federal Reserve District	Number of items		Percent of total		Average annual growth in number, 1973–77 (percent)
	Local	Interzone	Local	Interzone	
	(1)	(2)	(3)	(4)	(5)
Boston	2,830,287	1,334,394	68.0	32.0	8.4
New York	3,137,136	2,661,396	54.1	45.9	8.0
Philadelphia	1,724,773	808,632	68.1	39.9	3.1
Cleveland	1,927,710	1,477,808	56.6	43.4	5.4
Richmond	2,571,922	1,882,581	57.7	42.3	7.5
Atlanta	4,779,040	1,334,578	78.2	21.8	9.1
Chicago	5,470,145	2,817,603	66.0	34.0	8.4
St. Louis	1,712,159	1,097,163	61.0	39.0	4.4
Minneapolis	1,752,448	751,430	70.0	30.0	5.6
Kansas City	3,184,980	1,448,909	68.7	31.3	6.3
Dallas	1,751,441	1,494,405	54.0	46.0	6.7
San Francisco	1,742,520	1,725,910	50.2	49.8	9.1
System	**32,617,742**	**18,834,809**	**63.4**	**36.6**	**7.3**

2. Dollar value of items deposited at Federal Reserve Banks

Daily average, May 1978

Federal Reserve District	Local deposits		Interzone deposits		Percent of total	
	Total (thousands of dollars)	Average (dollars)	Total (thousands of dollars)	Average (dollars)	Local	Interzone
	(1)	(2)	(3)	(4)	(5)	(6)
Boston	759,362	268	713,833	535	51.6	48.4
New York	1,527,717	487	1,959,583	736	43.8	56.2
Philadelphia	531,197	308	420,018	519	55.8	44.2
Cleveland	572,558	297	976,199	661	37.0	63.0
Richmond	724,345	282	1,190,893	633	37.8	62.2
Atlanta	1,567,345	328	928,988	696	62.8	37.2
Chicago	1,537,001	281	2,262,395	803	40.5	59.5
St. Louis	423,804	248	580,852	529	42.2	57.8
Minneapolis	405,532	231	428,966	571	48.6	51.4
Kansas City	822,141	258	801,406	553	50.6	49.4
Dallas	549,715	314	591,838	396	48.2	51.8
San Francisco	613,915	352	1,071,519	621	36.4	63.6
System	**10,073,983**	**309**	**11,926,490**	**633**	**45.8**	**54.2**

50 percent or more (up to 78 percent) of all items deposited at Federal Reserve offices. Federal Reserve offices in the Atlanta and San Francisco Districts experienced the highest growth in check volume from 1973 to 1977 (9 percent), while the Philadelphia District had the lowest (3 percent). Over all, system check volume grew at a 7 percent average annual rate for the period (column 5).

Although more than 63 percent of the items deposited at Federal Reserve offices were local items (table 1, column 3), the dollar value of these items totaled less than 50 percent of the value of all deposits for eight Federal Reserve Districts (table 2, column 5): the average value of a locally deposited check, $309, is substantially less than the average value of checks deposited interzone, $633 (columns 2 and 4). The New York and Chicago Districts have the largest average dollar value for an interzone deposit item.

Classes of Depositors and Deposit Items

About 28 percent of all deposits are direct sends—that is, received from member banks in another Federal Reserve District (table 3, col-

3. Percentage distribution of number of items deposited at Federal Reserve Banks, by type of depositor[1]

Daily average, May 1978

Federal Reserve District	Local deposits			Interzone deposits		Total
	Member banks	Nonmember banks	Government	Federal Reserve offices	Direct-sending banks	
	(1)	(2)	(3)	(4)	(5)	(6)
Boston	50.6	17.2	0	7.3	24.7	100.0
New York	52.3	1.6	0	9.0	36.9	100.0
Philadelphia	63.2	2.6	2.3	6.0	25.5	100.0
Cleveland	52.7	2.8	0	10.2	34.1	100.0
Richmond	41.3	16.1	0	7.1	34.3	100.0
Atlanta	58.6	18.2	0	6.5	15.2	100.0
Chicago	58.7	6.9	0	8.0	26.0	100.0
St. Louis	56.7	3.3	.9	9.6	29.4	100.0
Minneapolis	54.6	14.8	0	8.9	20.9	100.0
Kansas City	68.1	.3	.3	7.6	23.5	100.0
Dallas	48.7	3.8	0	8.9	36.7	100.0
San Francisco	34.7	13.9	1.0	10.6	38.9	100.0
System	**53.9**	**8.6**	**.3**	**8.1**	**28.3**	**100.0**

Details may not total 100.0 because of rounding and reporting errors by some banks.

4. Percentage distribution of number of items deposited at Federal Reserve Banks, by type of deposit[1]

Daily average, May 1978

Federal Reserve District	Local deposits					Interzone deposits			Total
	RCPC	City	Country	Going interzone	Unsorted	RCPC	City	Country	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Boston	57.5	5.0	1.2	2.8	1.3	23.4	5.4	3.3	100.0
New York	36.6	11.1	2.3	4.1	.1	12.7	31.6	1.5	100.0
Philadelphia	50.9	3.7	1.9	5.9	5.7	.1	12.5	19.3	100.0
Cleveland	34.1	2.9	0.0	11.1	8.4	27.7	15.7	0	100.0
Richmond	46.7	3.8	1.0	6.1	.2	36.9	4.4	.9	100.0
Atlanta	62.1	4.4	0	11.7	0	16.0	5.8	0	100.0
Chicago	46.0	8.3	5.2	6.4	.1	16.6	13.5	3.9	100.0
St. Louis	28.7	16.6	10.2	4.4	1.1	15.1	15.7	8.2	100.0
Minneapolis	16.8	24.1	17.3	8.7	3.1	12.4	8.3	9.3	100.0
Kansas City	20.4	15.9	22.5	9.6	.2	5.9	13.6	11.7	100.0
Dallas	37.5	7.3	8.1	1.0	0	15.9	20.9	9.3	100.0
San Francisco	44.1	1.2	0	3.6	1.4	43.5	6.3	0	100.0
System	**41.9**	**8.3**	**5.3**	**6.5**	**1.4**	**18.8**	**13.1**	**4.7**	**100.0**

1. Details may not total 100.0 because of rounding.

umn 5). Federal Reserve offices also send items to other Federal Reserve offices, but these interzone deposits account for only about 8 percent of total deposits and less than one-third of all interzone deposits.

Member banks account for 86 percent of all local deposits and 78 percent of all interzone deposits, for an average of 82 percent of total deposits made at Federal Reserve offices. Direct U.S. government deposits of checks at Federal Reserve banks are very small. Nonmember bank deposits, although restricted to RCPCs, account for 9 percent of total deposits.

The distance of the institution upon which the deposited items are drawn from an RCPC or a district central city determines when the depositing bank will have use of the funds deposited at a Federal Reserve office. Table 4 shows the proportion of items deposited falling into various categories of "funds availability." The funds-availability schedule established by the Federal Reserve for its check-clearing operations is closely related to the time it normally takes to process, transport, and present checks for payment at drawee financial institutions. "Regional check-processing center" and "city" deposit items are drafts on financial institutions in the same locality as, respectively, the RCPCs and Federal Reserve offices; delivery is typically made by courier (under contract with the Federal Reserve). Due to their proximity to a Federal Reserve office, depositors of these items have overnight availability of funds if they meet cut-off times for deposits. Depositors of "country" items may have to wait one day or more before the Federal Reserve will credit their accounts and thus make funds available. Country items are drawn on institutions remote from a Federal Reserve office, and delivery may be made through the U.S. Postal Service.

Locally deposited items going to another Federal Reserve office—items going interzone—also have funds availability deferred one day or more, depending upon whether they are drawn on city, RCPC, or country financial institutions. Interzone items are often transported between Federal Reserve offices by contract air carrier. Unsorted deposit items, the smallest category in table 4, have undergone the least predeposit processing. Currently, depositing institutions may not deposit more than 5,000 unsorted items each day at a Federal Reserve office.

Of the various deposit categories in table 4,

5. Percentage distribution of number of items deposited at Federal Reserve Banks, by size of bank[1]

Daily average, May 1978

Federal Reserve District	Size of bank (deposits in millions of dollars)						Nonbank depositors[2]	Total
	0–10	10–50	50–100	100–500	500–1,000	More than 1,000		
Boston	.6	8.7	9.4	27.3	8.0	38.4	7.6	100.0
New York	.1	3.4	3.8	17.8	23.7	41.8	9.4	100.0
Philadelphia	.2	2.9	3.2	10.4	18.8	55.9	8.6	100.0
Cleveland	.2	7.7	6.8	16.9	19.3	38.9	10.2	100.0
Richmond	.4	11.2	4.7	21.0	16.5	38.0	8.2	100.0
Atlanta	1.6	15.9	11.0	29.0	14.6	19.9	8.0	100.0
Chicago	.6	9.2	9.4	27.7	9.0	35.8	8.3	100.0
St. Louis	.6	7.8	5.7	15.4	21.0	38.1	11.4	100.0
Minneapolis	3.5	24.4	11.2	21.5	3.6	25.9	9.9	100.0
Kansas City	.2	6.0	6.5	31.6	33.1	14.4	8.2	100.0
Dallas	.4	5.2	5.4	18.3	13.2	46.6	10.9	100.0
San Francisco	1.0	9.9	3.2	13.8	12.0	47.5	12.6	100.0
System	**.7**	**9.2**	**7.0**	**22.4**	**16.1**	**35.8**	**8.8**	**100.0**
Memo Demand deposits held by commercial banks at other commercial banks as a percent of total "due to" deposits (member banks only, March 31, 1978)	.1	.6	1.1	10.4	8.0	79.9	0	100.0

1 Details may not total 100.0 because of rounding.

2 Includes deposits by Federal Reserve offices, government, and unidentified depositors.

RCPC items form the largest, accounting for 61 percent of all items deposited (both locally and interzone). The number of city items accounts for 21 percent of total check volume.

Size Class of Bank Depositors

Not surprisingly, the largest banks (including the largest correspondent banks, measured by share of "due to" deposits shown in the last line of table 5) account for the largest number of items deposited for the system as a whole. Among the districts, the only exceptions to this pattern occur in the Atlanta and Kansas City Districts, where intermediate-sized banks (those holding from $100 million to $1 billion in deposit liabilities) deposit the largest share of items. Nonbank depositors, including other Federal Reserve offices and government depositors, account for less than 9 percent of total deposits for the system. These and other details on deposits by size of bank appear in table 5.

Interdistrict Check Flows

Federal Reserve District offices participate in interdistrict check-clearing operations in proportions that vary widely among the sending and receiving districts. At the lowest end of the scale, only 4.5 percent of the number of items (and 2.2 percent of the value of those items) sent from the San Francisco Federal Reserve District to the New York Federal Reserve offices were sent by Federal Reserve offices in the San Francisco District (table 6, row 2, column 12). Thus, 95.5 percent of the items came from direct-sending banks.[7] At the other end of the scale, 69.2 percent of the number of items (representing 32.9 percent of the dollar value) sent from the Minneapolis District to the Atlanta Federal Reserve offices were sent by Federal Reserve offices (row 6, column 9). In general,

[7] The system reimburses banks for their direct-send transport costs up to the equivalent cost of first-class mail.

6. Percentage distribution of number and dollar value of interdistrict deposits at Federal Reserve offices sent by Federal Reserve offices[1]

Daily average, May 1978

Receiving Federal Reserve District	Sending Federal Reserve District											
	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Fran-cisco
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Boston	...	18.1 (6.4)	13.6 (5.0)	33.3 (10.9)	29.6 (22.3)	44.0 (35.4)	19.0 (5.2)	17.0 (17.2)	48.7 (32.0)	42.5 (31.5)	8.5 (3.5)	10.5 (4.6)
2. New York	8.7 (3.6)	...	9.1 (5.3)	31.5 (10.1)	15.9 (9.0)	46.1 (25.3)	18.5 (4.9)	16.1 (9.0)	45.7 (19.0)	44.2 (25.3)	5.2 (1.3)	4.5 (2.2)
3. Philadelphia	16.9 (5.1)	10.7 (3.3)	...	19.6 (6.5)	19.5 (12.7)	47.3 (40.3)	19.9 (6.0)	14.8 (12.1)	46.7 (20.9)	40.5 (24.3)	8.5 (2.2)	10.8 (3.7)
4. Cleveland	13.4 (4.7)	17.5 (2.7)	14.2 (12.2)	...	29.5 (30.8)	49.8 (33.0)	18.0 (4.6)	6.9 (6.2)	51.2 (38.7)	39.7 (24.1)	7.7 (2.7)	12.4 (4.9)
5. Richmond	20.9 (7.3)	16.5 (3.8)	12.4 (10.6)	28.3 (11.3)	...	34.0 (14.9)	21.5 (5.9)	34.7 (30.9)	50.4 (22.7)	36.4 (19.5)	8.3 (2.2)	10.8 (5.0)
6. Atlanta	23.1 (10.6)	18.0 (2.5)	22.9 (7.4)	55.9 (9.5)	21.3 (17.1)	...	26.6 (5.3)	18.1 (12.9)	69.2 (32.9)	38.8 (22.1)	5.5 (1.6)	15.5 (8.4)
7. Chicago	14.2 (4.7)	14.5 (.9)	11.5 (4.0)	26.9 (11.4)	35.8 (16.6)	52.2 (33.1)	...	13.1 (11.3)	32.4 (23.0)	26.6 (13.8)	9.2 (2.4)	10.4 (4.6)
8. St. Louis	19.3 (6.5)	15.5 (2.7)	14.0 (8.3)	32.6 (14.4)	42.0 (32.3)	37.4 (23.4)	21.6 (4.8)	...	67.9 (41.1)	29.8 (15.2)	5.7 (2.6)	13.7 (3.7)
9. Minneapolis	14.7 (.5)	29.5 (9.2)	12.2 (18.5)	47.5 (24.7)	32.0 (39.2)	64.4 (59.6)	19.0 (6.5)	30.7 (21.2)	...	41.4 (26.9)	16.1 (13.2)	19.5 (33.3)
10. Kansas City	27.4 (13.5)	14.9 (3.5)	11.9 (8.8)	47.8 (13.2)	46.7 (36.1)	62.3 (44.2)	17.7 (3.9)	24.5 (13.0)	64.1 (34.8)	...	4.8 (1.6)	15.8 (14.5)
11. Dallas	20.0 (7.9)	14.9 (3.6)	13.2 (8.6)	46.5 (10.0)	36.6 (32.2)	52.5 (38.1)	20.5 (5.3)	21.4 (11.5)	67.8 (44.9)	33.1 (15.2)	...	11.1 (5.1)
12. San Francisco	23.2 (18.3)	8.8 (3.3)	19.5 (6.7)	41.7 (16.1)	24.9 (17.3)	33.4 (19.5)	11.5 (6.6)	31.7 (29.5)	30.9 (18.0)	25.1 (29.4)	18.6 (13.2)	...

[1] The percentages for dollar value appear in parentheses. This table tells, for example, that 29.6 percent of the number of items (and 22.3 percent of the dollar value) sent from the Richmond District and received in the Boston District were sent by Richmond District Federal Reserve offices (row 1, column 5). Thus, the balance, 70.4 percent of the items (and 77.7 percent of the dollar value), were from direct-sending banks.

These data do not cover clearings outside the Federal Reserve System.

the Federal Reserve offices in the Dallas and San Francisco Districts participate least in sending checks from those districts to Federal Reserve offices in other districts, accounting on the average for 9 percent and 12 percent, respectively, of the items sent from their districts. The most active Federal Reserve offices, in general, are in the Atlanta and Minneapolis districts; they account for an average of 47 percent and 52 percent, respectively, of all the items sent from those districts.[8]

In all but four cases the Federal Reserve percentage of the number of items sent is larger than its percentage of the dollar value of interdistrict deposits. Thus, the average dollar value of interdistrict checks from Federal Reserve offices is smaller than the average dollar value of interdistrict checks from direct-sending banks. Banks send relatively large checks directly because they can more than compensate for the greater check-processing costs of direct sending through more rapid availability of funds than the Federal Reserve provides. In 121 of the 132 interdistrict sending combinations in table 6, the share of items sent by direct-sending banks exceeds 50 percent of the total interdistrict deposits at Federal Reserve offices.

Presentments by Federal Reserve Offices

Checks have to be physically presented to drawee financial institutions before payment is made and funds are transferred. For the system as a whole, 58 percent of all items presented for payment by Federal Reserve offices are presented to member banks, while 35 percent are presented to nonmember banks. These and other results of the survey concerning presentments by Federal Reserve offices are listed in table 7. Included under "Others" are items involving nonbank institutions: drafts on negotiable order of withdrawal (NOW) accounts in thrift institutions in New England and checks drawn on mutual savings banks in New York State. The distribution of items presented to member and nonmember banks by Federal Reserve Districts reflects the proportion of demand deposits plus other "checking" deposits at these institutions in each district. The impact of NOW accounts in New England (Boston District) and "checking accounts" at mutual savings banks in New York State (New York District) is evident in table 7, which shows that those two districts have the largest proportions of nonbank presentee institutions.

[8] These data show interdistrict deposits at Federal Reserve offices only. No clearing outside the Federal Reserve System is included.

7. Percentage distribution of number of items presented for payment by Federal Reserve Banks, by type of presentee institution[1]

Daily average, May 1978

Federal Reserve District	Member banks	Non-member banks	Others[2]	Total
Boston	46.2	33.9	19.9	100.0
New York	80.0	8.6	11.4	100.0
Philadelphia	58.7	34.9	6.4	100.0
Cleveland	76.4	23.4	.3	100.0
Richmond	71.0	26.6	2.5	100.0
Atlanta	43.4	48.3	8.3	100.0
Chicago	53.8	42.7	3.4	100.0
St. Louis	37.3	53.6	9.1	100.0
Minneapolis	57.0	40.7	2.3	100.0
Kansas City	53.6	44.4	2.0	100.0
Dallas	60.9	33.6	5.5	100.0
San Fransisco	54.6	38.0	7.4	100.0
System	**57.9**	**35.0**	**7.2**	**100.0**

[1] Details may not total 100.0 because of rounding.
[2] Includes items to thrift institutions and unclassified items.

Summary

This article has presented some results of the Federal Reserve's May 1978 survey of its check-clearing function. While, by number, most checks cleared by the Federal Reserve are locally deposited items, the dollar value of interzone checks is the greater by far. Thus, the average value of an interzone check is more than twice that of an item deposited and cleared locally. Member banks account for 82 percent of all checks deposited at the Federal Reserve. Also, funds from 82 percent of the items deposited are normally available the next day. Banks with total deposits of more than $1 billion deposit around 36 percent of all the checks submitted to the Federal Reserve, a proportion consistent with their position as major correspondent banks. Finally, interdistrict check flows suggest that the Federal Reserve is only one of many participants in the interdistrict processing of checks. □

Survey of Time and Savings Deposits at Commercial Banks, October 1978

David M. Lefever of the Board's Division of Research and Statistics prepared this article.

Total time and savings deposits at insured commercial banks, not adjusted for seasonal variation, expanded more than 2½ percent during the period from July 27 to October 25, 1978, up slightly from the 2 percent increase over the preceding survey quarter.[1] Despite further increases in market interest rates above regulatory ceilings, inflows of interest-bearing deposits subject to rate ceilings totaled more than \$3½ billion during the July–October period, near the average of \$4 billion per quarter since April 1977. To help finance expansion in their loans, banks also raised \$12 billion through the issuance of large-denomination (\$100,000 or more) time deposits in the latest survey period. Net sales of large-denomination time deposits, which are not subject to interest rate ceilings, had averaged \$11 billion for the five preceding survey quarters.

The growth of total small-denomination (less than \$100,000) time and savings deposits reflected continued rapid inflows of the six-month money market certificates (MMCs). The ceiling rate on MMCs varies weekly with changes in the average auction yield on new issues of six-month Treasury bills. Although a substantial portion of these funds appears to have been shifted from other types of bank deposits, the MMCs also attracted funds that otherwise would have been invested in market instruments. Savings and small-denomination time deposits excluding MMCs fell \$5 billion, substantially more than the decrease of \$1½ billion during the previous survey quarter.

Savings Deposits

During the July–October period, savings deposits at commercial banks, not seasonally adjusted, declined for the second straight survey quarter—the first declines since the survey of January 1970. The net outflow of savings deposits during the latest survey period, amounting to \$400 million, was, however, substantially less than the net decline of \$1½ billion in the previous period. The net outflow of savings deposits during the last two survey quarters reflected rising rates on alternative short-term instruments: Treasury securities, shares of money market mutual funds, and MMCs. By the end of October, the maximum allowable yield on savings deposits was more than 2½ percentage points below rates on 90-day Treasury bills and money market mutual funds, and more than 3¾ percentage points below the effective yield on MMCs.

Outflows of savings deposits were concen-

[1] Surveys of time and savings deposits (STSD) at all member banks were conducted by the Board of Governors in late 1965, in early 1966, and quarterly in 1967. In January and July 1967 the surveys also included data for all insured nonmember banks collected by the Federal Deposit Insurance Corporation (FDIC). Since the beginning of 1968 the Board of Governors and the FDIC have conducted the joint quarterly surveys to provide estimates for all insured commercial banks based on a probability sample of banks. The results of all earlier surveys have appeared in previous issues of the FEDERAL RESERVE BULLETIN from 1966 to 1978, most recently November 1978.

The current sample—designed to provide estimates of the composition of deposits—includes about 560 insured commercial banks. For details of the statistical methodology, see "Survey of Time and Savings Deposits, July 1976," in BULLETIN, vol. 63 (December 1976), pp. 986–1000.

Detailed data for the current survey (formerly contained in appendix tables) are available on request from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

trated in accounts held by individuals and domestic governmental units; deposits in these categories declined $850 million and $150 million, respectively. Meanwhile, businesses increased their holdings of savings deposits more than $550 million, after a modest decline during the previous survey quarter and virtually no net inflow over the preceding year. For each of the three major categories of savings deposits, a slightly larger proportion of banks paid the ceiling rate of interest in the October survey than in July. Nevertheless, the impact of these increases was so small that the average rate paid on all new issues of savings deposits, weighted by the amount of deposits outstanding, remained unchanged from the July survey at 4.93 percent.

Small-Denomination Time Deposits

The outstanding level of interest-earning, small-denomination time deposits—consisting of all maturity categories, including MMCs, individual retirement accounts (IRAs), and Keogh accounts—rose $4 billion (not seasonally adjusted) during the July–October period to nearly $180 billion, following an increase of $3 billion in the previous quarter. During the survey period, the outstanding level of MMCs jumped $8½ billion, compared with $5½ billion during the first two months following their introduction on June 1. Nearly all other categories of small time deposits maturing in less than six

1. Types of time and savings deposits held by insured commercial banks on survey dates, April 26, July 26, and October 25, 1978

Type of deposit, denomination, and original maturity	Number of issuing banks			Deposits				
				Millions of dollars			Percentage change	
	Apr. 26	July 26	Oct. 25	Apr. 26	July 26	Oct. 25	Apr. 26–July 26	July 26–Oct. 25
Total time and savings deposits	**14,339**	**14,338**	**14,299**	**564,410**	**576,366**	**591,754**	**2.1**	**2.7**
Savings	**14,339**	**14,338**	**14,299**	**222,065**	**220,583**	**220,080**	**−.7**	**−.2**
Issued to:								
Individuals and nonprofit organizations	14,339	14,338	14,299	205,843	204,847	203,980	−.5	−.4
Partnerships and corporations operated for profit (other than commercial banks)	9,754	9,989	9,860	10,679	10,646	11,198	−.3	5.2
Domestic governmental units	8,363	8,023	8,287	5,427	4,954	4,788	−8.7	−3.4
All other	1,081	1,268	1,237	116	137	114	17.8	−16.9
IRA and Keogh Plan time deposits, 3 years or more	9,434	9,364	9,329	2,549	2,770	2,992	8.7	8.0
Money market certificates, $10,000 or more, exactly 6 months[1]	....	9,102	10,427	....	5,381	13,838	....	157.2
Other interest-bearing time deposits, less than $100,000	**14,102**	**14,095**	**14,008**	**169,674**	**167,185**	**162,586**	**−1.5**	**−2.8**
Issued to:								
Domestic governmental units	*11,135*	*10,873*	*10,643*	*4,219*	*4,006*	*3,694*	*−5.0*	*−7.8*
30 up to 90 days	5,153	4,770	4,904	865	918	980	6.2	6.7
90 up to 180 days	8,657	7,961	7,541	1,273	1,166	1,084	−8.5	−7.0
180 days up to 1 year	5,132	5,539	5,439	825	666	614	−19.3	−7.8
1 year and over	8,748	8,867	8,173	1,255	1,256	1,015	0.0	−19.2
Other than domestic governmental units	*14,102*	*14,092*	*14,008*	*165,455*	*163,178*	*158,893*	*−1.4*	*−2.6*
30 up to 90 days	6,439	6,125	5,514	5,886	5,413	4,369	−8.0	−19.3
90 up to 180 days	11,635	11,700	11,439	30,634	29,392	28,732	−4.1	−2.2
180 days up to 1 year	8,605	8,458	8,176	3,105	3,156	3,239	1.6	2.7
1 up to 2½ years	13,832	13,769	13,751	33,941	32,857	30,820	−3.2	−6.2
2½ up to 4 years[2]	12,750	12,902	12,822	19,154	18,346	17,384	−4.2	−5.2
4 up to 6 years[2]	12,610	13,044	12,920	52,081	50,850	49,339	−2.4	−3.0
6 up to 8 years[2]	9,455	10,765	10,965	20,654	21,738	22,721	5.2	4.5
8 years and over[1,2]	....	6,186	7,789	....	1,427	2,288	....	60.3
Interest-bearing time deposits, $100,000 or more	**11,369**	**11,531**	**11,789**	**164,616**	**174,048**	**185,907**	**5.7**	**6.8**
Non-interest-bearing time deposits	1,650	1,447	1,734	3,999	4,272	4,223	6.8	−1.2
Less than $100,000	1,379	1,177	1,416	623	694	711	11.4	2.5
$100,000 or more	667	658	687	3,376	3,578	3,511	6.0	−1.9
Club accounts (Christmas savings, vacation, or similar club accounts)	9,246	9,550	9,225	1,508	2,128	2,128	41.1	.0

1 Issuance authorized beginning June 1, 1978.

2 Excludes all IRA and Keogh Plan accounts with original maturity of 3 years or more.

NOTE.—All banks that had either discontinued offering or never offered certain types of deposits as of the survey date are not counted as issuing banks. However, small amounts of deposits held at banks that had discontinued issuing certain types of deposits are included in the amounts outstanding.

Details may not add to totals because of rounding.

2. Small-denomination time and savings deposits held by insured commercial banks on October 25, compared with July 26, 1978, by type of deposit, by most common rate paid on new deposits in each category, and by size of bank

Deposit group, original maturity, and distribution of deposits by most common rate	All banks		Size of bank (total deposits in millions of dollars)				All banks		Size of bank (total deposits in millions of dollars)			
			Less than 100		100 and over				Less than 100		100 and over	
	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26
	Number of banks, or percentage distribution						Amount of deposits (in millions of dollars), or percentage distribution					
Savings deposits												
Individuals and nonprofit organizations												
Issuing banks	14,299	14,338	13,226	13,265	1,073	1,073	203,980	204,847	78,279	78,011	125,701	126,836
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.00 or less	4.0	4.1	4.1	4.1	2.8	3.8	2.9	3.2	3.7	3.6	2.5	2.9
4.01–4.50	8.3	8.4	8.5	8.7	5.7	5.0	7.0	7.1	8.6	9.3	6.0	5.8
4.51–5.00	87.6	87.5	87.3	87.2	91.5	91.2	90.1	89.7	87.7	87.2	91.6	91.3
Paying ceiling rate[1]	**87.6**	**87.5**	**87.3**	**87.2**	**91.5**	**91.2**	**90.1**	**89.7**	**87.7**	**87.2**	**91.6**	**91.3**
Partnerships and corporations												
Issuing banks	9,860	9,989	8,803	8,932	1,057	1,057	11,198	10,646	3,467	3,265	7,731	7,381
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.00 or less	1.4	1.6	1.5	1.7	.9	.8	.4	.8	1.0	2.1	.2	.2
4.01–4.50	4.6	7.4	4.7	7.9	3.4	3.4	3.8	4.4	3.4	5.8	4.0	3.8
4.51–5.00	94.0	91.0	93.8	90.4	95.7	95.8	95.8	94.8	95.5	92.1	95.9	96.0
Paying ceiling rate[1]	**93.8**	**90.8**	**93.5**	**90.2**	**95.7**	**95.8**	**95.7**	**94.8**	**95.5**	**92.1**	**95.9**	**96.0**
Domestic govt. units												
Issuing banks	8,287	8,023	7,552	7,293	735	730	4,788	4,954	2,618	2,979	2,170	1,976
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.00 or less	2.3	2.4	2.5	2.6	.1	.1	1.1	1.1	1.8	1.7	.2	.1
4.01–4.50	7.5	9.5	8.1	10.1	1.9	3.4	3.7	3.6	6.1	4.6	.8	2.1
4.51–5.00	90.2	88.1	89.4	87.3	97.9	96.4	95.3	95.3	92.1	93.7	99.1	97.8
Paying ceiling rate[1]	**89.9**	**88.1**	**89.1**	**87.3**	**97.9**	**96.4**	**95.2**	**95.3**	**91.9**	**93.7**	**99.1**	**97.8**
All other												
Issuing banks	1,237	1,268	1,102	1,106	135	162	114	137	35	33	79	104
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.00 or less	12.7	13.6	13.9	15.3	2.4	2.0	2.3	1.6	5.2	3.2	1.0	1.0
4.01–4.50	6.7	19.0	7.5	21.8	(2)	(2)	(2)	(2)	(2)	.1	(2)	(2)
4.51–5.00	80.7	67.4	78.6	62.9	97.6	98.0	97.7	98.4	94.8	96.7	99.0	99.0
Paying ceiling rate[1]	**80.7**	**67.4**	**78.6**	**62.9**	**97.6**	**98.0**	**97.7**	**98.4**	**94.8**	**96.7**	**99.0**	**99.0**
IRA and Keogh Plan time deposits, 3 years or more												
Issuing banks	9,329	9,338	8,348	8,352	980	986	2,992	2,760	1,167	1,090	1,825	1,669
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
6.00 or less	3.4	4.1	3.6	4.3	1.8	2.7	1.2	2.8	.9	2.0	1.3	3.3
6.01–7.00	7.0	7.8	7.5	8.3	2.8	3.8	2.6	2.4	3.6	3.2	1.9	1.8
7.01–7.50	31.2	37.0	31.9	37.8	25.8	30.3	24.1	29.8	28.6	38.7	21.2	24.0
7.51–7.75	58.4	51.0	57.1	49.6	69.7	63.2	72.1	65.0	66.8	56.1	75.5	70.9
Paying ceiling rate[1]	**34.2**	**23.4**	**33.0**	**22.6**	**44.4**	**30.4**	**46.6**	**34.6**	**39.1**	**29.4**	**51.4**	**38.0**
Money market certificates, $10,000 or more, 6 months[3]												
Issuing banks	10,182	8,928	9,127	7,891	1,055	1,036	13,806	5,342	5,309	1,814	8,497	3,528
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
7.25 or less	1.9	9.4	2.1	10.4	.1	1.7	1.0	3.0	2.1	5.6	.2	1.7
7.26–7.50	4.8	90.6	5.2	89.6	1.5	98.3	1.7	97.0	3.6	94.4	.5	98.3
7.51–8.00	7.1	.0	7.5	.0	4.2	.0	2.5	.0	2.8	.0	2.3	.0
8.01–8.56	86.1	.0	85.2	.0	94.2	.0	94.9	.0	91.4	.0	97.0	.0
Paying ceiling rate[1]	**67.2**	**59.3**	**65.1**	**55.7**	**85.3**	**86.6**	**85.0**	**80.3**	**75.5**	**70.5**	**91.0**	**85.3**
Time deposits less than $100,000												
Domestic govt. units:												
30 up to 90 days												
Issuing banks	4,904	4,770	4,227	4,094	677	676	980	918	678	495	302	423
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	.1	.7	(2)	.6	.8	1.6	.3	1.4	(2)	.1	.8	2.9
4.51–5.00	58.5	50.2	56.6	47.6	69.8	65.5	47.9	43.2	43.5	34.3	57.8	53.7
5.01–5.50	5.8	14.8	5.9	16.1	5.1	6.6	6.4	5.8	7.8	7.4	3.2	4.0
5.51–8.00	35.6	34.3	37.4	35.7	24.3	26.2	45.4	49.6	48.7	58.2	38.2	39.5
Paying ceiling rate[1]	**11.5**	**.2**	**10.8**	(2)	**16.2**	**1.1**	**15.7**	(2)	**9.3**	(2)	**29.9**	(2)
90 up to 180 days												
Issuing banks	7,541	7,921	6,708	7,085	833	836	1,084	1,162	727	836	357	326
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	.1	.1	(2)	(2)	.7	.7	.1	.1	(2)	(2)	.2	.2
4.51–5.00	11.5	16.9	11.8	17.9	9.0	8.2	5.1	13.9	5.3	17.2	4.7	5.5
5.01–5.50	70.8	65.5	70.9	65.0	70.2	70.2	68.9	62.8	69.3	62.3	68.1	63.8
5.51–8.00	17.6	17.5	17.3	17.1	20.1	20.9	25.9	23.3	25.4	20.5	27.0	30.4
Paying ceiling rate[1]	**3.4**	**.2**	**2.5**	(2)	**10.2**	**1.4**	**7.6**	**.9**	**3.2**	(2)	**16.7**	**3.2**

For notes see end of table.

TABLE 2—Continued

Deposit group, original maturity, and distribution of deposits by most common rate	All banks		Size of bank (total deposits in millions of dollars): Less than 100		Size of bank (total deposits in millions of dollars): 100 and over		All banks		Size of bank (total deposits in millions of dollars): Less than 100		Size of bank (total deposits in millions of dollars): 100 and over	
	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26
	Number of banks, or percentage distribution						Amount of deposits (in millions of dollars), or percentage distribution					
Time deposits, less than $100,000 (cont.)												
Domestic govt. units (cont.)												
180 days up to 1 year												
Issuing banks	5,416	5,488	4,795	4,820	621	668	614	664	432	464	181	201
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
4.51–5.00	6.8	9.7	7.0	10.1	4.9	6.7	2.0	3.8	.7	2.0	5.0	7.8
5.01–5.50	67.2	61.7	67.2	61.3	67.1	64.0	63.7	43.0	65.9	38.6	58.6	53.2
5.51–8.00	26.0	28.6	25.8	28.5	28.0	29.3	34.3	53.3	33.5	59.4	36.4	39.0
Paying ceiling rate [1]	**8.6**	**3.6**	**7.6**	**3.3**	**16.6**	**6.0**	**14.6**	**11.4**	**8.0**	**11.2**	**30.5**	**12.0**
1 year and over												
Issuing banks	8,170	8,685	7,376	7,872	793	813	1,013	1,245	854	939	159	306
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
5.00 or less	1.3	1.1	1.0	.9	4.3	2.7	.6	.2	.1	.1	3.2	.4
5.01–5.50	4.0	3.3	4.0	3.1	4.4	5.4	2.2	1.4	1.8	.7	4.5	3.3
5.51–6.00	58.0	64.2	57.8	64.3	59.0	63.0	55.4	52.8	56.9	60.0	47.4	30.6
6.01–8.00	36.7	31.4	37.2	31.7	32.3	28.8	41.8	45.7	41.2	39.1	44.9	65.7
Paying ceiling rate [1]	**3.7**	**1.3**	**3.0**	**1.1**	**9.7**	**3.9**	**10.9**	**6.7**	**8.5**	**5.7**	**23.9**	**9.5**
Other than domestic govt. units:												
30 up to 90 days												
Issuing banks	5,514	6,125	4,635	5,247	879	878	4,346	5,384	902	1,119	3,444	4,266
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	.8	2.8	.7	3.0	1.3	1.7	1.4	4.5	(2)	.1	1.7	5.7
4.51–5.00	99.2	97.2	99.3	97.0	98.7	98.3	98.6	95.5	100.0	99.9	98.3	94.3
Paying ceiling rate [1]	**99.2**	**97.2**	**99.3**	**97.0**	**98.7**	**98.3**	**98.6**	**95.5**	**100.0**	**99.9**	**98.3**	**94.3**
90 up to 180 days												
Issuing banks	11,439	11,700	10,384	10,656	1,055	1,044	28,732	29,380	11,429	11,643	17,304	17,737
Distribution, total	100	100	100	100	100	100	100	100	100	190	100	100
4.50 or less	.6	.6	.7	.7	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
4.51–5.00	4.6	5.1	4.9	5.3	2.3	3.3	4.7	4.9	4.6	3.9	4.8	5.6
5.01–5.50	94.7	94.3	94.4	94.1	97.7	96.7	95.3	95.0	95.4	96.0	95.2	94.4
Paying ceiling rate [1]	**94.2**	**94.3**	**93.9**	**94.1**	**97.6**	**96.6**	**94.9**	**94.6**	**95.4**	**96.0**	**94.6**	**93.7**
180 days up to 1 year												
Issuing banks	8,176	8,458	7,296	7,576	880	882	3,229	3,140	1,626	1,606	1,603	1,534
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	.6	.6	.5	.4	2.0	1.9	.2	.2	(2)	(2)	.3	.3
4.51–5.00	3.9	4.2	4.1	4.3	2.3	3.2	1.4	.8	2.5	.9	.3	.6
5.01–5.50	95.5	95.2	95.4	95.3	95.6	94.9	98.4	99.1	97.5	99.1	99.4	99.1
Paying ceiling rate [1]	**95.5**	**95.2**	**95.4**	**95.3**	**95.6**	**94.9**	**98.4**	**99.1**	**97.5**	**99.1**	**99.4**	**99.1**
1 up to 2½ years												
Issuing banks	13,751	13,769	12,684	12,708	1,066	1,060	30,819	32,788	19,580	20,535	11,239	12,253
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
5.00 or less	.5	(2)	.6	(2)	(2)	(2)	.1	(2)	.2	(2)	(2)	(2)
5.01–5.50	2.0	1.9	2.2	2.0	.4	1.1	.6	1.4	.7	.7	.4	2.5
5.51–6.00	97.4	98.1	97.2	98.0	99.6	98.9	99.3	98.6	99.1	99.3	99.6	97.5
Paying ceiling rate [1]	**97.3**	**98.0**	**97.2**	**98.0**	**98.2**	**97.6**	**99.0**	**98.3**	**99.1**	**99.3**	**98.8**	**96.8**
2½ up to 4 years												
Issuing banks	12,822	12,902	11,768	11,853	1,054	1,049	17,352	18,311	10,154	10,797	7,198	7,514
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
6.00 or less	2.1	1.9	2.2	1.9	1.3	1.7	1.7	1.1	2.2	.9	1.0	1.5
6.01–6.50	97.9	98.1	97.8	98.1	98.7	98.3	98.3	98.9	97.8	99.1	99.0	98.5
Paying ceiling rate [1]	**97.7**	**97.1**	**97.8**	**97.1**	**96.8**	**97.4**	**98.0**	**98.5**	**97.8**	**98.9**	**98.3**	**98.0**
4 up to 6 years												
Issuing banks	12,920	13,044	11,876	12,002	1,043	1,043	49,260	50,772	27,196	27,895	22,064	22,877
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
6.50 or less	1.6	.6	1.7	.5	.3	1.7	.8	.9	1.2	.5	.4	1.3
6.51–7.00	10.0	12.2	10.4	12.7	5.3	7.3	7.4	9.3	10.2	12.9	4.0	5.0
7.01–7.25	88.4	87.2	87.9	86.8	94.4	91.0	91.8	89.8	88.7	86.7	95.6	93.7
Paying ceiling rate [1]	**88.2**	**86.9**	**87.7**	**86.6**	**93.9**	**90.5**	**91.4**	**89.6**	**88.2**	**86.5**	**95.3**	**93.3**
6 up to 8 years												
Issuing banks	10,965	10,765	9,950	9,766	1,015	998	22,667	21,668	10,046	9,718	12,621	11,950
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
7.00 or less	1.5	.6	1.6	.3	.4	3.3	.5	.5	.6	(2)	.4	.9
7.01–7.25	3.2	4.8	3.2	5.0	3.7	2.6	2.4	1.6	2.0	1.4	2.8	1.7
7.26–7.50	95.3	94.6	95.2	94.6	95.9	94.1	97.1	97.9	97.4	98.6	96.8	97.4
Paying ceiling rate [1]	**95.3**	**94.5**	**95.2**	**94.6**	**95.3**	**93.2**	**96.9**	**97.8**	**97.4**	**98.6**	**96.5**	**97.1**

For notes see end of table.

TABLE 2—Continued

Deposit group, original maturity, and distribution of deposits by most common rate	All banks		Size of bank (total deposits in millions of dollars)				All banks		Size of bank (total deposits in millions of dollars)			
			Less than 100		100 and over				Less than 100		100 and over	
	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26	Oct. 25	July 26
	Number of banks, or percentage distribution						Amount of deposits (in millions of dollars), or percentage distribution					
Time deposits less than $100,000 (cont.)												
Other than domestic govt. units (cont.)												
8 years and over[3]												
Issuing banks	7,789	6,186	6,952	5,419	837	767	2,288	1,427	732	315	1,557	1,112
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
7.25 or less	1.7	1.5	1.4	1.3	4.1	3.5	5.1	3.5	.2	.7	7.4	4.3
7.26–7.50	6.3	3.6	6.0	2.9	8.9	8.9	14.8	28.4	3.0	2.7	20.3	35.7
7.51–7.75	92.0	94.9	92.6	95.9	87.0	87.6	80.1	68.1	96.8	96.6	72.3	60.0
Paying ceiling rate[1]	**92.0**	**94.9**	**92.6**	**95.9**	**87.0**	**87.6**	**80.1**	**68.1**	**96.8**	**96.6**	**72.3**	**60.0**
Club accounts												
Issuing banks	9,225	9,550	8,438	8,735	787	815	2,096	2,121	892	912	1,204	1,209
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
0.00	44.0	48.3	45.6	50.2	27.2	28.5	19.1	24.8	27.0	36.5	13.3	16.1
0.01–4.00	16.2	14.6	16.4	14.7	14.7	13.6	13.4	15.3	21.2	19.6	7.6	12.0
4.01–4.50	6.9	7.6	6.9	7.6	6.4	7.0	8.7	12.8	6.5	13.3	10.3	12.3
4.51–5.50	32.8	29.5	31.1	27.5	51.6	50.9	58.8	47.2	45.3	30.7	68.8	59.6

1 See BULLETIN Table 1.16 on page A10 for the ceiling rates that existed at the time of each survey.
2 Less than .05 per cent.
3 Issuance authorized June 1, 1978.

NOTE.—All banks that either had discontinued offering or had never offered particular types of deposits as of the survey date are not counted as issuing banks. Moreover, the small amounts of deposits held at banks that had discontinued issuing deposits are not included in the amounts outstanding. Therefore, the deposit amounts shown in Table 1 may exceed the deposit amounts shown in this table.

The most common interest rate for each instrument refers to the stated rate per annum (before compounding) that banks paid on the largest dollar volume of deposit inflows during the 2-week period immediately preceding the survey date.

Details may not add to totals because of rounding.

years declined over the period, while those with longer maturities rose moderately. IRAs and Keogh accounts grew steadily, increasing $200 million to a level of almost $3 billion.

Reflecting a diversion of deposits to MMCs, as well as the further rise in interest rates on alternative instruments above the regulatory ceiling rates, the outstanding level of small-denomination time deposits subject to fixed ceilings declined sharply. Outflows from such accounts totaled $4½ billion, twice as large as the drop during the previous survey quarter. Among issues other than those to governmental units, there were substantial declines in all but one of the maturity categories under six years, suggesting that a large portion of MMC balances represents funds that were shifted from these accounts, particularly deposits with maturities of two and one-half years up to six years, which dropped $4½ billion. However, the consistently popular deposits with original maturities of six years or more—including the new eight-year certificates authorized on June 1—continued to rise, albeit at a reduced pace. The net inflow to these accounts was almost $2 billion, about $500 million less than the increase in the previous survey period, and represented the smallest percentage increase for any survey quarter since introduction of the six-year certificate with a higher ceiling rate in 1974.

Outstanding levels of all maturities of small-denomination time deposits issued to governmental units, except those maturing from 30 up to 90 days, registered declines. Over all, such deposits declined $300 million during the survey quarter compared with a decrease of $200 million during the previous survey period. MMCs may have attracted a small amount of these funds; but the decline seems to have been due largely to a diversion to other instruments in response to the general rise in interest rates. Although banks may pay 8 percent on all time deposits issued to governments without regard to maturity, their offering rates are in general low because they are usually required to pledge securities against such accounts. In response to rising market rates of interest, a growing proportion of banks paid the maximum allowable rate on all categories of time deposits issued to governmental units.

3. Average of most common interest rates paid on various categories of time and savings deposits at insured commercial banks on October 25, 1978

Type of deposit, holder, and original maturity	Bank size (total deposits in millions of dollars)						
	All size groups	Less than 20	20 up to 50	50 up to 100	100 up to 500	500 up to 1,000	1,000 and over
Savings and small-denomination time deposits	5.72	5.82	5.88	5.75	5.71	5.64	5.59
Savings, total	4.93	4.94	4.93	4.85	4.95	4.91	4.94
Individuals and nonprofit organizations	4.92	4.93	4.92	4.84	4.95	4.90	4.94
Partnerships and corporations	4.98	5.00	4.94	4.99	4.99	4.98	4.97
Domestic governmental units	4.97	4.94	4.96	4.94	5.00	4.99	4.99
All other	4.95	5.00	4.48	5.00	4.99	5.00	5.00
IRA and Keogh Plan time deposits, 3 years or more	7.74	7.67	7.76	7.63	7.76	7.77	7.76
Money market certificates, exactly 6 months	8.46	8.07	8.38	8.52	8.51	8.51	8.54
Other time deposits in denominations of less than $100,000, total	6.53	6.42	6.62	6.59	6.54	6.51	6.45
Domestic governmental units, total	6.14	6.04	6.15	6.36	6.04	6.43	6.38
30 up to 90 days	6.10	6.10	6.12	6.15	6.32	6.13	5.93
90 up to 180 days	5.85	5.75	5.52	6.09	5.79	6.56	6.52
180 days up to 1 year	6.12	5.88	6.30	6.78	5.95	6.39	6.84
1 year and over	6.51	6.40	6.50	6.70	6.44	6.83	6.96
Other than domestic governmental units, total	6.53	6.45	6.63	6.60	6.55	6.51	6.45
30 up to 90 days	4.98	5.00	5.00	5.00	4.97	4.94	5.00
90 up to 180 days	5.47	5.47	5.50	5.45	5.50	5.50	5.44
180 days up to 1 year	5.49	5.48	5.50	5.49	5.47	5.49	5.50
1 up to 2½ years	5.99	5.99	6.00	6.00	6.00	6.00	5.99
2½ up to 4 years	6.48	6.44	6.50	6.49	6.49	6.50	6.49
4 up to 6 years	7.22	7.19	7.21	7.23	7.23	7.24	7.23
6 up to 8 years	7.49	7.48	7.50	7.49	7.49	7.50	7.49
Over 8 years	7.66	7.73	7.75	7.71	7.70	7.57	7.61
Club accounts[1]	3.77	3.19	3.26	3.22	3.89	3.56	4.56

[1] Club accounts are excluded from all of the above categories.

NOTE.—The average rates were calculated by weighting the most common rate reported on each type of deposit at each bank by the amount of that type of deposit outstanding. All banks that had either discontinued offering or never offered particular types of deposit as of the survey date were excluded from the calculations for those specific types of deposits.

Together with the increase in rates paid on these governmental deposits, rates on small-denomination issues to nongovernmental entities rose in five of the eight categories. These developments, coupled with the rise in interest payments associated with MMCs and IRA and Keogh accounts, acted to raise the weighted-average rate paid on all small-denomination time and savings deposits 7 basis points to 5.72 percent.

Other Time Deposits

Growth of bank assets, coupled with comparatively slow growth in deposits subject to interest rate ceilings, led banks to increase the outstanding volume of interest-bearing, large-denomination time deposits almost $12 billion, up from the $9½ billion increase of the previous survey. Large negotiable certificates of deposit at weekly reporting banks (not shown in the table) accounted for 50 percent of the total advance. Non-interest-bearing time deposits, principally escrow accounts and compensating balances held in conjunction with loans, decreased $50 million, following an increase of $275 million in the preceding period. Reflecting the seasonal pattern of deposit flows, the level of club accounts remained virtually unchanged at just over $2 billion. About 45 percent of the offering banks, holding a fifth of outstanding deposits, paid no interest on club accounts.

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects, and other staff members prepare papers related to such subjects. In some instances the Federal Reserve System finances similar studies by members of the academic profession.

From time to time the results of studies that are of general interest to the professions and to others are summarized—or they may be printed in full—in this section of the FEDERAL RESERVE BULLETIN.

In all cases the analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN *are available in mimeographed form. The list of Federal Reserve Board publications at the back of each* BULLETIN *includes a separate section entitled "Staff Studies" that lists the studies for which copies are currently available in mimeographed form.*

STUDY SUMMARY

TIE-INS BETWEEN THE GRANTING OF CREDIT AND SALE OF INSURANCE BY BANK HOLDING COMPANIES AND OTHER LENDERS

Robert A. Eisenbeis and Paul R. Schweitzer—Staff, Board of Governors
Prepared as a staff paper in the summer of 1978

This paper presents the findings of a study of the existence and extent of tying between the granting of credit and the sale of insurance by retailers, bank holding companies, and other financial institutions. It was requested by the Senate Committee on Banking, Housing and Urban Affairs.

The study reports new data on insurance and credit activity obtained through two separate surveys—one of individual consumers and one of bank holding companies—and provides an analytical framework within which to assess the likelihood that tying is taking place. The theoretical framework implies that the existence of tying, either explicit or involuntary, will be manifested in a high proportion of joint purchases, in buyer perception of and resentment at being forced to make the purchase, and in supplier conduct that promotes tying. In the belief that buyer resentment would be strongest and most likely to generate complaints in those cases involving explicitly formal tying, the complaint files of the Federal Reserve System were canvassed. No complaints had been filed since 1970 alleging violation of section 106 of the Bank Holding Company Act by either consumers or businesses.

The Federal Reserve's *1977 Consumer Credit Survey* shows that 62.2 percent of the borrowers had purchased credit insurance. The lowest proportion of borrowers also purchasing insurance from the lender was at retailers and banks, 39.9 percent and 61.4 percent, respectively, while the highest was at finance companies, 74.8 percent. These relatively high penetration rates do not, however, appear to have resulted from either explicit coercion or involuntary tying. Relatively few consumers responded that the insurance was "required" (16.4 percent) or even "strongly recommended" (8.8 percent); the lowest proportions were for retailers and banks. The absence of coercion is supported by the small proportion of customers who viewed credit life and disability insurance as a "bad" service. Most regarded it as desirable and, more significantly, felt that its price was "about right" or even "inexpensive."

The other survey sampled bank holding companies to gather information on policies, procedures, and organizational patterns in the selling of insurance. The reported penetration rates on credit-related property and casualty insurance appear significantly lower than would have been expected if tying were a widespread practice in the industry. Low penetration rates are also consistent with the respondents' policies and procedures, which do not seem to be conducive to tying arrangements. Solicitation for insurance is generally reported to be made after the credit is approved. Moreover, the prevalence of fixed salaries of insurance agents in large bank holding companies, as opposed to commissions, lessens the likelihood of coercive tying by these institutions.

The survey of bank holding companies indicates higher penetration rates for credit life and disability insurance than for property and casualty insurance, but these latter rates show wider variation by lender group, type of loan, and location of company. In general, consumer loans, mortgage loans, and loans from finance company and bank subsidiaries have the higher median penetration rates. Again, patterns of conduct do not indicate extensive tying since credit insurance is typically offered after the credit is approved and, furthermore, most respondents advise the customer that insurance is not required.

The results of the study suggest that explicit tying between the granting of credit and the sale of credit-related insurance is practically nonexistent and that implicit pressures brought by lenders on the borrowers are neither very strong nor widespread in the industry. A sizable minority of credit customers find it more convenient to place their property and casualty insurance with their lender than to search for alternative sources of insurance services. The proportion of people opting for joint purchases of credit and insurance rises greatly among those purchasing credit life and disability insurance, probably because the costs of premiums are small compared with costs of shopping around for other sources. □

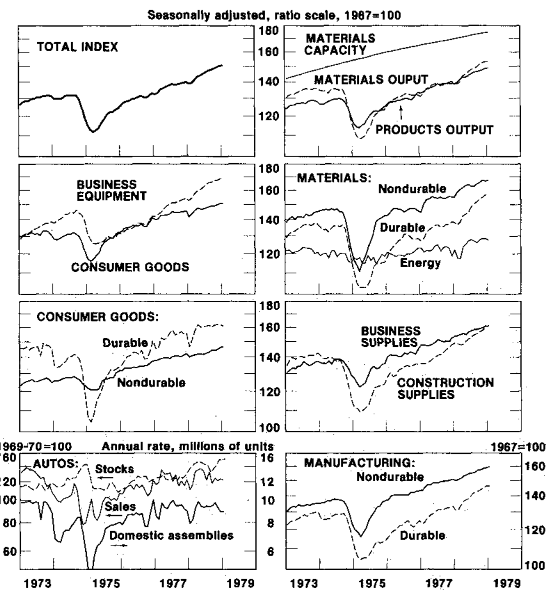
Industrial Production

Released for publication February 15

Industrial production in January edged up an estimated 0.1 percent following an increase of 0.7 percent in December. Output in January was affected somewhat by weather conditions. Production of materials was unchanged in January and output of products rose 0.2 percent. The January index, at 150.7 percent of the 1967 average, was 8.6 percent higher than the January 1978 level, which had been affected by strikes and weather.

Output of consumer goods was little changed in January; production of home goods and consumer nondurable goods increased moderately while output of automotive products again declined sharply. Auto assemblies—at an annual rate of 8.9 million units—were about 4 percent below the 9.3-million-unit rate in December. Output of business equipment edged up slightly in January; this gain was limited by a sharp decline in the production of transit equipment, particularly truck production. The output of intermediate products continued to advance, reflecting a further rise in the production of construction supplies.

Output of durable goods materials rose only slightly in January, with steel output declining sharply. Production of nondurable goods materials rose moderately, as the output of textile and chemical materials advanced. Production of energy materials dropped 0.7 percent, reflecting a decline in coal output; electric power generation continued to rise.



F.R. indexes, seasonally adjusted. Latest figures: January. Auto sales and stocks include imports.

Industrial production	1967 = 100		Percentage change from preceding month to—						Percentage change 1/78 to 1/79
	1978	1979	1978					1979	
	Dec.[p]	Jan.[e]	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
Total	**150.5**	**150.7**	**.7**	**.5**	**.6**	**.5**	**.7**	**.1**	**8.6**
Products, total	148.7	149.0	.8	.2	.3	.4	.7	.2	7.6
Final products	145.5	145.7	.8	.3	.3	.3	.6	.1	8.0
Consumer goods	150.7	150.8	.5	.4	.1	.4	.6	.1	6.3
Durable	161.9	161.1	.4	−.7	.8	.2	−.1	−.5	10.0
Nondurable	146.2	146.7	.5	.9	−.1	.4	.9	.3	4.9
Business equipment	168.4	168.5	1.0	.2	.7	.2	.7	.1	10.4
Intermediate products	160.7	161.4	.5	.4	.6	.6	1.1	.4	6.5
Construction supplies	160.3	161.2	.8	.6	.9	.7	1.4	.6	8.0
Materials	153.3	153.3	.5	.7	1.1	.8	.5	.0	10.1

[p] Preliminary. [e] Estimated. NOTE.—Indexes are seasonally adjusted.

Statements to Congress

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, January 24, 1979.

The nation's financial system has been undergoing rapid change in recent years, change that has altered the competitive environment in banking and other financial markets and complicated the Federal Reserve's ability to implement monetary policy. Nonmember depositary institutions have been growing much more rapidly than member banks. Transactions-type deposit accounts have become more widespread at thrift institutions. And, in general, competition among depositary institutions and between those institutions and the open market has become much more intense.

This competition promotes efficiency in the financial system, and banks have been reassessing their costs and operations. Many, as a result, have become less willing to bear the high cost of cash reserve requirements associated with being a member of the Federal Reserve System. Thus, there has been a steady—and in recent years, an accelerating—decline in the proportion of bank deposits, especially transaction deposits, subject to federal reserve requirements. Moreover, the continued development of new transactions-type deposits at nonbank depositary institutions will further worsen this situation.

Developments Weaken Monetary Control

It is essential that the Federal Reserve maintain adequate control over the monetary aggregates if the nation is to succeed in its efforts to curb inflation, sustain economic growth, and maintain the value of the dollar in international exchange markets. The attrition in deposits subject to reserve requirements set by the Federal Reserve weakens the linkage between member bank reserves and the monetary aggregates. As a larger and larger fraction of deposits at banks becomes subject to the diverse reserve requirements set by the 50 states rather than by the Federal Reserve and as more transactions balances reside at thrift institutions, the relationship between the money supply and reserves controlled by the Federal Reserve will become less and less predictable. Therefore, open market operations, the basic tool of monetary policy, are becoming less precise in their application.

Our staff has attempted to assess the extent to which growth of deposits outside the Federal Reserve System would weaken the relationship between reserves and money. Their tentative results are shown in chart 1, which depicts the greater range of short-run variability in M-1 and M-2, with a given level of bank reserves, that would develop as the percentage of deposits held outside the Federal Reserve rises.[1] As more and more deposits are held outside the system, this chart suggests that control of money through the reserve base becomes increasingly uncertain.

Use of Reserve Requirements Has Been Restricted

With the proportion of banks subject to federal reserve requirements declining, the ability of the central bank to use changes in reserve requirements as a tool of monetary policy has been increasingly undermined. Changes in reserve ratios not only affect a smaller proportion

[1] The attachments to this statement are available on request from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

of deposits today than in the past, but the board also must weigh the potential impact of its actions on the membership problem—and hence on its ability to maintain monetary control over the longer run—each time it deliberates on the uses of this tool. Such concerns inhibit the board's freedom of action to conduct monetary policy. If reserve requirements were applied universally, as is proposed in H.R. 7, adjustments in reserve ratios to affect the availability of credit throughout the country, or to influence banks' efforts concerning particular types of deposits, may again become a more viable monetary instrument. Moreover, while open market operations in U.S. government securities provide the Federal Reserve with a powerful policy instrument, it is possible that conditions could develop in the future—such as a less active market for U.S. government securities in a period of reduced federal budgetary deficits—in which a more flexible adjustment of reserve requirements might be a desirable adjunct in efforts to control the monetary aggregates.

As Has Been the Discount Window

The effectiveness of the Federal Reserve's administration of the discount window has been potentially compromised by recent developments. Membership attrition and the growth of transactions balances at nonbank depositary institutions have resulted in a shrinking proportion of the financial system having immediate access to the discount window on a day-to-day basis.

The discount window, as the "lender of last resort," provides the payments system with a basic liquidity back-up by assuring member banks the funds to meet their obligations. But, if the proportion of institutions having access to this facility continues to decline, individual institutions could be forced to make abrupt adjustments in their lending or portfolio policies, because they could not turn to the window to cushion temporarily the impacts of restrictive monetary policies. Risks that liquidity squeezes would result in bank failures could also increase. Thus, the Federal Reserve may find that its ability to limit growth in money and credit in order to curb inflation was being unduly impeded because the safety valve provided by the discount window was gradually losing its effective coverage.

And the Payments System Faces Deterioration

The growth of transactions balances at institutions that do not have access to Federal Reserve clearing services also could lead to a deterioration of the quality of the nation's payments system. Reserve balances held at Federal Reserve Banks are the foundation of the payments mechanism because these balances are used for making payments and settling accounts between banks. Nonmember deposits at correspondent banks can serve the same purpose, but as more and more of the deposits used for settlement purposes are held outside the Federal Reserve, the banking system becomes more exposed to the risk that such funds might be immobilized if a large correspondent bank outside the Federal Reserve experienced substantial operating difficulties or liquidity problems. A liquidity crisis affecting such a large clearing bank could have widespread damaging effects on the banking system as a whole because smaller banks might become unable to use their clearing balances in the ordinary course of business. The Federal Reserve, of course, is not subject to liquidity risk and therefore serves, as the Congress intended, as a completely safe foundation for the payments mechanism.

In sum, the major functions of the Federal Reserve System—to conduct monetary policy in the public interest, to provide back-up liquidity and flexibility to the financial system, and to assure a safe and efficient payments mechanism—all have been undermined by recent developments. These developments include, as I have noted earlier, attrition in Federal Reserve membership and the spreading of third-party payment powers to nonbank institutions.

Decline in System Membership

For more than 25 years there has been a continual decline in the proportion of commercial banks belonging to the Federal Reserve. The downward trend in the number of member banks has been accompanied by a decline in the proportion of bank deposits subject to federal reserve requirements. As of mid-1978, member banks held less than 72 percent of total commercial bank deposits, down about 9 percentage points since 1970. Thus, more than one-fourth of commercial bank deposits—and over three-fifths of all banks—are outside the Federal Reserve System.

Due to the Excessive Cost of Membership

The basic reason for the decline in membership is the financial burden that membership entails. Most nonmember banks and thrift institutions may hold their required reserves in the form of earning assets or in the form of deposits (such as correspondent balances) that would be held in the normal course of business. Member banks, by contrast, must keep their required reserves entirely in nonearning form.

The cost burden of Federal Reserve membership thus consists of the earnings that member banks forgo because of the extra amount of nonearning assets that they are required to hold. Of course, member banks are provided with services by Reserve Banks, but the value of these services is insufficient to close the earnings gap between member and nonmember banks.

The board staff estimates that the aggregate cost burden to member banks of Federal Reserve membership exceeds $650 million annually, based on data for 1977, or about 9 percent of member bank profits before income tax. The burden of membership is not distributed equally across all sizes of member banks. According to staff estimates, the relative burden is greatest for small banks—exceeding 20 percent of profits for banks with less than $10 million in deposits. Further reductions of reserve requirements within existing statutory limits would do little to eliminate the burden for most classes of banks, especially for the smaller banks.

Inequity of Cost Burden Borne By Member Banks

The current regulatory structure is arbitrary and unfair because it forces member banks to bear the full burden of reserve requirements. Only member banks must maintain sterile reserve balances; nonmember banks, which compete with members in the same markets for loans and deposits, and thrift institutions, which increasingly are competing in the same markets, do not face similar requirements. Thus, members are at a competitive disadvantage relative to other depositary institutions. Among the major countries in the free world, only in the United States has this legislated inequity been imposed on the commercial banking system. It is no wonder that member banks continue to withdraw from the Federal Reserve.

Spread of Third-Party Payment Powers

At the same time, the spread of third-party powers to thrift institutions is further increasing the proportion of transactions balances outside the control of the Federal Reserve. Commercial banks' virtual monopoly on transactions accounts, maintained in the past because of their ability to offer demand deposits, is being eroded. Moreover, recent financial innovations have led to widespread use of interest-bearing transactions accounts at both nonbank depositary institutions and commercial banks. These developments have increased both the costs and competitive pressures on banks, no doubt compelling members to reevaluate the costs and benefits of membership and thus playing a significant role in membership withdrawals.

The payments innovations since 1970 are well known to this committee, and include limited pre-authorized "bill-payer" transfers as well as telephone transfers from savings accounts at banks and savings and loan associations, negotiable order of withdrawal (NOW) accounts at practically all depositary institutions in New England, credit union share drafts, automatic transfers from savings deposits, and the use of electronic terminals to make immediate transfers to and from savings accounts.

Growth of these transactions-related, interest-bearing deposits has been most dramatic in recent years. For example, NOW accounts in New England have grown from practically zero in 1974 to 8 percent of household deposit balances in mid-1978, and one-third of these NOW deposits are at thrift institutions. The intense competition engendered by the introduction of NOW accounts has been accompanied by an acceleration of member bank attrition in New England to a rate well beyond that of the nation. This increase in member bank withdrawals is clearly not just coincidental.

There is no sign that the intense competition will abate. Savings accounts authorized for automatic transfer have grown rapidly at commercial banks across the country since their introduction November 1; and in New York, NOW accounts, which were authorized November 10 for all depositary institutions in the state, have been increasing vigorously. In addition, the Federal Home Loan Bank Board has announced its intention to authorize savings and loan associations to offer payment order accounts, or POAs, which are interest-bearing deposits that can serve many of the same functions as NOWs.

These developments have caused the distinctions among banks and thrifts with respect to the "moneyness" of their deposits to become increasingly blurred and have prompted the Federal Reserve to reevaluate its existing measures of the monetary aggregates and to consider possible readjustments to reflect the changing institutional environment. The most basic measure of transactions balances, M-1, clearly should include more than just currency and commercial bank demand deposits. And, the broader aggregates may be redefined to emphasize distinctions by type or function of deposit rather than by the institution in which the deposit is held. Changing the money measures to reflect economic reality, including the wider role played by depositary institutions other than member banks in the monetary system, would be complemented by legislation for universal reserve requirements.

LEGISLATIVE PROPOSALS POINT IN THE RIGHT DIRECTION

The Monetary Control Act of 1979, H.R. 7, introduced by the chairman of this committee, represents a constructive approach to improving monetary control and reducing the inequities in markets in which depositary institutions are competing.

This bill proposes universal reserve requirements by establishing a reasonable set of reserve ratios applicable to all deposits at commercial banks and to transactions balances at thrift institutions. The definition of transactions accounts includes not only demand deposits but also the growing number of new third-party payments accounts. Such an approach puts all depositary institutions on an equal competitive basis in the market for transactions deposits and helps assure the continuation of a reserve structure needed for the efficient conduct of monetary policy.

Under this legislation all commercial banks and thrift institutions with transactions accounts would have access to the Federal Reserve discount window. The Federal Reserve could then act as a "lender of last resort" to a broader class of depositary institutions and thereby enhance the overall safety and soundness of the depositary system, as well as providing more flexibility to financial institutions to respond to changing monetary policy. The bill also gives all depositary institutions access to Federal Reserve services. With the application of an appropriate pricing schedule for such services, this action should improve the efficiency of the payments mechanism, which underlies all of the nation's economic transactions. But I should emphasize that open access to system services, desirable as it may be, is only practicable if the so-called membership problem is resolved, as H.R. 7 does in principle. Without resolution of the membership problem, open access at an explicit price set for all institutions would only exacerbate the problem and lead to even greater reduction in the Federal Reserve's deposit coverage, since services would be available to nonmembers without bearing the burden of reserves.

BUT CERTAIN MODIFICATIONS OF H.R. 7 ARE NECESSARY

The various features of H.R. 7 redress much of the growing competitive inequity among financial institutions and provide a potentially improved framework for enhancing the implementation of monetary policy. However, as drafted, certain provisions of this legislation compromise the improvement in monetary control that universal reserve requirements could foster.

First, the exemption from any reserve requirement of the first $50 million of transactions balances and the first $50 million of other deposits reduces somewhat from present levels the proportion of deposits subject to federal reserve requirements. More importantly, though, the rather complex procedure for indexing the exemption would mean that the proportion of deposits subject to direct Federal Reserve control could not increase over time. Hence, the board believes that the bill needs to be modified, and it has a proposal that will both enhance monetary control and preserve for all institutions the earnings protection of the exemption contained in the bill without increasing the cost to the Treasury from that associated with H.R. 7.

Participation in Federal Reserve Earnings for Exempted Deposits

The board's proposed modification involves establishment of an "earnings participation account" at the Federal Reserve to be held against deposits exempted by H.R. 7 from reserve requirements. To reduce the recordkeeping burden, small institutions could be excluded from having to hold this account. This exclusion could amount to the first $10 million of transactions deposits at each institution and $10 million of other deposits at each commercial bank.

For banks, with respect to all deposits, and for other depositary institutions, with respect to transactions deposits, their earnings participation account would be held against deposits above the $10 million exclusion and up to the amount of the $50 million exemption in H.R. 7. The size of this earnings participation account for each deposit category would equal the reserve ratio applicable to deposits in that category times the amount of deposit liabilities between $10 million and $50 million. To the extent that an institution holds vault cash in excess of its required reserves on nonexempt deposits, the size of the earnings participation account would be reduced correspondingly. This provision reduces the possibility that institutions would build up their excess reserves, which would tend to increase the slippage between reserves and deposits and thereby diminish monetary control.

In a comparison of the impacts of the board's proposal with H.R. 7 and with the current reserve system, the board's modification has the advantage of greatly increasing the proportion of commercial bank transactions deposits covered by an account at the Federal Reserve—from the present 73 percent to 94 percent. This would be accomplished even though the $10 million exclusion would mean that 45 percent of all commercial banks, as well as virtually all thrift institutions, would not be required to hold any account at the Federal Reserve. At the same time, the number of banks holding nonearning reserve balances at Federal Reserve Banks would be as low as under H.R. 7. The number would be sharply reduced from the current level of 5,664 to an estimated 656. Finally, the effect on bank earnings would be virtually the same under either H.R. 7 or the bill as modified by the board's proposal. The difference would be that under our proposal, banks would hold some assets in the form of the earnings participation account rather than as market investments or loans.

The return on this account would be equivalent to the average return on the Federal Reserve's portfolio, which includes both short- and long-term securities. In some years this return might be higher than banks would earn on other assets—which are likely to be a combination of loans and liquid instruments—and in some years, less. On average, over time, there should be little difference.

I would like to underline the advantage of bringing transactions-type deposits at thrift institutions under reserve requirements in this manner. It will be several years, at least, before any significant number of thrift institutions would actually have to hold nonearning reserves at the Federal Reserve. Currently, no savings and loan association or credit union has transactions deposits in excess of the $50 million exemption. Only eight mutual savings banks have transaction accounts in excess of the exemption, and each has vault cash considerably in excess of the reserve requirement that would apply to such deposits.

In a listing of individual member and nonmember commercial banks and mutual savings banks similar to that shown on pages 17 to 65 of the committee print, *Description of the Monetary Control Bill*, an asterisk indicates a bank added to the list by the board's proposal—that is, one with deposits above the excluded level but below the exempted level. These added banks would hold an earnings participation account (EPA) at the Federal Reserve, but they would not hold any nonearning required reserves balance at Reserve Banks because their deposits are below the exempted level. Banks without an asterisk were on the committee list before, and their nonearning reserve balance is affected exactly the same as in H.R. 7. The column entitled EPA shows the amount of the earnings participation account each institution would hold. If this column is zero, the bank at the end of 1977 had sufficient vault cash in excess of its required reserves so that it would have had no EPA.

Thus, the additional institutions brought under Federal Reserve control would keep the earnings benefit of the exemption level proposed by H.R. 7, since they would participate in the Federal Reserve's earnings on the balances that they would be required to maintain in the EPA. Moreover, the cost to the Treasury would be no different under the board's proposal than under the proposed bill. Under the board's plan, the Federal Reserve would earn additional interest on the greater amount of balances that would be held at Reserve Banks, thereby offsetting the cost of the depositary institutions' EPAs.

In sum, the board proposal would have the clear advantage of expanding significantly the coverage subject to reserve requirements, thereby enhancing the implementation of monetary policy. At the same time, it would sustain the earnings benefits of the exemption level for all depositary institutions—at no additional cost to the Treasury. Finally, exclusion of the first $10 million of transactions-type deposits and $10 million of other deposits from the earnings participation requirement would reduce the recordkeeping burden of the proposal, with relatively modest policy impact. The board has suggested a series of amendments to H.R. 7 that would implement the proposed modification.

Another modification proposed by the board concerns affiliated institutions. Providing an exemption from required reserves of $100 million in deposits gives an incentive to banks to form new, affiliated commercial banking entities in lieu of branch offices in order to avoid the requirement to hold sterile reserves. A bank as large as $100 million would already enjoy many of the economies of scale associated with larger banking operations. Thus, the cost of creating new banks would be small relative to the benefit of avoiding reserve requirements. To eliminate this potential loophole, the board proposes that affiliated commercial banks be limited to a total exemption equal to the number of such institutions as of August 1, 1978, times the exemption levels specified in the bill.

Mr. Chairman, I want to thank you for the opportunity to present the Federal Reserve's view on the Monetary Control Act of 1979. This bill deals constructively with issues of crucial importance to the long-run viability of the nation's central bank and to the health of our financial system. The problems are difficult, but considerable progress has been made in recent months toward achieving a solution that promotes the public interest. □

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, January 25, 1979.

Mr. Chairman, members of this distinguished committee, I am pleased to be able to participate in these important hearings. It is my hope that by expressing the views of the Board of Governors of the Federal Reserve System on the nation's economic problems and prospects, I can be of some assistance to you as you frame the First Concurrent Budget Resolution for the 1980 fiscal year.

The current economic expansion is nearing its fourth anniversary. This makes it quite venerable in comparison with past cyclical upswings—especially when one exempts from consideration those that have owed their longevity to the stimulus of war spending. More important, it has achieved this ripe age without losing its vitality. Although the growth of activity has slowed in the past year from its earlier very brisk pace, the gains have continued to exceed the trend rise of potential output and have produced sizable increases in employment.

Real gross national product advanced 4¼ percent over the past four quarters, as compared with the 5½ percent average annual rate of increase during the earlier stages of the expansion. Total employment rose 3.3 million during 1978—just slightly less than in the preceding year. This was enough to cut the overall rate of unemployment almost 1/2 percentage point to 5.9 percent despite continued rapid growth of the labor force.

The progress of the past year has, in fact, appreciably narrowed the margin of unutilized resources in the economy. Utilization rates for industrial capacity have risen, and although by and large they remain below the peaks of some earlier cyclical upswings, there are some areas of tightness. Similarly, in labor markets the overall unemployment rate is still rather high by historical standards, but there is growing evidence of tautness in various sectors, and firms generally are finding it increasingly difficult to hire workers with needed skills. These developments are a normal accompaniment of economic expansion and to date have not reached toublesome dimensions. However, we certainly have arrived at a stage in which resource constraints could quickly become a serious problem if aggregate demand were permitted to grow faster than productive capacity.

The importance of this consideration cannot be overstated because inflation is an urgent concern and a clear danger to the health of our economy. Even in the absence of excessive aggregate demand pressures last year, inflation accelerated markedly. The general level of prices rose about 8¾ percent, versus 6½ percent in 1977. Special factors such as the influence of poor weather and the beef cycle on farm prices played a role in this disappointing performance, but there was also a broad intensification of price pressures across the economy associated with rising unit labor costs. Pay rates increased somewhat faster, reflecting in part a hike in the federal minimum wage, and employers were confronted with bigger tabs for social security and unemployment insurance. With productivity virtually unchanged, unit labor costs rose about 9 percent in 1978, 2 percentage points more than in 1977.

The worsening of U.S. price trends was a major cause of the dollar's weakness in foreign exchange markets last year. Although the program announced by the Treasury and the Federal Reserve on November 1 succeeded in strengthening the dollar, its average exchange value against other major currencies, on a trade-weighted basis, has registered a net decline of 15 percent since September 1977. This depreciation in turn is having a significant impact on domestic inflation, by raising import prices and reducing competitive restraints on the prices of domestically produced goods. The effect on the U.S. price level last year probably amounted to about 1 percent, and further inflationary effects will be felt this year and next.

It is quite clear that last year we passed from a phase in the economic cycle when the focus of concern is properly the insurance of strong aggregate demand to one in which emphasis must be placed on the avoidance of inflationary excesses.

The Federal Reserve had begun to assume a less accommodative stance in 1977, but the movement toward restraint accelerated in 1978. System resistance to inflated demands for money and credit was reflected in a substantial rise in market rates of interest. Yields on short-term market instruments generally rose 3 to 4 percentage points last year, while most long-term rates rose a percentage point or more.

These are sizable increases and they brought many rates close to, and in a few cases slightly above, their 1974 peaks. However, this increase in interest rates did not occasion the wrenching of financial markets that has seriously disrupted economic activity on some past occasions. There are two reasons for this. One is that current interest rate levels are not extraordinary after allowance is made for the prevailing state of inflationary expectations. Nominal interest costs of 9 or 10 percent would have been a severe deterrent to credit-financed spending in periods when inflation was more subdued; borrowers are much more willing to pay such rates, however, when they expect incomes and prices of goods to rise at paces comparable to those experienced recently.

The second reason that we have avoided what is commonly characterized as a "credit crunch" is the structural changes that have occurred in the nation's financial markets. Among the most noteworthy of these is the action taken by the federal regulatory agencies last spring to ease the restriction on interest rates that depositary institutions may pay on time accounts. The new six-month money market certificate, whose ceiling varies weekly with Treasury bill rates, has provided banks and thrift institutions with an instrument that can compete effectively for savings even when interest rates on market securities are relatively high. Thus, we have not seen the disintermediation of loanable funds that might have abruptly curtailed the availability of credit—at any reasonable price—to homebuyers and other borrowers who are heavily reliant on the depositary institutions for financing.

This is not to say that rising interest rates have been stripped of their impact on economic developments. The increase in rates last year contributed to a slowing in the growth of the monetary aggregates and to a reduction in aggregate credit flows to the nonfinancial sectors of the economy. In the process, monetary policy worked to moderate the expansion of economic activity.

At the same time that the Federal Reserve was moving in the direction of restraint, the Congress and the administration were adjusting their fiscal plans to take account of the reality of unexpectedly rapid inflation. At this time last year, attention was being focused primarily on an expected need to provide stimulus to the economy in fiscal year 1979. The First Concurrent Budget Resolution specified a federal deficit of almost $60 billion—an increase over FY 1978. Subsequently, when it became evident that economic circumstances had changed, there was a significant shift in the direction of fiscal policy. This committee and its counterpart in the Senate are to be commended for their timely action in reducing the deficit in the Second Budget Resolution to $39 billion.

The discussions now under way deal, of course, with the 1980 fiscal year. This period, commencing next October, seems quite distant in terms of our ability to project with precision the condition of the economy. We must, however, base our policy judgments on a tentative assessment of the likely trajectories of production, employment, and prices. There is a broad consensus that inflationary pressures are going to remain strong for some time and that governmental policies will have to be designed with containment of those pressures as a high priority. There is considerably less accord regarding prospects for economic activity.

The Federal Reserve does not consider a recession desirable. "Stop-go" patterns of economic growth have discouraged productivity-enhancing investment and brought no lasting relief from inflation. A policy directed at fostering a sustained, though modest, rise in economic activity in the period ahead offers the best hope of achieving progress toward the nation's economic goals.

It is our assessment that conditions do, in fact, favor continued expansion. An examination of available indicators suggests that the economy currently is in reasonably good balance. The final quarter of 1978 was a strong one, with real GNP rising at an annual rate of about 6 percent and sizable gains being posted in employment and income. This momentum, coupled with the tax cut that takes effect this month, should impart considerable strength to final demand in the current quarter.

It is to be expected that, as time passes, growth in consumer spending will moderate from its recent exuberant pace. The proportion of disposable personal income devoted to consumption has been exceptionally high of late, and with household debt burdens at record levels, consumers are likely to spend a little less freely in the year ahead. In the business sector, advance indicators of plant and equipment expenditures have given mixed signals. Surveys of spending plans point to somewhat smaller gains in outlays for this year than last, but data on actual orders and contracts have suggested a fairly robust investment demand. On balance, it appears reasonable to expect that capital outlays will continue to rise, with some upward revision in spending plans possible as confidence in the sustainability of expansion is bolstered. Businessmen will likely maintain their cautious policies with respect to inventories, but stocks generally are lean and so there is little present danger of a recession-inducing effort to cut back inventories.

Housing starts will probably begin to taper off soon from the high plateau of the past year, as the rise in mortgage interest rates affects housing demand. The decline in residential construction promises to be moderate by comparison with past building cycles, however, because of the strong underlying demands associated with demographic trends and because credit will remain generally available except, perhaps, where local usury ceilings are a barrier. Government purchases of goods and services probably will post only a small increase in 1979, as the national mood expressed in Proposition 13 and like measures suggests that public spending will not exhibit the buoyancy of past years. Finally, our trade balance should improve markedly, reflecting the impact of relatively faster economic growth abroad and the lagged effects of exchange-rate changes on both exports and imports.

In all, real GNP expansion seems likely to persist at a modest pace over the course of 1979. Unemployment could well drift upward in such an environment, but at this time there is no foreseeable development of cumulative imbalances that will cause the economy to go into recession during this year.

Any rise in unemployment implies social costs that one would wish to avoid. It is most certainly true as well that there are dangers that unanticipated shocks—from international or domestic sources—could cause the economy to slip into recession. But an effort to bolster aggregate demand through more expansive monetary or fiscal policies would be fraught with even greater perils. We simply cannot afford at this juncture to risk an intensification of inflationary pressures. A further acceleration of inflation—or even a significant reduction in confidence here or abroad in the government's commitment to gain control of the general price level—would set in motion forces that almost surely would lead eventually to a serious economic downturn.

The monetary and fiscal actions taken over the past year to slow inflation have only begun to exert their effects. The administration's wage-price standards and other anti-inflation initiatives can be successful only if they are backed up by macroeconomic policies of restraint. We must not despair because an inflation that has been woven into the fabric of the economy over the course of a decade has not been and cannot be brought to a halt within a short interval. This is a time for patience. We must find the courage to adhere for a sustained period to the course of policy we have charted.

The implications for federal budgetary strategy are, I think, clear. From the standpoint of aggregate demand control, we must continue on a path toward a balanced budget. By moving as promptly in this direction as economic circumstances permit, undue reliance on monetary policy can be avoided and pressures on our financial markets can be minimized. The reduction in federal credit demands associated with a smaller deficit would release financial resources to the private sector. The dimensions of the Treasury's presence in the credit markets during recent years are inadequately recognized. In addition to the massive unified budget deficits that have been recorded year after year, the government has had to finance a growing range of off-budget activities. The federal off-budget agencies ran up a $10 billion deficit in FY 1978, and it appears that the figure for the current fiscal year will be at least as large. The consequences of this for Treasury borrowing are indicated in an attached chart.[1] Since the beginning of this decade, the outstanding Treasury debt has much more than doubled, absorbing billions of dollars of credit that could have been used productively in the private sector.

Our chances of solving the problem of inflation would also be enhanced if we could slow the growth of federal spending and thereby reduce the size of the government sector in the economy. This would do much to improve the climate for private capital formation. The mod-

[1] The attachments to this statement are available on request from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ification of our tax structure to encourage saving and investment would have a similar salutary effect.

Our nation has paid a heavy price for its having given inadequate attention to the need for business investment. Our capital stock has not grown as rapidly as our labor force in recent years, and this has played a major role in the poor performance of productivity. Over the past five years, annual gains in output per hour in the nonfarm business sector have averaged less than 1 percent as compared to 1½ percent in the preceding five years, and 2¾ percent during the first two decades of the postwar period. This slowdown has retarded the rise in living standards and has aggravated our inflation problem through its adverse impact on unit labor costs. We should set our sights on achieving substantially higher levels of business investment in the years ahead.

The budgetary policies I have described imply a period of austerity. During this period, resources would be diverted from private consumption, and, at the federal level, new spending programs may have to be delayed and existing programs reexamined to ensure that they are meeting social needs effectively and economically. I believe that the American people are prepared to make this sacrifice in order to win the battle against inflation. They recognize that inflation is eating away at the foundations of our economic structure and imposing a cruel toll on those in our society who can least afford it. It is incumbent upon those of us in government to respond with prudent and realistic policies. □

Statement by Philip E. Coldwell, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, January 26, 1979.

Mr. Chairman, on behalf of the Board of Governors of the Federal Reserve System, I am pleased to comply with your committee's request to testify on the Federal Reserve System's 1979 budget. In my closing remark last February at the 1978 hearings, I stated: "The Board believes that its review and budget processes have created an atmosphere of cost-consciousness that has resulted in better productivity, cost efficiency, service to the public, and ultimate savings to the tax-paying public." This testimony on the results for 1978 and the planned 1979 budgets of the Federal Reserve Banks and the Board of Governors, in our view, provides confirmation of that statement.

1978 Experience

You will recall that the 1978 Reserve Bank operating budgets were set at $722.2 million or 5.4 percent over estimated 1977 expenses. I am pleased to report that preliminary results for 1978 were $718 million or 5.3 percent above the year earlier. Similarly, the Reserve Banks reduced employment by 650 people compared with our budget estimate of a 486-person decline. All of this occurred despite an estimated 7 percent increase in the volume of measured activities and enlarged responsibilities in supervision and regulation.

The Board of Governors' operating expenses estimated for 1978 were below the operating budget by $750,000 or 1.6 percent. Here again, volume increases and new programs were implemented by internal reallocations of personnel and funds.

We estimate that unit costs of measurable production at the Reserve Banks declined sharply during 1978 despite the 8 percent inflation rate and rising labor costs. Such increases in productivity reflect the system-wide commitment to operational improvements and the intensified cost competition among the Reserve Banks. While the dramatic improvements of 1974–78 seem likely to slow in coming years, these are still some improvements, which we hope to realize in the period ahead.

1979 Budget for the Federal Reserve Banks

The Board of Governors approved a budget of $754.0 million for the operating expenses of the Federal Reserve Banks in 1979, an increase of $36.0 million or 5.0 percent over estimated 1978 expenses, but this amount has been reduced by $1.3 million due to a recent decision on retiree benefits. The adjusted 4.8 percent increase in operating expenses compares with an average annual growth rate of 13.6 percent from 1970 through 1974; 7.5 percent from 1974 through 1977; and a 5.3 percent increase in 1978.

Capital outlays are estimated to be $72.5 million in 1979, increasing $4.8 million from the 1978 estimate and providing primarily for data processing and data communications equipment; new building projects at Baltimore, Miami, and San Francisco, and renovations; high-speed currency equipment; and building machinery and equipment. Total outlays of funds (capital plus operating expenses adjusted for depreciation) are expected to reach $802.7 million, representing an increase of 4.4 percent over estimated 1978 outlays.

In 1979, the Federal Reserve Banks anticipate operating with a staffing level of 23,161, a decrease of 489 employees or 2.1 percent from the 1978 estimated level, which was 650 employees or 2.7 percent below the 1977 level. During the five-year period beginning in 1974, employment has been reduced by 3,482, an average annual rate of decline of 2.8 percent. Productivity gains, adjusted to reflect the costs of substituting capital for labor, average 9.9 percent per annum from 1974 through projected 1979—a rate considerably higher than estimates for the private sector. The 1979 budget-year estimate of this productivity measure is 8.3 percent.

Having reviewed the Federal Reserve Banks' expense and employment records, I would now like to describe the activities for this year by four groups of expenses, which represent the ongoing Federal Reserve Bank responsibilities expressed in terms of the broad categories of output generated by the system. These groups are on a fully costed basis, reflecting reallocations from support and overhead services necessary to ensure the continuity and/or the efficiency of operations.

Expenses for services to financial institutions and the public and those for services to the U.S. Treasury and government agencies constitute 75 percent and 11 percent, respectively, of the budgeted 1979 expenses. With a projected increase in volume from 1978 to 1979 of 6.9 percent, expenses for services to financial institutions and the public are projected to increase 4.8 percent or $26.0 million and expenses for services to the U.S. Treasury and government agencies are projected to increase 3.6 percent or $2.9 million. In these volume-related areas, unit costs are projected to decline 2.2 percent without adjusting for inflation.

Services to financial institutions and the public primarily relate to the payments mechanism function and the cash function. During 1979, the production of payments services will be most affected by the promotion of the automated clearinghouse program. This program involves expanding automated payments as an alternative to paper checks. These automated payments will be faster, cheaper, and more reliable than paper entries. The major components of the program will be to stimulate the growth of automated clearinghouse volume by working with the Treasury and the National Automated Clearing House Association to plan new programs and improved operating schedules and to improve system automated clearinghouse operations. Increased governmental electronic payments and increased private debit and credit transactions in 1979 are expected to raise substantially automated clearinghouse volume.

Before leaving our plans for the payments system, I should mention something about Federal Reserve float, which has had an upward trend over the past few years, particularly in 1978. Part of this trend is due to the rising dollar volume of checks processed through the Federal Reserve—up about 57 percent since 1974. As this committee is aware, the Federal Reserve System has been concerned with reducing its operating costs, and this has involved a learning process to balance properly cost reductions, float, quality of service, and our regulatory and supervisory responsibilities.

The cash concentration and cash management practices of corporations interested in maximizing the time value of funds have increased the potential for exploiting the Federal Reserve's deferment schedule and its float. Remote disbursement is an abuse of the check collection system that the board is working to eliminate and you have been provided with a report on this matter. Another cause that has had an impact on system float, particularly during the past two years, is severe weather and its effect on the movement and clearing of checks. The system is very concerned with the causes and effects of its rising float and is taking steps to reduce it. I anticipate improvements in this area and believe that the system will be successful in reducing its float this year.

In the cash function, the $1 coin will be introduced in 1979, and more high-speed currency equipment will become operational. The high-speed currency equipment will count the currency, detect counterfeit notes, sort mixed denominations, determine the fitness of notes, and destroy notes deemed unfit for circulation, all at the rate of about 50,000 notes per hour. Utilization of these machines will provide a better quality of currency to return to circulation, provide a greater degree of accuracy, and reduce the level of manual involvement.

Services to the U.S. Treasury and government agencies are primarily concerned with savings bonds, other Treasury issues, and food stamp activities. Two developmental projects in this area are expected to be completed in 1979. Both relate to the marketing, safekeeping, and servicing of U.S. government securities. One project involves identifying future control safeguards and other operational factors that must be considered in transferring government securities among Federal Reserve Banks by automated means. These findings will be coordinated with those from other areas, such as funds transfers, in the final design specification for the Federal Reserve communications requirements in the 1980s. The second project involves the joint development and installation of computer programs by San Francisco, Kansas City, and St. Louis in order to automate the transferring of securities and the accounting for collateral. This pilot resource-sharing project is designed to achieve more cost reductions through joint planning, development, and implementation of transportable computer software.

Expenses for activities involving supervision and regulation constitute 9 percent of the budgeted 1979 expenses and are expected to exceed the estimated 1978 level by $4.9 million or 7.8 percent. This area has been heavily impacted in recent years by the added responsibilities of consumer regulations, bank holding company supervision, and processing of holding company applications. In 1979 the workload will be further intensified due to the passage of the International Banking Act, the development and expansion of data surveillance systems, the added applications processing requirements established by the Community Reinvestment Act, and the implementation of various sections of the Financial Institutions Regulatory and Interest Rate Control Act. A major project expected to be completed in 1979 involves the review of all Federal Reserve regulations to determine the organizational scheme and framework within which all Federal Reserve regulations should be issued and to determine the extent to which they are meeting current policy goals. In addition, the review will require that we redraft all Federal Reserve regulations to incorporate changes in policy, format, and style.

The expenses of the final expense group, monetary and economic policy, constitute 5 percent of the budgeted 1979 expenses and are expected to exceed the estimated 1978 level by $2.2 million or 6.0 percent. This service area provides economic information and analysis necessary for effective conduct of monetary policy and for bank regulatory policy decisions both at the district and system levels. During 1979, expanded programs will encompass evaluation of new market developments, research on various aspects of monetary control, and regional and local research, together with reviews of many statistical collection and reporting requirements.

The adjusted $34.7 million increase in 1979 budgeted Federal Reserve Bank operating expenses over 1978 estimated expenses is primarily attributable to salaries and benefits, which account for 58 percent or $20.3 million of the total increase. Retirement and other benefits expenses are expected to increase 7.4 percent due to increased contributions for both current-service and retired personnel. Current service benefits will increase due to higher rates for Social Security, group life insurance, and hospital and medical insurance, and due to the higher salary base.

Salary expenses for officers and employees are budgeted to increase 4.3 percent, reflecting the planned 2.1 percent decrease in employment and a 6.5 percent increase in average salary per capita. This personnel compensation program is within the President's guidelines for wage and benefit increases. The Federal Reserve Banks' policy for salary programs is to set wage levels on the basis of salary movements within the respective communities. These movements are estimated through periodic surveys of salaries of both financial and nonfinancial corporations that represent major employers within each market. This broad-gauged reference is maintained in order that the Federal Reserve Banks can draw from a pool of workers with experience in several different industries.

Increased equipment expenses represent 14 percent of the total budget increase with an increase in equipment depreciation, repairs, and maintenance being partially offset by a decrease in equipment rentals. The rise and fall in these expense categories reflect the transition from rental to owned equipment, equipment upgrading, and the acquisition of high-speed currency processing equipment.

The increased cost of Federal Reserve currency accounts for another 13 percent of the advance in the total budget of the Federal Reserve Banks. This expense is largely beyond the control of the Federal Reserve Banks since the Bureau of Engraving and Printing sets the price for printing and the public demand determines the volume to be issued. Such costs are expected to increase more than $4 million over 1978, reflecting a higher unit price from the bureau and a larger demand for currency.

Increases in building-related expenses include higher property depreciation, primarily reflecting completion of the new Richmond Federal Reserve Bank building. In addition, utility expenses are expected to increase due to higher rates.

The $1.7 million increase in postage and other shipping expenses reflects a 6.2 percent and a 1.5 percent increase, respectively. The relatively low increase in other shipping expenses is attributable to the pursuit of favorable contractual arrangements with carriers. There are recent developments, however, which may reverse these gains. Decisions by the Department of Labor with confirmation by the Department of Justice may force the system to comply with the Service Contract Act for all these services. Courts, in prior years, have held that Federal Reserve Banks were not agencies of the federal government for purposes of legislation of this kind. If this new position is sustained, we expect millions of dollars to be added to the cost of our transportation services since we will have to pay union scale wages, even in areas of the country where market alternatives are available at considerably lower prices.

1979 Budget for the Board of Governors

The 1979 approved operating budget for the Board of Governors is $49.9 million, representing an increase of $2.9 million or 6.2 percent over 1978. This increase compares with the federal government's fiscal year 1979 budget increase of 9.3 percent over fiscal year 1978 and the projected fiscal year 1980 budget increase, which is 7.7 percent over fiscal year 1979.

The board's 1979 year-end authorized position level is projected at 1,510, a reduction of 68 from the 1978 year-end authorized level of 1,578. Staffing projections in 1979 comply with the hiring constraints of the federal government. The significant reduction in authorized positions at the board will be accomplished by continuing improvements in productivity and efficiency and by eliminating or reducing low priority functions. In making these reductions in staff, the board is accepting some risk of reduced responsiveness to new tasks but feels this action is appropriate to government policy.

The supervision and regulation of financial institutions, including their role in consumer affairs, is the only area of board responsibility in which significant growth is expected in 1979. The resources allocated to this area will increase by 9.7 percent as we move to strengthen compliance review, and our ability to meet new requirements imposed by the Congress in the Community Reinvestment Act, the Financial Institutions Regulatory and Interest Rate Control Act (FIRA), and the International Banking Act. The resource impact of this legislation has not been completely assessed, and additional funding is likely to be required. For example, the Financial Institutions Regulatory Council established by FIRA has not been activated. Therefore, associated support requirements have not been determined and no budget provision has been made. A budget supplement probably will be needed to cover these costs.

The increase in the board's operating budget mainly reflects a 5.5 percent increase in salaries, retirement, and employee insurance (excluding lump sum payments for retiree cost-of-living increases and cost of new legislative mandates). These personal services account for 80 percent of the board's operating budget. Nonpersonal services are being held to an increase of 1.5 percent. This low rate is attributable to: (1) savings in rentals resulting from a move of elements of the board's staff from rented to board-owned facilities, and (2) economy measures taken throughout the board's operations.

The board's capital budget totals $1.2 million, representing a reduction from 1978 estimated capital outlays of $8.1 million. The funds in this capital budget were previously approved by the board to cover the renovation of the main board building and construction of additional offices in our annex building. Both projects will be completed in mid-1979.

Summary

The system policy of reducing resource expenditures has been expressed and achieved through setting objectives, adapting established budgeting procedures to meet the organization's framework, and emphasizing operations improvements. The 1979 budget objective for the Federal Reserve Banks limited the increase in total expenses to 4.5 percent to 6.5 percent while providing for continued high quality in all system services and continued investment in improvement of system activities. The projected 4.8 percent increase in total expenses over the 1978 estimate conforms with the board-approved budget objective, which assumed total salary expenses would not exceed 5.0 percent system-wide, while employment would decline 1.5 percent. This assumption compares with a budgeted increase of 4.3 percent in total salary expenses and a decline of 2.1 percent in employment.

Similarly, the board's 1979 budget was developed under tight constraints. The board established an initial 7.35 percent limitation on the increase in total operating costs over the 1978 estimated expense base, and a 5.5 percent limitation on the increase in personnel costs. Since the costs of continuing board operations at the 1978 resource level would have required an increase of more than 9 percent, the effect of these constraints is a marked reduction in resource levels below those of 1978.

In the preparation of the 1979 budgets, the Federal Reserve Banks experimented with the use of zero-base budgeting in their planning and budgeting systems. While there were widely varying applications of zero-base budgeting, the consensus is that the process did assist the Reserve Banks in their 1979 planning processes by concentrating on the reevaluation of existing programs, reviewing program and resource alternatives, and redirecting resources between new initiatives and programs in place. During 1979 several Reserve Banks intend to integrate zero-base-budgeting concepts further into their management processes and to test the possibility of establishing a rotating zero-base review process.

As with the 1978 budget, the board's divisions used zero-base-budgeting procedures to develop their program budgets, including data processing resource requirements. The zero-base decision packages were used as the basis for budget reviews conducted by staff and members of the board serving on various oversight committees. The effect of these reviews was to reduce already constrained budget requests by some $1.9 million and to eliminate 68 positions, bringing the projected 1979 authorized staffing down to near the 1974 level.

In summary, the performance record of the Federal Reserve Banks and the Board of Governors in 1978 and their operating plans for 1979 indicate continued improvement in efficiency. While the volumes of existing services are expected to rise approximately 7 percent and substantial new regulatory requirements face the system in 1979, further reductions in staff are anticipated and increases in expenses are expected to be held significantly below the rate of inflation. I can assure you, however, that the system firmly intends to maintain the high quality of services it provides to the public.

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee of the U.S. Congress, January 30, 1979.

Mr. Chairman, members of the Joint Economic Committee, I appreciate the opportunity to participate on behalf of the Federal Reserve Board in your annual hearings on the state of the economy. We find ourselves at an important juncture in our nation's economic progress, a time when patience and persistence are needed until the nation's anti-inflationary economic policies begin to achieve significant results.

The current expansion in economic activity has now almost completed its fourth year—an impressive performance by historical standards. The rate of economic growth moderated somewhat in the past year, yet employment gains were exceptionally large, and major imbalances generally associated in the past with a maturing business expansion did not materialize. There were, however, a number of disturbing developments. In particular, the rate of inflation, already far too high, accelerated further; the foreign exchange value of the dollar declined substantially prior to November; and the level of consumer debt rose sharply.

Outlays for business fixed investment grew strongly in 1978, and housing activity remained at a high level through the end of the year. Consumer spending, buttressed by further large increases in consumer credit, continued to provide support for the expansion. Total employment rose by more than 3 million persons during the year; although the labor force also increased rapidly, the unemployment rate declined about 1/2 percentage point to just under 6 percent at the end of the year.

The further expansion in economic activity last year appreciably reduced the margin of unutilized resources in the economy. Skilled workers were in increasingly short supply, and industrial capacity utilization rates moved closer to peaks reached in recent cycles. In these circumstances, the moderation in economic growth last year was a desirable development since a more rapid rate of expansion in aggregate demand could well have exacerbated our already serious inflationary problems.

The general level of prices rose sharply in 1978, with the rate of inflation accelerating to about 8¾ percent compared with 6½ percent in 1977. While the moderation in the pace of economic expansion and the lack of significant distortions in major sectors of the economy augur well for the economy's further expansion in the months immediately ahead, the longer-run performance of the economy will depend critically on our success in bringing down the rate of inflation.

Containment of inflationary pressures in our domestic economy is also a major prerequisite for strengthening the dollar in foreign exchange markets while reducing our trade deficit. In 1978 the deficit was about $35 billion, on an international accounts basis, and the value of the dollar against major foreign currencies fell 17 percent over the first 10 months of the year. Since November 1, when new domestic monetary policy actions and dollar support measures were initiated, the dollar has risen about 7 percent. The vigorous implementation of the support program through cooperative exchange market intervention has been successful. The expansion of Federal Reserve swap arrangements and the marshalling of other resources have proved very useful in correcting the excessive decline of the dollar. However, the longer-run strength of the dollar will depend on reducing our domestic inflation, increasing our exports, and curbing our oil imports.

Another worrisome aspect of our economy's performance has been our lagging rate of productivity growth. The poor performance of productivity has retarded the rise in living standards and aggravated the problem of inflation. There are many causes of this retarded growth, some of which hopefully reflect temporary developments, but tax policies that pay insufficient attention to investment incentives and government over-regulation must rank high among the contributing factors.

In domestic financial markets, conditions have tightened considerably over the past year. Since the beginning of 1978, short-term interest rates have increased 3 to 4 percentage points; mortgage rates, about 1½ percentage points; and bond yields, about 1 percentage point. Despite higher interest rates, funds for creditworthy borrowers have remained in ample supply. The total volume of net funds raised in credit markets was lower in the second half of 1978 than in the first half, but total credit flows remained large as borrowing by households in the form of mortgages and installment credit continued to expand at a rapid rate.

The acceleration of inflation over the past year has required major adjustments in economic policies. In the fiscal policy sphere there has been a dramatic movement toward tighter control over government spending and a related reduction in current and prospective federal deficits. The deficit specified for fiscal 1979 in the First Concurrent Budget Resolution was $60 billion, but this was cut to $39 billion in the Second Resolution. This very impressive reduction was a result of highly commendable actions by the President and the Congress that cut contemplated expenditures and moderated proposed tax reductions incorporated in the original financial plan for the year. More recently, President Carter has announced a budget for fiscal 1980 that would reduce the yearly deficit further—to $29 billion, by far the lowest level in six years. There seems to be widespread support for this initiative, and the prospects favor a further move toward budgetary balance in fiscal 1981 and actual balance by fiscal 1982, if not before.

A second policy initiative in the fight against inflation was the administration's introduction on October 24 of a broad-based program calling for voluntary moderation in wage and price actions, the establishment of specific standards for wage and price increases, and the offer of various incentives for compliance. Past experience has suggested that incomes policies are of limited effectiveness in reducing the underlying rate of inflation. Yet, an incomes policy can play an important role in circumstances where more basic economic policies are being redirected in a vigorous way toward the containment of inflation. I am confident that most business and labor leaders will abide by the spirit of an incomes policy if they perceive that the administration, the Congress, and the Federal Reserve are truly determined to bring inflation under control.

Monetary policy also moved toward increased restraint in the past year as the Federal Reserve sought to foster financial conditions that would contribute to a reduction of inflationary pressures while supporting continued moderate economic growth. Accelerating inflationary pressures were accompanied by rising demands for money and a tendency for the monetary aggregates to expand at rates that were widely viewed as excessive. In the circumstances, open market operations became progressively less accommodative in the provision of reserves, and the federal funds rate rose from around 6½ percent in early January to about 10 percent recently. The discount rate was increased in a number of steps by 3½ percentage points during 1978, to 9½ percent. These anti-inflation moves featured actions taken on November 1 in conjunction with the dollar-support program: the system announced an increase of 1 percentage point in the discount rate, imposed a supplementary reserve requirement of 2 percentage points on large-denomination time deposits, and further tightened reserve availability through its open market operations.

Growth in the narrowly defined money stock, M-1, slowed sharply in the final quarter of 1978. The cumulative impact of rising short-term interest rates has undoubtedly helped to restrain the growth of money. But recently the public has shown a tendency to economize more than might have been expected on their holdings of cash balances. Persistent high levels of short-term rates and the availability of alternative transactions-type accounts, such as the new savings accounts with an automatic transfer feature, have probably caused many depositors to shift sizable amounts of funds out of demand deposits. Expansion in the broader measures of money, M-2 and M-3, also moderated late in the year, reflecting not only the sluggish performance of their M-1 component but also the weakness in time and savings accounts subject to fixed-rate ceilings. Rising yields on competing market instruments tended to make such accounts increasingly less attractive as the year progressed. In contrast, time deposits paying interest rates competitive with those on market instruments have continued to attract sizable inflows of funds to banks and nonbank thrift institutions.

The tightening of financial conditions has been accompanied by erosion of liquidity positions in various sectors of the economy. Mortgage and consumer debt burdens rose sharply in 1978 and the ratio of mortgage and consumer debt repayments to disposable income reached a record high. Borrowing by nonfinancial corporations was concentrated heavily in short- and intermediate-term liabilities, especially bank loans and commercial paper, and the ratio of short- to long-term business debt is now only slightly below the 1974 peak. Commercial banks have reduced their holdings of U.S. government securities and increased their use of interest-sensitive liabilities such as large-denomination CDs and security repurchase agreements. Savings and loan associations have borrowed a record amount from Federal Home Loan Banks. The reduced liquidity of many individuals, business concerns, and financial institutions is likely to exert a moderating influence on credit-financed expenditures.

It should be emphasized that the much needed firming in credit market conditions has not been accompanied by the severe strains and distortions associated with past periods of credit restraint. Current interest rate levels may be inhibiting some potential borrowers, which is the objective of credit restraint, but creditworthy borrowers continue to find funds available at prevailing rate levels. The housing market in particular has continued to attract a relatively abundant share of financing, though at rising interest rates. A key factor in this development was the introduction in June 1978 of new six-month money market certificates that have enabled depositary institutions to attract funds by paying prevailing market interest rates. In addition, housing has been supported by the lending activities of the Federal Home Loan Banks, the emergence of new mortgage-related securities, and the improvement of secondary markets for mortgages. The net increase in mortgage debt in the fourth quarter of 1978 was only a little below the record increase in the fourth quarter of 1977.

Mr. Chairman, you have asked me to assess the economic outlook. The major threat to the economy is inflation and the concomitant expectations that dominate the setting of prices and wages. Thus, any weakening in our anti-inflationary resolve could seriously damage our domestic economy and have adverse implications for the external value of the dollar.

Policies of fiscal and monetary restraint—together with the cooperation of business and labor in the administration's wage-price program—can achieve a gradual reduction in the rate of inflation, with progress becoming evident during 1979. While growth of output and employment is expected to slow this year, a recession is unlikely in the absence of outside disturbances to the economy. A moderate rate of economic growth is likely to avoid financial and economic dislocations, such as overinvestment in business inventories, which in turn could foster a recession later. The economy is already quite close to full employment and any new surge in demand must be prevented since it would only be translated into more inflationary pressures.

Spending by consumers, a mainstay of our economic expansion since the spring of 1975, will probably continue to grow but at a reduced pace in light of the increased consumer debt burdens noted earlier. Expenditures on new plant and equipment by businessmen seem likely to be well maintained and they may even increase more than is currently anticipated if visible progress is perceived in the fight against inflation. In the housing area, some decline from the current high level of activity seems probable as financial restraints exert a retarding influence on both builders and homebuyers. Nonetheless, the severely depressed conditions that have periodically affected this sector of the economy will most likely be avoided. Adequate financing for homes will continue to be available, thanks to the wide range of government support programs and the access of lending institutions to market sources of funds such as the new six-month certificates. Prospects for our trade balance in 1979 also seem to be brightening.

In your letter inviting me to these hearings, Senator Bentsen, you have asked for comments on the appropriate mix of fiscal and monetary policies. In the area of monetary policy, the restraint that has been put in place is achieving welcome results in the form of a reduced rate of monetary expansion. As may be seen from the charts, the monetary aggregates have generally moved into the ranges set by the Federal Open Market Committee.[1] The Federal Reserve is determined to achieve a rate of monetary growth that is consistent with the objective of fostering a decline in the rate of inflation while encouraging moderate economic expansion. The Federal Reserve's task will be eased immensely if fiscal policy remains on the course outlined by the President. Large budget deficits tend to put upward pressure on interest rates as government demands compete with private demands for funds. It is therefore essential for the Congress to resist programs that lead to increased expenditures. A reduced federal deficit, including borrowings by off-budget agencies, would ease pressures on interest rates and allow the Federal Reserve to achieve its monetary growth objectives at lower interest rates than otherwise. A reduced budgetary deficit would also foster a financial environment that encourages greater business investment and would improve the prospects for a period of sustained economic growth and a moderate rate of inflation. □

[1] The attachments to this statement are available on request from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Statement by Nancy H. Teeters, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, February 2, 1979.

It is a pleasure for me to appear before this committee to testify on the important subject of truth in lending simplification. Since I have been appointed to chair the committee of the Board of Governors of the Federal Reserve System that has responsibility for consumer affairs, I look forward to working with you on this and other matters, and I anticipate a cooperative and constructive relationship.

Before addressing the principal topic of this hearing, I would like to draw attention to a problem that has arisen regarding the recently enacted Right to Financial Privacy Act, which is Title XI of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. Section 1104(d) of that law requires all institutions subject to the act to notify promptly all customers of their rights under the law, and directs the board to prepare a model statement of customer rights. Although the board does not have rulewriting authority under this law, we have been asked to provide guidance as to the meaning of this notification requirement.

The act makes no distinction between active accounts and inactive and closed accounts. Thus, it appears that all accounts must receive the statement of customer rights. Not only would this notification requirement be extremely costly and burdensome, but a typical family would receive several identical statements. A Senate bill, S. 37, introduced by Chairman Proxmire, would repeal section 1104(d). The board's Consumer Advisory Council did not urge repeal of this section but adopted a resolution recommending that the statute be amended to require the statement to be delivered only at the time access is sought to a customer's records. The board has endorsed that recommendation. In so doing, the board was influenced by the fact that this amendment would get the information into the hands of customers at the time they need it.

Turning now to simplification of truth in lending, the board continues to believe in the soundness of the basic concepts of S. 2802, which was passed by the Senate last session. The board supports enactment of S. 108 introduced by Chairman Proxmire. Common sense indicates that the act and, I should add, the regulation can and should be improved and simplified so that they will be more effective and less burdensome.

The basic cost information most needed by consumers in shopping for credit should be emphasized, that is, the annual percentage rate, the total finance charge, and the payments schedule. Significant information that is less important for shopping purposes should be summarized, but with the details left to the contract. Information that detracts from basic information should appear elsewhere with a reference to its availability.

The *1977 Consumer Credit Survey*, which was funded by the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Federal Reserve Board and conducted by the University of Michigan's Survey Research Center, reinforces the approach taken by S. 2802. The survey asked consumers what credit terms they would want to know when financing a car. The overwhelming majority responded that the annual percentage rate was the most important. At another point in the interview, respondents were given a list of the seven disclosures provided for in S. 2802 and were asked to rank their importance. The results show annual percentage rate, size of monthly payment, and finance charge to be far more important to consumers than other terms. In summary, the board believes that last session's simplification bill provides an excellent basis for the continued consideration of the simplification of truth in lending.

In addition to considering simplification of truth in lending during the last session, this committee favorably reported a bill to regulate the consumer aspects of electronic funds transfers. Many of the committee's recommendations were ultimately enacted as Title XX of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The portions of the act dealing with limitations on a consumer's liability for unauthorized transfers and for limitations on unsolicited distribution of electronic funds transfer cards go into effect this month. The rest of the act goes into effect in May 1980.

The board has begun the process of writing regulations to implement the act. In the course of this process, we have become concerned that consumers will encounter unnecessary difficulty in understanding the rules provided by the new act and confuse them with the provisions of the Truth in Lending and Fair Credit Billing Acts, which govern credit-card and overdraft-type credit.

Consumers will be particularly confused in cases when a single card will perform functions subject to the Fair Credit Billing Act (such as a credit purchase) and others subject to the Electronic Fund Transfer Act (for example, a cash withdrawal from an electronic terminal). In some cases, a single transaction may be subject to both acts; for example, a cash withdrawal from a terminal may debit the customer's checking account and access a line of credit at the same time. Even without these complex plans, consumers should not have to learn different rules for the pieces of plastic lying side-by-side in their wallets. In order to minimize consumer confusion, the board recommends that the acts be amended to provide one set of rules governing both credit and electronic funds transfer transactions except when compelling policy considerations dictate different treatment. These recommendations are based upon the assumption that consumers will be best served by one set of rules, which in time they will learn and use.

The board's specific recommendations are as follows:

1. The Truth in Lending Act imposes a $50 limit on the liability of a credit-card holder when a card is lost or stolen. The Electronic Fund

Transfer Act has a $50, $500, and unlimited liability structure. The board recommends that there be a single set of rules governing liability for unauthorized use. The $50 limit of truth in lending is not sacred, and the concept of electronic funds transfer that culpable consumers should carry a heavier responsibility has appeal. Nonetheless, the approach of truth in lending is more protective of consumers and, we believe, will make electronic payment systems more acceptable to the public. Based upon the experience of credit-card issuers, who often do not impose even the $50 liability for credit-card loss, electronic funds transfer suppliers should not be materially harmed by this amendment.

2. Under the Fair Credit Billing Act, a consumer must *write* to the creditor in order to take advantage of the dispute resolution rules of the act. The Electronic Fund Transfer Act permits *oral* notice to the institution, although written confirmation can be required of the consumer. An informal board study indicates that less than 1 percent of consumers with questions about their bills follow the formal procedures of the Fair Credit Billing Act. Consumers usually telephone, and the lack of formality should not remove them from the protections of the act. The board recommends that the Fair Credit Billing Act be amended to incorporate the oral notice provision of the Electronic Fund Transfer Act.

3. When an error is alleged under the Electronic Fund Transfer Act, the institution must within 10 days either complete its investigation or provisionally recredit the consumer's account. When an error allegation is received under the Fair Credit Billing Act, the creditor must either resolve the dispute or send an acknowledgment within 30 days. The board recommends that both acts be amended to provide parallel timing requirements as follows:

a. Under the Electronic Fund Transfer Act, require notice within 10 days informing the consumer of the correction or, if the institution believes no error occurred, a written explanation of the basis for that belief. In the alternative, require a written notice of the provisional recredit.

b. Under the Fair Credit Billing Act, require notice to the consumer of the correction of the error within 10 days or a written explanation of why the creditor believes no error occurred. In the alternative, require a written notice that amounts in dispute need not be paid.

The current time limits for resolving disputes are 45 days under the Electronic Fund Transfer Act and two billing cycles but not more than 90 days under the Fair Credit Billing Act. The board recommends that the Electronic Fund Transfer Act be amended to conform to the Fair Credit Billing Act so that both laws would require resolution within 90 calendar days. Lengthening the Electronic Fund Transfer Act limit will not hurt consumers because their funds will have already been provisionally recredited.

4. The board recommends that the annual notice of rights under the Electronic Fund Transfer Act and the semiannual notice of rights under the Fair Credit Billing Act be eliminated. In their stead, we recommend that periodic statements contain a summary notice disclosing the existence of the rights and informing persons how to obtain a complete explanation. Since it is normally information on periodic statements that triggers a dispute, we believe that consumers are better served by a short notice at the time a dispute arises than they are by a lengthy explanation once or twice a year.

5. The Truth in Lending Act prohibits the unsolicited issuance of credit cards, while the Electronic Fund Transfer Act permits the unsolicited issuance of cards provided they are not validated. Because many institutions are offering cards with both credit and electronic funds transfer features, the more competitive approach of the Electronic Fund Transfer Act may be frustrated by the absolute prohibition on unsolicited issuance by the Truth in Lending Act. One solution is to conform the Truth in Lending Act to the Electronic Fund Transfer Act to permit the unsolicited issuance of unvalidated credit cards.

6. Both the Electronic Fund Transfer Act and the Fair Credit Billing Act provide for "error" resolution procedures. The acts define mere requests for clarification or documentation as "errors." The board recommends that the error definitions be amended to limit the concept to cases in which the consumer suspects a mistake or discrepancy. Institutions should not be put

to the expense of complying with the error resolution procedures each time a consumer calls for information for business, tax, or other purposes. The board already has the authority to define additional errors by regulation and therefore can prevent any loopholes from developing.

7. Finally, the staff has received a number of inquiries from consumers and creditors asking whether the Fair Credit Billing Act permits creditors to impose charges for providing documentation or investigating errors. In some cases, these charges appear to be quite substantial, and in others they are open ended; for example, $5 per hour for an investigation. The board recommends that both the Fair Credit Billing Act and the Electronic Fund Transfer Act be amended to prohibit the imposition of such charges. While Regulation Z prohibits these charges when a customer's allegation of error proves correct, we believe that permitting these charges at all serves to discourage customers from exercising their right to assert errors.

These seven recommendations and a few technical problems the board's staff has discovered in dealing with matters such as rulewriting authority could be included in the present bill or in a separate bill. In either case, the board believes it is important that the legal relationship between electronic funds transfers and the credit transactions be clarified and that the consumer be offered a rational, common-sense framework.

I appreciate the opportunity to appear. The board commends this committee for its tenacity in dealing with this difficult subject. □

Statement by Henry C. Wallich, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, February 8, 1979.

Mr. Chairman, members of this committee, I am pleased to present the views of the Board of Governors of the Federal Reserve System on extending the Council on Wage and Price Stability for two years. The council can play an important role in the fight against inflation, and the board supports extending the authority of the council to 1981.

In the past year inflation has worsened considerably, and remains the nation's major economic problem. Over the four quarters of 1978, most general price measures rose about 9 percent—substantially faster than the 6½ percent rate in 1977. To some extent the acceleration of inflation last year reflected a sharp run-up in farm prices, which are particularly vulnerable to temporary disturbances. A more troubling longer-run development in 1978, however, was the upward trend in prices that are more closely associated with movements in production costs. When food and energy prices are excluded from the gross business product deflator, this measure of inflation moved up from 6½ percent during 1977 to 8¼ percent last year.

The acceleration of inflation occurred while product and labor markets were tightening. By the end of the year, the economy was operating at rates of capital and labor utilization that, although not quite as high as during the 1974 price surge, were nevertheless substantial. An intensification of cost pressures, accompanied by incipient excess demand, was the principal source of inflation in the past year.

The sharp rise in production costs was the result of a combination of rapidly rising labor compensation and dismal productivity performance. Hourly compensation rose at a 9¾ percent annual rate during 1978—more than 2 percentage points faster than in 1977. A good deal of the acceleration from 1977 to 1978—perhaps about half—can be attributed directly to federally mandated increases in minimum wages and in social insurance taxes. Weak productivity growth exacerbated cost pressures, and as a result, unit labor costs accelerated sharply to a 9 percent rate during 1978 from just over 6 percent a year earlier.

Such rapid acceleration in costs, being transmitted to prices, often leads to further acceleration of costs including wage demands.

Throughout the 1970s this chronic cycle of wage and price increases has been curtailed just briefly by downturns in activity, only to worsen again when the economy heated up. One important contributing factor in the spiral has been the sluggish performance of productivity in recent years.

Over time, mechanisms have been developed in the labor market—either formally or informally—to ensure that wages kept pace with increases in the cost of living. As long as growth in labor productivity matched demands for higher wages, real income continued to grow without generating significant upward pressure on prices. In the 1970s, however, productivity increases faltered, and it now appears that, at least in the near term, the trend rate of productivity growth is likely to be only about half the nearly 3 percent trend over the two preceding decades.

The recent low rate of productivity growth adds a more serious dimension to our inflation problem. Demands for the type of real income gains achieved a decade ago are inconsistent with current productivity trends. Pressures to achieve unrealistically large increases in real incomes in the face of slow productivity growth threaten to result in an escalation of inflation. Moreover, even if real-wage demands are brought into line with productivity, inflation will not automatically diminish. Forceful efforts additionally must be made to break into the vicious circle in which prices determine wages and wages determine prices.

The main burden of the anti-inflation battle has fallen, and probably must continue to fall, on the monetary and fiscal authorities. The appropriate goal of monetary and fiscal policy in the coming year is to moderate the pace of current economic growth in order to alleviate the inflationary pressures brought on by strains on the nation's productive capacity. Recognizing this, the Federal Reserve has moved in the direction of monetary restraint, and the President has recommended a tighter rein on government spending. It is highly desirable not to place the entire burden of the fight against inflation on demand management. As our policies of restraint ease pressures from the demand side, an incomes policy such as the one proposed by the President last October can make an important contribution to unwinding the wage–price cycle.

The program of voluntary wage and price guidelines set by the President is a direct attempt not only to halt the upward spiral of costs and prices but also to reduce the rates of increases in wages and prices significantly from current rates. In this regard, the guidelines are based on sound economic logic. They allow labor compensation to rise 7½ percent—7 percent for private payments plus 1/2 percent for federal payroll taxes. Assuming trend productivity growth of about 1½ percent, unit labor costs—a major factor in price determination from year to year—could drop, under the guidelines, to about 6 percent. If prices slowed down, following the guidelines, and if cost pressures diminished, real income gains would continue to be realized but at a significantly lower rate of inflation.

Favoring the prospects of the wage–price restraint program is the fact that it has been undertaken in the face of an expected slowing of economic activity. Previous attempts to institute incomes policies, such as the Kennedy–Johnson guideposts, were rendered ineffective by a worsening of demand pressures. Business and labor leaders can be expected voluntarily to adopt moderation in setting wages and prices only if they are persuaded that the Federal Reserve, the President, and the Congress have committed monetary and fiscal policies to containing inflation.

The Council on Wage and Price Stability has been given the task by the President to implement the voluntary guidelines program. This implementation has two parts: (1) translating the President's broad request for wage and price moderation into a set of specific standards and regulations and (2) monitoring actual setting of wages and prices in order to determine how firms and employee groups meet the standards. It is desirable that a single organization perform both tasks. This allows the knowledge gained in establishing standards for a vast array of industrial pricing and labor–management arrangements to be applied to fair and timely determinations of compliance.

In addition, the council has the responsibility to notify the public of its findings; this is an important function since the weight of public opinion can be a critical tool in building support for compliance with the program. These extensive tasks now are being performed by a staff of just over 100, and the President has proposed that the number be expanded to about 230. This increase, it seems fair to say, does not pose the threat of an unwieldly bureaucracy.

Aside from the day-to-day task of administering the guidelines program, the council has an opportunity to gain insights into the complex machinery of wage and price determination. As the council's work proceeds, it will be able to identify sectors of the private economy that require special attention. One example to date has been the council's several reports on hospital charges and physicians' fees. Medical care costs have been a significant factor in exacerbating inflation for more than a decade.

The council is charged as well with examining inflationary pressures that emanate from government activities. In recent years we have become increasingly aware that many government regulations that contribute to desirable social goals also may involve hidden costs, particularly in the form of higher prices. The council has the important function of injecting cost-consciousness into environmental, safety, and other standards that frequently and extensively ignore costs and also of encouraging competition when regulation has weakened it.

Finally, I would like to comment briefly on the real-wage insurance program that the President has proposed in conjunction with the guidelines program. Its purpose is to strengthen the guidelines program by encouraging acceptance of the 7 percent wage standard. It would do this by reducing the prospect of erosion of real incomes if actual inflation were to exceed 7 percent. Participating wage earners would receive a tax rebate of up to $600.

This form of tax-oriented incomes policy should be more cost-effective when rising labor costs are the principal source of inflation. In such a situation, broad compliance with wage and price guidelines would hold down the rate of inflation. That would keep the cost of real-wage insurance moderate. Unpredictable increases in prices, such as food or energy, could raise inflation rates even in the presence of wage restraint. In such a case, the cost of the program might mount excessively. Limits, therefore, have been proposed on the extent of compensation provided by the program in order to control the risk to the federal government of adding substantially to the deficit. Although a real-wage tax incentive may be difficult to design, it deserves serious consideration as one part of a broadly based anti-inflation effort. □

Announcements

Statement of Policy regarding Expanded Rulemaking Procedure

The Federal Reserve Board on January 15, 1979, issued a policy statement expanding its rulemaking procedures to improve the quality and public understanding of its regulations.

The principal elements of the procedures that the board will follow, with some exceptions, in developing new or revised Federal Reserve regulations include the following:

Early involvement of the public, by such means as advance notice of rulemaking; identification of areas in which the board would particularly like comment; open conferences or informal public hearings; and direct solicitation of the views of interested persons or groups, with attention given to getting views from differing sources.

Early involvement of designated members of the board.

Staff preparation of a regulatory analysis, prior to proposals for rulemaking, that will describe the need for and purposes of a new or revised regulation; examine available alternative courses of action; estimate the possible economic impact and the burdens of compliance, recordkeeping, and reporting that would be involved, and indicate the reasons for the particular course of action selected.

Staff presentation of a regulatory proposal to the board only after the designated board members are satisfied that the issues have been adequately considered at the staff level, that the proposal is understandable, and that it will impose no unnecessary burdens.

Board consideration of regulatory proposals, ordinarily, at meetings open to public observation.

Allowance of at least 60 days for public comment.

Staff analysis of comment received and presentation of the analysis to designated board members. The board will consider a proposal for action only after the designated board members are satisfied that public comment has received full consideration.

Final board action, ordinarily at an open meeting. The board's announcement of its action will discuss reasons for the action and the board's reasons for accepting or rejecting suggestions received from the public.

Board publication of a descriptive semiannual agenda of regulations under development or review, and of the status of regulatory development projects already announced.

Board review of each of its regulations at least once each five years.

When delays occasioned by the new, lengthier rulemaking procedures would not be necessary or in the public interest, the board will adopt expedited procedures. Section 1 of the policy statement provides a number of examples of regulatory actions for which expedited procedures are appropriate.

The new procedures do not apply to the formulation of monetary policy or to amendments of regulations required to implement monetary policy decisions of the Board of Governors or the Federal Open Market Committee.

FOMC Minutes

The Federal Open Market Committee announced on January 18, 1979, that minutes of discussions and actions at its meetings during 1973 are now available for public inspection and are being transferred to the National Archives.

These minutes are contained in approximately 1,384 pages of typed material. Their transfer has been arranged with the understanding that the National Archives will make them available for inspection by interested persons under its usual rules and procedures. Similar records for earlier years are already available at the National Archives on the same basis.

Copies of the minutes for 1973 will also be made available later for inspection at the board's offices in Washington and at each Federal Reserve Bank and Branch, the same procedure followed for earlier records. Meanwhile, a work copy is now available for inspection at the board's offices, and another at the Federal Reserve Bank of New York.

The National Archives will furnish microfilm copies of the minutes for a fee. The minutes through 1972 are now available in this form, and those for 1973 will be available later.

Release of the minutes since 1962 has presented special problems involving international financial relationships. A number of passages have been deleted from the minutes for 1962 through 1973, with a footnote in each case indicating the general nature or subject of the deleted matter.

Consumer Affairs and Civil Rights Compliance Program

The Federal Reserve Board on February 8, 1979, announced an expanded and strengthened program to improve compliance by member banks with consumer protection laws and regulations for which the Congress has assigned responsibilities to the board.

In March 1977 the board adopted an experimental, nationwide program of this kind. The program the board has now adopted, on a permanent basis, builds on what has been learned over the two years of operation of the previous compliance program; provides for additional staff resources, particularly in specialized consumer law bank examination; and gives added weight to civil rights compliance by banks.

In issuing its consumer affairs and civil rights compliance program the board said:

> The Board believes that any type of discrimination prohibited by the civil rights laws is detrimental to the nation and to society. The Board is convinced that such discriminatory practices by banks are not only illegal but are not in the best interests of the banks, the communities they serve, or the individuals residing in those communities. The Board will investigate thoroughly each complaint of discrimination it receives regarding a State member bank as well as any indication of noncompliance revealed during an examination of a State member bank. In any instance of unlawful discrimination, the bank will be accountable for appropriate remedies and penalties as provided for in the applicable laws and will be required to take prompt action to correct the violation.

As a key part of its compliance program, the board authorized continuation of the educational-advisory service that the Federal Reserve Banks have been operating during the past two years. This involves visits by Federal Reserve examiners, at the request of a member bank, to educate the bank's personnel in consumer credit protection laws and regulations and in the responsibilities of banks under civil rights laws. From April 1977 through June 1978 personnel from Federal Reserve Banks conducted 1,224 educational-advisory service visits to member banks. "This service presents the System with a unique opportunity and means by which to enhance its effectiveness in the area of consumer credit and civil rights," the board said. The Reserve Banks reported that the service was well received and was regarded as a valuable means of instruction and as an effective tool to help banks help themselves to comply with their consumer credit protection and civil rights responsibilities.

Other main elements of the Federal Reserve compliance program are:

1. Specialized consumer affairs and civil rights compliance examinations by specially trained examiners.

2. Dissemination of a compliance handbook intended particularly for the education of banks and for the use of examiners, but to be generally available. This will delineate the consumer laws and regulations to be complied with, describe examination and investigative procedures, and give instructions to examiners on how to proceed in initiating corrective action.

3. Adjustment of the frequency of special consumer affairs and civil rights examinations, so that state member banks with the highest ratings are examined less frequently and banks with lower ratings receive compliance examinations more frequently.

4. Continued development of an expert staff of Federal Reserve bank examiners, specializing in consumer affairs and civil rights law, trained mainly in schools conducted by the board.

5. Strengthened and specialized arrangements for handling complaints, with emphasis on investigative follow-up to complaints of a serious nature, such as those alleging unlawful discrimination in the extension of credit.

6. Operation of the compliance program through senior officials at Reserve Banks. A

compliance section of the board's Division of Consumer Affairs will provide information and assistance to the compliance officers of the Reserve Banks, with the objective of providing high quality and uniform assistance to consumers throughout the nation.

Regulation Y: Policy Statement and Revision

The Federal Reserve Board has adopted a policy statement and revised its Regulation Y (Bank Holding Companies) to implement the Change in Bank Control Act of 1978.[1]

The new act requires persons acquiring control of a state member bank or a bank holding company to file a notice 60 days in advance with the board. The board can disapprove such proposed changes in control. The act becomes effective March 10, 1979.

Changes in control due to acquisitions by bank holding companies and changes in control of insured banks resulting from mergers, consolidations, or other similar transactions are not covered by the act, since they are already subject to regulatory approval under other laws. Certain other exemptions from the prior notice requirements of the act, including notice of acquisition of control of foreign bank holding companies, are noted in the board's policy statement and regulation.

In view of the early effective date of the act, the board issued its regulatory revision in final form, in order to avoid disruption of transactions that are in progress.

However, the board invited comment on the regulation (by April 6, 1979) and said that it intends to adopt any needed amendments to its rules as soon as practicable.

The board's policy statement on the Change in Bank Control Act outlines general procedures for compliance and summarizes the principal provisions of the act, the exemptions, and the procedures to be followed by the board in carrying out the act.

The policy statement said that if the board disapproves a proposed change in control, it will notify the party seeking control within three days after its decision, giving its reason for disapproval. Otherwise, unless the period is extended as provided for in the act, the transaction may be completed 61 days after a Federal Reserve Bank receives a substantially complete notice. The Reserve Bank will notify acquiring parties of the date of receipt of such a notice. To facilitate transactions, the board may issue notice, after consultation with state banking authorities, that it does not intend to disapprove a proposed transaction.

In deciding whether to disapprove a change in control, the board is required by the act to consider competitive effects, the financial condition of the person proposing the acquisition, and the competence, experience, and integrity of that person and of the proposed new management.

The policy statement notes, further, that:

The Act defines "control" as the power—directly or indirectly—to vote 25 percent or more of any class of voting securities, or to direct the management or policies of a bank holding company or bank. The Board has established the following presumptions of control—subject to rebuttal:

> Where an institution is subject to registration under Sec. 12 of the Securities Exchange Act of 1934, and the transaction would result in a person, or group acting in concert, having voting control of 10 percent or more of any class of the institution's voting stock.
>
> Where a transaction would result in a person, or group acting in concert, having 10 percent of any class of the voting stock of a State member bank or a bank holding company, and the acquiring person or group would be the largest shareholder in the institution.

The regulation issued by the board formalizes the principal parts of the policy statement. It permits individuals to file current financial statements as part of their notice (the act requires organizations to file financial data for five fiscal years).

The regulation also delegates authority to the Federal Reserve Banks to permit proposed acquisitions when there has been no objection, to extend the time (normally 60 days) the board may take to consider proposals, to determine whether notices provide all necessary information, and to settle disputes as to whether a

1. Title VI of the Financial Institutions Regulatory and Interest Rate Control Act of 1978.

person proposing to acquire less than 25 percent of a bank holding company or state member bank should file advance notice.

The regulation does not exempt from notice requirements proposed acquisitions of control of foreign-based bank holding companies, most of whose assets and revenues are in the United States. The board particularly requests comment on this aspect of the regulation.

The other federal regulators of financial institutions are preparing similar policy statements and rules under the new act.

Bank Holding Company Rating System

The Federal Reserve Board on February 7, 1979, adopted a system for appraising and rating the performance and financial condition of bank holding companies.

The bank holding company rating system extends a program of intensified supervision of bank holding companies the Federal Reserve put into effect at the beginning of 1978. That program includes requirements for annual on-the-spot inspections of most bank holding companies with consolidated assets greater than $300 million as well as the application to such companies of standardized examination criteria.

Building on this supervisory program, the board adopted a system that will be used nationwide by the Federal Reserve to rate the strengths and weaknesses of parent bank holding companies and their bank and nonbank subsidiaries and to assess operational characteristics such as the organization's earnings, the adequacy of its capital, and its management.

Each of these component aspects of the holding company will be given a rating of one to five, with one representing the best rating and five the lowest.

The component ratings will then be combined into an overall financial composite rating, also on a scale of one (best) to five (lowest).

In addition, holding companies will be given a separate rating on the ability and competence of the company's management.

The bank holding company rating system adopted by the board is similar in concept to the uniform interagency system for rating banks adopted by the Federal Reserve, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation in May 1978.

Report on Remote Disbursement

The Federal Reserve Board on January 11, 1979, made public a statement of policy concerning the practice known as remote disbursement and announced a course of action intended to discourage such abuse of the check collection system. At the same time the board sent to the Congress a status report on Federal Reserve efforts to eliminate the practice.

Remote disbursement involves arrangements between a bank and a customer (frequently a corporation) designed expressly to delay payment of the customer's checks. For example, in such an arrangement, a bank customer making most of its payments in Pennsylvania might make payments by checks drawn on a bank in Oregon. Recipients of these checks may suffer a delay in receiving credit in their accounts.

The board has the following principal concerns with respect to remote disbursement:

1. It can expose both the bank involved and recipients of the remotely disbursed payments to risks of loss—that they may not be aware of—during the deliberately prolonged clearing time.

2. Consumers and small businesses—who may not be in a position to negotiate better payment terms—may be denied prompt access to funds due to them.

3. Remote disbursement could result in unsafe or unsound banking practices if the customer's funds at the remote disbursing bank are not sufficient to cover the customer's checks (that is, if settlement procedures between the customer and the bank are not on an "immediate funds" or "collected balance" basis). This would result in unsecured extensions of credit by the bank to the customer. Such extensions of credit might not be warranted as a matter of loan policy. In the case of small banks, such loans might exceed the legal limit for lending to any one customer.

The board gave the following policy guidance: The board believes the banking industry has a public responsibility not to design, offer, promote or otherwise encourage the use of a service expressly intended to delay final settlement and which exposes payment recipients to greater than ordinary risks. The board is calling on the nation's banks to join in the effort to eliminate remote disbursement practices intended to obtain extended float.

There is no intention to discourage corporate disbursement arrangements with banks that provide for improved control over daily cash requirements, provided that these arrangements do not result in the undesirable effects noted above. Banks should provide the cash management services needed by their customers through the use of payments methods that facilitate prompt funds availability to payment recipients and that protect banks from unnecessary risk.

To provide incentives to banks to design and use payment methods that are in keeping with the public interest the board has adopted a plan consisting of the following actions:

1. Direct telephone or personal contacts between members of the Board of Governors or Reserve Bank Presidents and the chief executives of banks and bank holding companies believed to be offering remote disbursement services. To date these contacts have been very successful in obtaining voluntary bank action to terminate the practice.

2. Review by bank examiners of settlement procedures between banks and their customers. Bank examiners have been alerted and directed to pay particular attention to the check service offerings of banks to their customers.

3. Implementation of a late deposit "package sort"[2] option for check clearance at all Reserve offices. This option is intended to make it possible for banks around the nation to accelerate collection of checks drawn on remotely located collection points.

4. Consideration of the need, desirability, and feasibility of regulatory or legislative moves to designate remote disbursement as an unfair banking and business practice, to change the Federal Reserve credit availability schedule for remotely disbursed checks, or to require final settlement for payments within normal collection times including limitation on the use of depository transfer checks.[3]

Information about Community Reinvestment Act

The four federal supervisors of financial institutions responsible for enforcing the Community Reinvestment Act (CRA) on January 15, 1979, issued staff answers to the most frequently received inquiries about the act, the implementing regulations, and related examination procedures.[4]

The agencies stated that the questions and answers developed by agency staffs should not be taken as official interpretations. Their purpose is solely to be helpful to financial institutions and to the public by providing useful background information.

An accompanying statement signed by officials of the agencies provides financial institutions with policy guidance on the general manner in which they should address their responsibilities under CRA. The agency officials said:

> In carrying out their responsibilities under CRA, financial institutions should focus on the spirit of the legislation and try to avoid narrow, legalistic interpretations of the legislation or the regulations. The agencies believe that the financial institutions, relying on their own resources, are capable of complying with the requirements of the regulation.

The statement added that while the agencies want to provide helpful information and guidance—and will issue further questions and answers in the future—they wish to keep official interpretations of CRA regulations to a minimum.

The CRA became effective November 6, 1978. It is intended to encourage federally insured commercial banks, mutual savings banks,

2. Package-sorted checks are checks sent to the Federal Reserve for collection, presorted and packaged by the name of the banks on which the checks are drawn. This simplifies and speeds check clearance by the Federal Reserve.

3. A preauthorized check drawn on the customer's account in another bank.

4. The agencies are: the Federal Home Loan Bank Board (supervisor of savings and loan associations); the Comptroller of the Currency (supervisor of national banks); the Federal Deposit Insurance Corporation (supervisor of state-chartered banks that are not members of the Federal Reserve System and of mutual savings banks); the Federal Reserve Board (supervisor of state-chartered member banks).

and savings and loan associations to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, while preserving the flexibility needed by financial institutions to operate safely and soundly.

With respect to the staff questions and answers, the agencies said:

> Since the final regulations and examination procedures have been made public, a number of questions have been raised about them by financial institutions and individuals. In order to assist financial institutions in meeting their responsibilities under CRA and to increase public understanding . . . the staffs of the agencies have prepared the attached paper which presents the most common questions about the CRA regulation and examination procedures and the staffs' responses.

The questions and answers provide staff guidance as to the meaning the agencies attach to key terms in the act and their implementing regulations, such as "office," "local community," and "small" business or farm. They also address such subjects as the contents of the institutions' CRA statements that must be prepared to comply with CRA regulations, the availability of public comment files, and the way institutions should deal with the delineation of low- and moderate-income neighborhoods in their communities.

Money Stock Revision

The money stock and related measures have been revised to incorporate the June 1978 benchmark adjustments for nonmember banks and revised seasonal factors.

Table 1 shows rates of change for M-1, M-2, and M-3 measures for 1978. Monthly and

1. Comparison of old and revised money stock growth rates, 1978

Annual rates of growth based on quarterly-average data; percent

Period	M-1		M-2		M-3	
	Old	Revised	Old	Revised	Old	Revised
Annual	7.2	7.3	8.0	8.5	9.1	9.4
Quarterly						
Q1	6.2	6.6	6.9	7.0	7.7	8.1
Q2	9.9	9.2	7.9	8.4	7.8	8.4
Q3	7.6	8.1	8.9	9.9	10.1	10.4
Q4	4.5	4.4	7.5	7.7	9.8	9.4

2. Money stock seasonal factors, 1979

Month or week	Currency	Demand deposits	Time deposits other than CDs: Member banks	Time deposits other than CDs: Nonmember banks	Certificates of deposit
	Monthly				
January	.9920	1.0250	.9990	.9960	1.0060
February	.9870	.9790	1.0020	1.0020	.9750
March	.9920	.9830	1.0070	1.0080	.9850
April	.9970	1.0130	1.0080	1.0060	.9750
May	.9990	.9800	1.0080	1.0050	.9820
June	1.0030	.9960	1.0050	1.0030	.9950
July	1.0080	1.0040	1.0030	1.0000	.9920
August	1.0030	.9890	.9980	1.0010	1.0050
September	.9970	.9930	.9940	.9980	1.0200
October	.9980	1.0000	.9940	.9970	1.0250
November	1.0070	1.0050	.9900	.9930	1.0100
December	1.0170	1.0320	.9920	.9910	1.0300
	Weekly				
Jan. 3	1.0060	1.0760	.9959	.9917	1.0379
10	1.0060	1.0470	.9983	.9948	1.0214
17	.9960	1.0360	.9990	.9963	1.0042
24	.9850	1.0070	1.0000	.9973	.9951
31	.9760	.9870	1.0000	.9974	.9895
Feb. 7	.9900	.9910	1.0005	.9994	.9839
14	.9920	.9840	1.0016	1.0016	.9779
21	.9895	.9740	1.0025	1.0029	.9707
28	.9775	.9660	1.0029	1,0036	.9679
Mar. 7	.9940	.9850	1,0050	1.0063	.9741
14	.9960	.9880	1.0067	1.0081	.9801
21	.9920	.9820	1.0073	1.0086	.9856
28	.9840	.9690	1.0077	1.0084	.9957
Apr. 4	.9930	1.0050	1.0104	1.0094	.9951
11	1.0090	1.0180	1.0100	1.0093	.9833
18	1.0030	1.0290	1.0075	1.0059	.9720
25	.9900	1.0070	1.0064	1.0036	.9650
May 2	.9880	.9980	1.0060	1.0023	.9655
9	1.0075	.9810	1.0072	1.0040	.9713
16	1.0020	.9860	1.0083	1.0052	.9781
23	.9960	.9710	1.0083	1.0060	.9876
30	.9930	.9730	1.0088	1.0056	.9939
June 6	1.0050	.9950	1.0079	1.0055	.9953
13	1.0090	1.0000	1.0065	1.0049	.9951
20	1.0030	.9980	1.0036	1.0025	.9911
27	.9935	.9840	1.0029	1.0005	.9967
July 4	1.0090	1.0140	1.0042	1.0003	.9989
11	1.0190	1.0120	1.0040	1.0002	.9919
18	1.0110	1.0110	1.0028	.9997	.9892
25	1.0020	.9920	1.0026	.9999	.9903
Aug. 1	.9960	.9930	1.0016	1.0002	.9935
8	1.0120	.9950	.9998	1.0015	.9996
15	1.0080	.9960	.9982	1.0012	1.0029
22	1.0020	.9880	.9971	1.0009	1.0061
29	.9910	.9740	.9969	1.0006	1.0108
Sept. 5	1.0030	.9940	.9963	1.0001	1.0132
12	1.0050	1.0000	.9951	.9995	1.0158
19	.9970	1.0010	.9924	.9972	1.0189
26	.9880	.9750	.9926	.9964	1.0247
Oct. 3	.9910	.9980	.9946	.9974	1.0314
10	1.0090	1.0050	.9958	.9989	1.0293
17	1.0020	1.0090	.9942	.9979	1.0250
24	.9960	.9900	.9937	.9967	1.0216
31	.9870	.9950	.9919	.9944	1.0202
Nov. 7	1.0050	1.0120	.9905	.9936	1.0077
14	1.0100	1.0130	.9894	.9932	1.0062
21	1.0080	1.0000	.9903	.9931	1.0105
28	1.0030	.9920	.9897	.9924	1.0140
Dec. 5	1.0120	1.0180	.9909	.9922	1.0176
12	1.0190	1.0230	.9923	.9921	1.0249
19	1.0190	1.0300	.9915	.9905	1.0322
26	1.0260	1.0280	.9925	.9901	1.0366

weekly M-1 and M-2 seasonal factors for 1979 appear in table 2.

Benchmark adjustments for M-1 were minor, raising the level of the series $100 million in June 1978 and about the same amount at the end of the year. The benchmarking raised M-2 about $2.0 billion in June 1978 and more than $4.0 billion at the end of 1978.

Seasonal revisions smoothed the quarterly and monthly data. M-1 growth in April was lowered 3 percentage points and in November was raised about the same amount. Revisions for other months were smaller. The current revision also incorporates new seasonal factors for M-2 and M-3, but the changes had little impact on growth rates for these aggregates.

Monthly and weekly data from 1959 to date are available from the Banking Section of the Board's Division of Research and Statistics.

Proposed Actions

The Federal Reserve Board has proposed for public comment a statement setting forth the rights to privacy that customers of financial institutions have, under a new statute, when a federal agency seeks financial information about them. The board asked for comment by February 16, 1979.

The government agencies that supervise federally insured depository institutions have proposed regulations to carry out the new Depository Institution Management Interlocks Act.[5] Public comment on the proposal should be received by March 5, 1979.

The Federal Reserve Board on February 12, 1979, proposed suspension of a recent amendment of its Regulation Z (Truth in Lending) concerning the "cooling off" period for consumers who pledge their home as security for open-end credit arrangements. The board requested comment by April 16, 1979.

5. The agencies are: the Federal Home Loan Bank Board; the Federal Deposit Insurance Corporation; the National Credit Union Administration; the Comptroller of the Currency; and the Board of Governors of the Federal Reserve System.

Meeting of Consumer Advisory Council

The Consumer Advisory Council met on February 21 and 22, 1979, in Washington, D.C. The meeting, which was open to the public, dealt with proposed regulations on consumer liability for unauthorized use of credit and debit cards, truth in lending amendments connected with electronic fund transfers, the results of a recent survey of banking practices, and other matters.

The council advises the Federal Reserve Board on its responsibilities regarding consumer credit legislation and regulation.

Changes in Board Staff

The Board of Governors has announced the temporary assignment of Edward T. Mulrenin, Assistant Controller, Office of the Controller, as Assistant Secretary of the Board, Office of the Secretary, effective March 1, 1979. Mr. Mulrenin replaces John M. Wallace, who has returned to the Federal Reserve Bank of Atlanta.

The board has also announced the deaths of Thomas J. O'Connell, Counsel to the Chairman, Office of Board Members, and John E. Reynolds, Counselor, Division of International Finance.

System Membership: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period January 16 through February 15, 1979:

Florida
Miami .... Plaza Bank of Miami
Oregon
Junction City .... Tri-County Banking Company
Texas
Baytown .... Citizens Bank and Trust Company of Baytown
Virginia
Newport News .... First City Bank of Newport News

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON DECEMBER 19, 1978

1. Domestic Policy Directive

The information reviewed at this meeting suggested greater strength in economic activity than had been evident at the time of the Committee's meeting a month earlier; growth in output of goods and services in the current quarter now appeared to be somewhat faster than the annual rate of 3.4 per cent indicated for the third quarter by preliminary estimates of the Commerce Department. The rise in average prices, as measured by the fixed-weight price index for gross domestic business product, appeared to be close to the annual rate of 8.2 per cent estimated for the third quarter.

Staff projections for the year ahead differed little from those prepared a month earlier. They continued to suggest a gradual slowing in the growth of economic activity as the year progressed. The rise in average prices was projected to remain rapid during 1979 and the rate of unemployment to rise marginally.

In November, the index of industrial production advanced an estimated 0.7 per cent, somewhat more than the gains in the preceding 2 months but close to the average monthly increase since the beginning of the year. Nonfarm payroll employment grew substantially in November for the second consecutive month. In manufacturing also, a large increase in employment was registered for the second month in a row and the average workweek rose somewhat further. The unemployment rate was unchanged at 5.8 per cent, close to its low for the year.

The dollar value of total retail sales expanded substantially in November and revised data indicated a sizable advance for October as well. Unit sales of new automobiles declined somewhat in November.

Total housing starts were at an annual rate of 2.1 million units in both October and November. Sales of new and existing single-family houses rose to new highs in October.

The latest Department of Commerce survey of business plans, taken in late October and November, suggested that spending for plant and equipment would expand at an annual rate of nearly 16 per cent in the current quarter but at the markedly lower rate of about 8 per cent in the first half of 1979. The survey also indicated that in 1978 as a whole fixed investment outlays would be 12.7 per cent greater than in 1977. Manufacturers' new orders for nondefense capital goods advanced sharply in October, following sizable increases in other recent months.

The index of average hourly earnings of private nonfarm production workers increased at an annual rate of 8.3 per cent over the first 11 months of 1978, nearly 1 percentage point above the rise during 1977. Average producer prices of finished goods rose substantially in November for the third consecutive month despite more moderate increases in producer prices of food products than in the two earlier months. In October, the consumer price index advanced at an annual rate of 9 per cent, and the rate of increase for the year to date—about 9½ per cent—was nearly 3 percentage points above that during 1977.

In foreign exchange markets the trade-weighted value of the dollar against major foreign currencies fell sharply following the OPEC announcement on December 17 of a larger-than-anticipated increase in oil prices for 1979. Over the previous few weeks the dollar had declined slightly on balance. Nevertheless, at the time of this meeting it was still about 7 per cent above its low reached just prior to the November 1 announcement of the new program to strengthen the dollar. The U.S. trade deficit in October remained close to the annual rate recorded in the second and third quarters but well below that in the previous two quarters.

The growth of total credit at U.S. commercial banks was appreciably slower in November than in September and October. However, bank loans other than security loans continued to expand rapidly. To finance this expansion banks liquidated a sizable amount of security holdings and issued a substantial volume of large-denomination time deposits. Outstanding commercial paper of nonfinancial businesses rose considerably in November for the second consecutive month.

The narrowly defined money supply (*M*-1) declined at an annual rate of about 4½ per cent in November. The contraction reflected, among other things, the shifts of funds from demand deposits to savings deposits associated with the introduction of the automatic transfer service (ATS) and effects of the substantial rise in short-term market interest rates since April. Meanwhile, growth of *M*-2 and *M*-3 slackened further. Sales of 6-month money market certificates at commercial banks and nonbank thrift institutions continued strong in November, but savings deposits and time deposits subject to interest rate ceilings contracted at commercial banks. Total inflows of funds to nonbank thrift institutions slowed in November after growing rapidly in the preceding 3 months; the rate of expansion was still considerably above that in the first half of the year. Over the first 11 months of the year, *M*-1, *M*-2, and *M*-3 grew at annual rates of about 7¼, 8¼, and 9¼ per cent, respectively.

At its meeting on November 21, the Committee had agreed that early in the inter-meeting period System open market operations should be directed toward attaining a weekly-average Federal funds rate of about 9⅞ per cent, slightly above the level prevailing at that time. Subsequently, the objective for the Federal funds rate was to be raised or lowered within the range of 9¾ to 10 per cent. In setting a specific objective for the funds rate, the Manager of the System Open Market Account was to be guided mainly by a range of tolerance of 6 to 9½ per cent for the annual rate of growth in *M*-2 over the November–December period, provided that the rate of growth in *M*-1 over the same period did not appear to exceed 5 per cent.

Immediately following the November 21 meeting the Manager began to seek bank reserve conditions consistent with an increase in the weekly-average Federal funds rate to around 9⅞ per cent. Incoming data during the inter-meeting period suggested initially that growth in *M*-2 would be well within the range specified by the Committee and that growth in *M*-1 would be below 5 per cent. In subsequent weeks, newly available data led to progressively lower estimates of growth, and by the end of the first week in December the projections might, under normal circumstances, have called for a reduction in the objective for the Federal funds rate to 9¾ per cent. On December 8, however, the Committee approved a recommendation by the Chairman to instruct the Manager to continue aiming for a Federal funds rate of 9⅞ per cent during the period before the next regular meeting of the Committee, unless growth of the aggregates should appear to weaken significantly further.

Most market interest rates rose further during the inter-meeting period, as financial markets seemed to react to indications of continued strength in business conditions, added evidence of intense inflationary pressures, and the OPEC announcement of a large increase in oil prices. Commercial banks raised the loan rate to prime business borrowers from 11 per cent to 11½ per cent during the period. In mortgage markets interest rates continued to rise.

In the Committee's discussion of the economic situation and outlook, most members expressed little or no disagreement with the staff projection of a gradual slowing of the expansion during 1979 and of a slight rise in the unemployment rate. At the same time, however, the observation was made that the latest information provided contradictory indications of underlying trends in economic activity, and some members commented on the prospects for alternative courses of activity. The members continued to anticipate that average prices of goods and services would rise rapidly, and it was observed that the outlook for inflation had been worsened by the recent OPEC announcement of a substantial rise in oil prices during 1979.

With respect to some of the economic information that had become available recently, it was suggested that the retail sales and employment statistics—and the apparent rate of growth in GNP in the current quarter—indicated underlying strength, while the behavior of the monetary aggregates so far in the fourth quarter could be symptomatic of current or near-term weakness in demands for goods and services. Similarly, the latest data on new orders for nondefense capital goods and on construction contract awards were strong, but according to the Commerce Department's survey of business plans, plant and equipment expenditures in the first half of 1979 would be weak.

Concerning the over-all situation, it was suggested on the one hand that the current and prospective pace of growth in activity was too rapid, that output was beginning to press against the limits of capacity, and that inflationary pressures—which for a long time had been greater than generally projected—were still increasing. An alternative appraisal of the latest data was that the strength in the current quarter, especially in consumer spending, most likely was an aberration—similar to others during the past few years—and that economic activity was remarkably well balanced for the present stage of the expansion. It was also suggested, however, that the strength in demands and activity, although possibly persisting for a quarter or two, might culminate in a recession in the second half of 1979.

At its meeting in October the Committee had agreed that from the third quarter of 1978 to the third quarter of 1979 growth of *M*-2 and *M*-3 within ranges of 6½ to 9 per cent and 7½ to 10 per cent, respectively, appeared to be consistent with broad economic aims. *M*-1 was expected to grow over that period within a range of 2 to 6 per cent, depending in part on the speed and extent of transfers from demand to savings deposits resulting from the introduction of ATS. The associated range for the rate of growth in commercial bank credit was 8½ to 11½ per cent. The Committee had also decided that growth of *M*-1+ within a range of 5 to 7½ per cent appeared to be generally consistent with the ranges of growth for the other monetary aggregates. It had been agreed that the longer-run ranges, as well as the particular aggregates for which such ranges were specified, would be subject to review and modification at subsequent meetings.

In the discussion of policy for the period immediately ahead, most members of the Committee advocated some additional firming in money market conditions. A few members preferred to direct operations toward maintaining the money market conditions currently prevailing. No member recommended an easing in money market conditions per se, but one suggested that whether money market conditions were firmed or eased be determined altogether on the basis of the incoming evidence on the behavior of the monetary aggregates.

Several reasons were advanced for some additional firming in money market conditions. Available economic data suggested that growth of output had not yet been slowed and that inflationary pressures remained intense. The strength of demands for bank loans and other credit seemed to provide a more reliable indication of underlying economic conditions than did the recent weakness of growth in the monetary aggregates. In any case, it was observed, weakness in monetary expansion following a long period of strong growth could be accepted for a time. Some additional firming in money market conditions, moreover, would help to maintain public confidence in the program to moderate inflation and to support the foreign exchange value of the dollar.

In support of the preference for maintaining prevailing money market conditions, rather than firming, it was observed that over the preceding 2 months the Committee had increased monetary restraint substantially. Because the evidence on current and prospective economic developments was conflicting, the Committee ought to pause and evaluate the effects of its recent actions before contemplating additional firming; if the unexpected shortfall in monetary expansion persisted, it might contribute to a recession. The uncertainties in the current situation also provided the grounds for the proposal to base the Committee's objective for money market conditions altogether on the incoming evidence on the behavior of the monetary aggregates: It was suggested that whether fundamental economic conditions were strong or weak would inevitably become evident in renewal of rapid monetary expansion or in continuation of sluggish expansion, leading in either case to appropriate objectives for money market conditions.

At the conclusion of the discussion the Committee agreed to instruct the Manager to direct open market operations toward raising the Federal funds rate to 10 per cent or slightly higher early in the period before the next regular meeting and subsequently to maintain the rate within a range of 9¾ to 10½ per cent. With regard to the objective for the rate within that range, the Committee instructed the Manager to be guided by ranges of tolerance for the annual rates of growth of *M*-1 and *M*-2 of 2 to 6 per cent and 5 to 9 per cent, respectively. Thus, after a 2-month interruption, the Committee agreed to return to its practice of specifying a range rather than only an upper limit for *M*-1 and of instructing the Manager to give approximately equal weight to the behavior of *M*-1 and *M*-2 in assessing the behavior of the aggregates; it did so because recent experience had suggested that the impact of ATS on the annual rate of growth of *M*-1 could be estimated within fairly narrow limits. However, the Committee decided that the Manager should respond more quickly to relatively high than to relatively low rates of growth in the aggregates. Specifically, the objective for the funds rate was to be raised in an orderly fashion within its range if the 2-month growth rates of *M*-1 and *M*-2 appeared to be significantly above the midpoints of the indicated ranges. On the other hand, the objective was to be lowered in an orderly fashion only if the 2-month growth rates appeared to be approaching the lower limits of the indicated ranges.

The next regular meeting of the Committee was scheduled for February 6, 1979, but it was understood that a telephone conference would be held in mid-January to consider whether supplementary instructions were needed. It was also understood that the Chairman would call upon the Committee to consider the need for supplementary instructions if significant inconsistencies appeared to be developing among the Committee's objectives or if, before mid-January, the behavior of the monetary aggregates appeared to call for a reduction in the objective for the Federal funds rate toward the lower limit of its range.

The following domestic policy directive was issued to the Federal Reserve Bank of New York:

> The information reviewed at this meeting suggests that in the current quarter real output of goods and services has picked up somewhat from the rate in the third quarter. In November, as in October, the dollar value of total retail sales expanded substantially. Industrial production and nonfarm payroll employment rose considerably further, and the unemployment rate remained at 5.8 per cent. Over recent months, broad measures of prices and the index of average hourly earnings have risen rapidly.
>
> The trade-weighted value of the dollar against major foreign currencies declined sharply following OPEC's announcement on December 17 of increased oil prices for 1979, after having declined slightly over the previous few weeks, but it remains substantially above the low reached just prior to the actions taken on November 1 to strengthen the dollar. The U.S. trade deficit in October was at about the rate recorded in the second and third quarters.
>
> *M*-1 declined in November, only in part because of shifts of funds from demand deposits to savings deposits after the introduction of the automatic transfer service (ATS) at the beginning of the month. Over the first 11 months of 1978, *M*-1 grew at an annual rate of about 7¼ per cent. Growth of *M*-2 and *M*-3 slackened further in November; they grew at rates of about 8¼ and 9¼ per cent, respectively, over the first 11 months of the year. Inflows of deposits to nonbank thrift institutions slowed in November, after having

grown rapidly in the preceding 3 months. Market interest rates in general have risen further in recent weeks.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster monetary and financial conditions that will resist inflationary pressures while encouraging continued moderate economic expansion and contributing to a sustainable pattern of international transactions. At its meeting on October 17, 1978, in setting ranges for the monetary aggregates, the Committee recognized the uncertainties concerning the effects that the November 1 introduction of ATS would have on measures of the money supply, especially *M*-1. Against that background, the Committee agreed that appropriate monetary and financial conditions would be furthered by growth of *M*-2 and *M*-3 from the third quarter of 1978 to the third quarter of 1979 within ranges of 6½ to 9 per cent and 7½ to 10 per cent, respectively. The narrowly defined money supply (*M*-1) was expected to grow within a range of 2 to 6 per cent over the period, depending in part on the speed and extent of transfers from demand to savings deposits resulting from the introduction of ATS. The associated range for bank credit is 8½ to 11½ per cent. Growth of *M*-1+ (*M*-1 plus savings deposits at commercial banks and NOW accounts) in a range of 5 to 7½ per cent was thought to be generally consistent with the ranges of growth for the foregoing aggregates. These ranges are subject to reconsideration at any time as conditions warrant.

In the short run, the Committee seeks to achieve bank reserve and money market conditions that are broadly consistent with the longer-run ranges for monetary aggregates cited above, while giving due regard to the program for supporting the foreign exchange value of the dollar, to developing conditions in domestic financial markets, and to uncertainties associated with the introduction of ATS. Early in the period before the next regular meeting, System open market operations are to be directed at attaining a weekly average Federal funds rate slightly above the current level. Subsequently, operations shall be directed at maintaining the weekly average Federal funds rate within the range of 9¾ to 10½ per cent. In deciding on the specific objective for the Federal funds rate the Manager shall be guided mainly by the relationship between the latest estimates of annual rates of growth in the December–January period of *M*-1 and *M*-2 and the following ranges of tolerance: 2 to 6 per cent for *M*-1 and 5 to 9 per cent for *M*-2. If, giving approximately equal weight to *M*-1 and *M*-2, their rates of growth appear to be significantly above the midpoints of the indicated ranges, the objective for the funds rate shall be raised in an orderly fashion within its range; if their rates of growth appear to be approaching the lower limits of the indicated ranges, the funds rate shall be lowered in an orderly fashion within its range.

If the rates of growth in the aggregates appear to be falling outside the limits of the indicated ranges at a time when the objective for the funds rate has already been moved to the corresponding limit of its range, the Manager will promptly notify the Chairman, who will then decide whether the situation calls for supplementary instructions from the Committee.

Votes for this action: Messrs. Miller, Volcker, Baughman, Coldwell, Eastburn, Partee, Willes, and Winn. Votes against this action: Mrs. Teeters and Mr. Wallich.

Mrs. Teeters dissented from this action because she believed that for the time being open market operations should be directed toward maintaining the money market conditions currently prevailing. In her view, the Committee should wait to evaluate the effects of the substantial firming in money market conditions of the past 2 months before contemplating any additional firming.

Mr. Wallich dissented from this action because he favored a somewhat more restrictive policy posture than that adopted by the Committee. In his opinion, the underlying economic situation was still strong and the strength of demands was adding to inflationary pressures and expectations while interest rates were not high in real terms and were not exerting strong restraint.

Subsequent to the meeting, on December 29, 1978, projections of growth in the monetary aggregates suggested that for the December–January period *M*-2 would grow at an annual rate well below the lower limit of the 5 to 9 per cent range specified by the Committee and that *M*-1 would grow at a rate in the lower portion of its range of 2 to 6 per cent. Since the meeting of the Committee on December 19 the Manager had been aiming for a Federal funds rate of about 10 per cent or slightly above, although Federal funds had been trading at higher levels in response to exceptional demands for excess bank reserves near the end of the year. The behavior of the aggregates would have called for a reduction in the objective for the funds rate toward the 9¾ per cent lower limit of its specified range. However, in view of uncertainties about the interpretation of the behavior of the aggregates at this time, and against the background of domestic and international economic and market conditions, Chairman Miller recommended that the Manager be instructed to continue to aim for a Federal funds rate of 10 per cent or slightly above, pending a review of the situation in the telephone conference, tentatively planned for January 12.

On December 29, 1978, the Committee modified the domestic policy directive adopted at its meeting of December 19, 1978, to call for open market operations directed at maintaining the weekly-average Federal funds rate at about 10 per cent or slightly above.

Votes for this action: Messrs. Miller, Volcker, Baughman, Coldwell, Eastburn, Partee, Mrs. Teeters, Messrs. Wallich, Willes, and Winn. Votes against this action: None.

On January 12 the Committee held a telephone conference to review the situation and to consider whether supplementary instructions were needed. However, no change was made in the instruction to the Manager to continue to direct open market operations toward maintaining the weekly-average Federal funds rate at about 10 per cent or slightly above.

2. Authorization for Foreign Currency Operations

Paragraph ID of the Committee's authorization for foreign currency operations authorizes the Federal Reserve Bank of New York, for the System Open Market Account, to maintain an over-all open position in all foreign currencies not to exceed $1.0 billion, unless a larger position is expressly authorized by the Committee. On November 1, 1978, an open position of $5 billion had been authorized. At the meeting on December 19, 1978, the Committee authorized an increase in this limit to $8 billion to provide further flexibility for Federal Reserve operations in the foreign exchange markets undertaken pursuant to the Committee's foreign currency directive.

Votes for this action: Messrs. Miller, Volcker, Baughman, Coldwell, Eastburn, Partee, Mrs. Teeters, Messrs. Wallich, Willes, and Winn. Votes against this action: None.

Pursuant to an agreement with the Treasury under which the Federal Reserve would undertake to "warehouse" foreign currencies—that is, to make spot purchases of foreign currencies and simultaneously to make forward sales of the same currencies at the same exchange rate—the Committee had agreed on December 14, 1978, to raise the amount that the Federal Reserve would be prepared to warehouse from $1½ billion to $1¾ billion equivalent of such foreign currencies. That action had been taken in view of the impending receipt by the Treasury of somewhat more than $1½ billion dollars equivalent of German marks resulting from its first issuance of securities denominated in foreign currencies as one of the measures of the broad program announced on November 1 to strengthen the dollar.

At this meeting the Committee agreed to raise the amount of eligible foreign currencies that the Federal Reserve would be prepared to warehouse to $5 billion. The Committee also agreed to warehouse such currencies for periods of up to 12 months; previously the agreement had provided that half of the authorized amount would be for periods of up to 6 months and half for periods of 12 months. These actions were taken in view of additional Treasury offerings of securities denominated in foreign currencies in prospect for early 1979.

> Votes for these actions: Messrs. Miller, Volcker, Baughman, Coldwell, Eastburn, Partee, Mrs. Teeters, Messrs. Wallich, Willes, and Winn. Votes against these actions: None.

3. Authorization for Domestic Open Market Operations

On January 15, 1979, Committee members voted to increase from $3 billion to $5 billion the limit on changes between Committee meetings in System Account holdings of U.S. Government and Federal agency securities specified in paragraph 1(a) of the authorization for domestic open market operations, effective immediately, for the period ending with the close of business on February 6, 1979.

> Votes for this action: Messrs. Miller, Volcker, Baughman, Coldwell, Eastburn, Partee, Mrs.

Teeters, Messrs. Wallich, Willes, and Winn. Votes against this action: None.

This action was taken on recommendation of the System Account Manager. The Manager had advised that large-scale sales of securities since the December meeting—required primarily to counter the effect on member bank reserves of an unusually and unexpectedly high level of float—had reduced the leeway for further sales to about $100 million. It appeared likely that additional sales would be required because current projections indicated a need for further reserve-absorbing operations over the coming weeks.

Subsequently, Committee members voted to increase the limit specified in paragraph 1(a) by an additional $1 billion, to $6 billion, effective immediately, for the period ending with the close of business on February 6, 1979.

Votes for this action: Messrs. Miller, Volcker, Baughman, Coldwell, Eastburn, Partee, Mrs. Teeters, Messrs. Wallich, Willes, and Winn. Votes against this action: None.

This action was taken on recommendation of the Manager. On January 26 he had advised that, despite the Committee's action on January 15 to raise the inter-meeting limit to $5 billion, the leeway available for further sales would be only about $350 million as of the close of business on January 26. Since January 15, required reserves had been weaker than had been expected, and a decline of currency in circulation had provided reserves while float had remained high.

* * * * *

Records of policy actions taken by the Federal Open Market Committee at each meeting, in the form in which they will appear in the Board's *Annual Report*, are released about a month after the meeting and are subsequently published in the BULLETIN.

Law Department

Statutes, regulations, interpretations, and decisions

AMENDMENTS TO REGULATION Y AND RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors has adopted amendments to its Regulation Y and its Rules Regarding Delegation of Authority to implement the change in the Bank Control Act of 1978 and to establish certain exemptions and procedures.

1. Effective March 10, 1979, the title to Regulation Y is revised to read "Part 225—Bank Holding Companies and Change in Bank Control" and section 225.1 of that Part is revised to read as follows:

Section 225.1— Authority, Scope, and Definitions

(a) *Authority and scope.* This Part is issued by the Board of Governors of the Federal Reserve System under section 5(b) of the Bank Holding Company Act of 1956 ("the Act") (12 U.S.C. § 1844(b)) and section 7(j)(13) of the Federal Deposit Insurance Act, as amended by the Change in Bank Control Act of 1978 ("the Control Act"), (12 U.S.C. § 1817(j)(13)). Sections 225.2 through 225.6 of this Part implement the Act, and section 225.7 of this Part implements the Control Act.

(b) *Terms used in the Act.* As used in this Part, the terms "bank holding company," "company," "bank," "subsidiary," and "Board" have the same meanings as those given such terms in the Act. As used in section 225.7 of this Part, the term "person" has the meaning given it in the Control Act.

(c) *Federal Reserve Bank.* The term "Federal Reserve Bank" as used in this Part with respect to action by, on behalf of, or directed to be taken by a bank holding company or other organization shall mean either the Federal Reserve Bank of the Federal Reserve district in which the operations of the bank holding company or other organization are principally conducted, as measured by total deposits held or controlled by it on the date on which it became, or is to become, a bank holding company, or such Reserve Bank as the Board may designate. With respect to notices filed and other actions taken under the Control Act, the term refers to the Federal Reserve Bank for institution to be acquired, as determined by the preceding sentence in the case of bank holding companies and by section 9 of the Federal Reserve Act in the case of State member banks.

2. Effective March 10, 1979, Regulation Y is amended by adding a new section, § 225.7, as follows:

Section 225.7—Change in Bank Control

(a) *Acquisitions of Control.*[14] Under the Control Act, acquisitions by a person or persons acting in concert of the power to vote 25 per cent or more of a class of voting securities of a bank holding company or State member bank, unless exempted, require prior notice to the Board. In addition, a purchase, assignment, transfer, pledge, or other disposition of voting stock through which any person will acquire ownership, control, or the power to vote ten per cent or more of a class of voting securities of a bank holding company or State member bank will be deemed to be an acquisition by such person of the power to direct that institution's management or policies if:

(1) the institution has issued any class of securities subject to registration under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. § 781); or

(2) immediately after the transaction no other person will own a greater proportion of that class of voting securities.

Other transactions resulting in a person's control of less than 25 per cent of a class of voting shares of a bank holding company or State member bank

[14] Control is defined in the Control Act as the power, directly or indirectly, to direct the management or policies, or to vote 25 per cent or more of any class of voting securities, of an institution. (12 U.S.C. § 1817(j)(8)(B)).

would not result in control for purposes of the Act. An acquiring person may request an opportunity to contest the presumption established by this paragraph with respect to a proposed transaction. The Board will afford the person an opportunity to present views in writing or, where appropriate, orally before its designated representatives either at informal conference discussions or at informal presentations of evidence.

(b) *Notices.* Section 265.3 of the Board's Rules of Procedure governs the submission of notices required by the Control Act, except that notices should be sent to the Federal Reserve Bank of the district in which the affected bank or bank holding company is located. Notice shall not be considered given unless information provided is responsive to every item specified in paragraph 6 of the Control Act (12 U.S.C. § 1817(j)(6)), or every item prescribed in the appropriate Board forms. With respect to personal financial statements required by paragraph 6 (B) of the Control Act, an individual acquirer may include a current statement of assets and liabilities, as of a date within 90 days of the notice, a brief income summary, and a statement of material changes since the date thereof, subject to the authority of the Federal Reserve Bank or the Board to require additional information.

(c) *Exempt transactions.* The following transactions are not subject to the prior notice requirements of the Control Act:

(1) the acquisition of additional shares of a bank holding company or State member bank by a person who continuously since March 9, 1979, held power to vote 25 per cent or more of the voting shares of that institution, or by a person who has acquired and maintained control of that institution after complying with the Control Act's procedures;

(2) the acquisition of additional shares of a bank holding company or State member bank by a person who under paragraph (a) of this section would be deemed to have controlled that institution continuously since March 9, 1979, if:

(i) the transaction will not result in that person's direct or indirect ownership or power to vote 25 per cent or more of any class of voting securities of the institution; or

(ii) in other cases, the Board determines that the person has controlled the institution continuously since March 9, 1979;

(3) the acquisition of shares in satisfaction of a debt previously contracted in good faith or through testate or intestate succession or bona fide gift, provided the acquirer advises the Federal Reserve Bank within thirty days after the acquisition and provides any information specified in paragraph 6 of the Control Act that the Reserve Bank requests;

(4) a transaction subject to approval under section 3 of the Bank Holding Company Act or section 18 of the Federal Deposit Insurance Act;

(5) a transaction described in sections 2(a)(5) or 3(a)(A) or (B) of the Bank Holding Company Act by a person there described;

(6) a customary one-time proxy solicitation and receipt of pro-rata stock dividends; and

(7) the acquisition of shares of a foreign bank holding company, as defined in section 225.4(g) of this Part, provided this exemption does not extend to the reports and information required under paragraphs 9, 10, and 12 of the Control Act (12 U.S.C. § 1817(j)(9), (10), and (12)).

3. Effective March 10, 1979, section 265.2(f) of Rules Regarding Delegation of Authority is amended by adding the following new subparagraph (38):

* * * * *

(38) Under the provisions of the Change in Bank Control Act of 1978 (12 U.S.C. § 1817(j)) and section 225.7 of this chapter (Regulation Y), with respect to a bank holding company or State member bank, to determine the informational sufficiency of notices and reports filed under the Act, to extend periods for consideration of notices, to determine whether a person who is or will be subject to a presumption described in section 225.7(a) of this chapter should file a notice regarding a proposed transaction, and, if all the following conditions are met, to issue a notice of intention not to disapprove a proposed change in control:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank concur.

(iii) if the proposal involves shares of a State member bank or a bank holding company controlling a State member bank, the appropriate bank supervisory authorities have indicated that they have no objection to the proposal, or no objection has been received from the appropriate bank supervisory authorities within the time allowed by the Act.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

Bank Holding Company and Bank Merger Orders Issued by the Board of Governors

Orders Under Section 3 of Bank Holding Company Act

Catoosa Bancshares, Inc.,
Catoosa, Oklahoma

Order Approving Formation of a Bank Holding Company

Catoosa Bancshares, Inc., Catoosa, Oklahoma, has applied for the board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)), to become a bank holding company through the acquisition of 100 percent, less directors' qualifying shares, of the voting shares of 1st Bank of Catoosa, Catoosa, Oklahoma ("Bank").

Notice of the application, affording an opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act (43 *Federal Register* 53820 (1978)). The time for filing comments and views has expired, and the application and all comments received have been considered in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a nonoperating corporation with no subsidiaries, organized for the purpose of becoming a bank holding company through the acquisition of Bank, which has deposits of $9.0 million.[1] Upon acquisition of Bank, Applicant would control the 281st largest bank in Oklahoma, holding .07 percent of total deposits in commercial banks in the state.

Bank is the 36th largest of 46 banks operating in the relevant banking market, which is the Tulsa RMA, and controls 0.28 percent of total market deposits. The purpose of the transaction is to facilitate the transfer of the ownership of Bank from individuals to a corporation controlled by the same individuals. Principal owners, officers, and directors of Applicant and Bank are also associated with two other banks and bank holding companies located in Bank's market.[2] The combined deposits of Bank and the affiliated banks total $81.7 million, which represents 2.54 percent of market deposits. This combined market share does not represent an adverse concentration of banking resources. Furthermore, Applicant's principal owners, officers, and directors were among the principal organizers of all three banks. While approval of the subject proposal would further solidify the existing relationship between Bank and the two affiliated banks and reduce the likelihood that Bank would become an independent competitor in the future, based upon the facts of record, including the size and rank in the market of the banks involved and the presence of other banking alternatives in the Tulsa banking market, it appears that consummation of this proposal would not result in any significant adverse effects upon competition in any relevant area. Thus, competitive factors are consistent with approval.

Where principals of an applicant are engaged in operating a chain of one-bank holding companies, the board applies multibank holding company standards in assessing the financial and managerial resources and future prospects both of an applicant seeking to become a one-bank holding company and of its proposed subsidiary bank. Based upon such an analysis in this case, the financial and managerial resources and future prospects of Applicant, Bank and the affiliated banks and bank holding companies appear to be satisfactory. Applicant will incur no debt in its acquisition of Bank stock. Moreover, Applicant has committed to provide additional capital to Bank within 120 days following approval of this proposal. Therefore, considerations relating to banking factors in regard to this proposal are consistent with approval of the application.

Although consummation of the proposal would result in no changes in the banking services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval. It has been determined that consummation of this transaction would be consistent with the public interest and that the application should be approved.

[1] Banking data as of December 31, 1977.

[2] Applicant's principals are associated with a proposed Oklahoma bank holding company, Security Bancshares, Inc., Tulsa, Oklahoma. The board approved the application by Security Bancshares, Inc., to acquire 100 percent, less directors' qualifying shares, of Security Bank, Tulsa, Oklahoma, on October 31, 1978.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board of Governors or by the Federal Reserve Bank of Kansas City, pursuant to delegated authority.

By order of the Secretary of the Board, acting pursuant to authority delegated from the Board of Governors, effective January 24, 1979.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

First City Bancorporation of Texas, Inc.,
Houston, Texas

Order Approving Acquisition of Bank

First City Bancorporation of Texas, Inc., Houston, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares (less directors' qualifying shares) of First City Bank-Bear Creek, Harris County, Texas ("Bank"), a proposed new bank.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the second largest banking organization in Texas, controls 31 banking subsidiaries, with aggregate deposits of approximately $4.8 billion, representing 8 percent of total deposits in commercial banks in the state.[1] Since Bank is a proposed new bank, Applicant's acquisition of Bank would not cause any immediate increase in Applicant's share of deposits in commercial banks in Texas.

Bank has received charter approval from the Department of Banking of the state of Texas and is to be located in an unincorporated community in Harris County, approximately 20 miles west of downtown Houston. Applicant ranks as the largest of 122 banking organizations in the Houston banking market,[2] with 13 subsidiary banks controlling 20.6 percent of total market deposits. Applicant's banking subsidiary closest to Bank is located approximately 13 miles northeast of Bank, outside of Bank's proposed service area. Since Bank is a proposed new bank, Applicant's acquisition of Bank would not eliminate any existing competititon, nor would it have any immediate effect upon Applicant's share of commercial bank deposits in the relevant market. While under some circumstances *de novo* expansion in a market by a leading organization within that market could reduce prospects for market deconcentration by preempting viable sites for *de novo* entry or expansion by other firms, Applicant's *de novo* expansion in the rapidly growing Houston banking market would have only a minimal impact upon market entry conditions.[3] From the facts of record, it appears that even after consummation of the proposal the market would remain attractive for *de novo* entry and that ample opportunities for market deconcentration will remain, through either foothold or *de novo* entry. Accordingly, based upon all the facts of record, including the growth of the Houston market, the large number of competing organizations therein, and the opportunities for market deconcentration, the Board concludes that approval of this application would not result in any adverse effects upon competition in any relevant area.

The financial and managerial resources and future prospects of Applicant and its subsidiary banks are regarded as consistent with approval of this application. Bank, as a proposed *de novo* bank, has no financial or operating history; however, its prospects as a subsidiary of Applicant appear favorable. Accordingly, considerations relating to banking factors are consistent with approval of this application. The establishment of

[1] All deposit data are as of December 31, 1977, and reflect bank holding company formations and acquisitions approved as of November 30, 1978.

[2] The Houston banking market is approximated by the Houston Ranally Metropolitan Area ("RMA"), which includes Harris County and portions of Brazoria, Fort Bend, Galveston, Liberty, and Montgomery Counties in Texas.

[3] The Houston banking market experienced a population increase of 25.4 percent during the 1970-1978 period, and the population of the city of Houston increased by 18.4 percent. During the same period the population for the state of Texas increased by only 14.6 percent. It is also noted that the ratio of population-to-banking offices in the Houston banking market is 1.45 times the statewide average and per capita deposits in the market are 1.32 times the statewide average.

Bank would provide a new and convenient full-service banking alternative for the area's residents. Thus, considerations relating to the convenience and needs of the community to be served lend some weight toward approval of the application. Accordingly, it is the board's judgment that consummation of the transaction would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order, or (b) later than three months after that date, and (c) First City Bank-Bear Creek, Harris County, Texas, shall be opened for business not later than six months after the effective date of this Order. Each of the periods described in (b) and (c) may be extended for good cause by the board, or by the Federal Reserve Bank of Dallas, pursuant to delegated authority.

By order of the Board of Governors, effective January 15, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Republic of Texas Corporation,
Dallas, Texas

Order Approving Acquisition of Bank

Republic of Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares (less directors' qualifying shares) of the successor by merger to The First National Bank of Plano, Plano, Texas ("Bank"). The bank into which Bank is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Bank. Accordingly, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of the shares of Bank. Applicant presently controls 24.85 percent of the voting shares of Bank.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the board has considered the application and all comments received, including those of the Comptroller of the Currency, in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the fourth largest banking organization in the state of Texas, has eighteen banking subsidiaries with aggregate deposits of $3,930 million, representing 6.46 percent of commercial bank deposits in the state.[1] Acquisition of Bank, one of the state's smaller banking organizations, would increase Applicant's share of commercial bank deposits in Texas by less than one-tenth of one percent.

By Order dated October 25, 1973 (38 F.R. 30581), the board approved the application of Applicant to become a bank holding company through the direct acquisition of Republic National Bank of Dallas ("Republic Bank") and the indirect acquisition of 29.9 percent of the voting shares of Oak Cliff Bank & Trust Company, Dallas, Texas. In addition to its interest in Bank, Republic Bank at the time also owned indirectly between 5 and 24.99 percent of the shares of 20 other banks, 17 of which were in the Dallas banking market.[2] Applicant represented to the board that it would file separate applications for prior approval by the board for acquisition of additional shares in each of certain of those banks, and would divest completely its interests in others. In its Order the board stated that each such application filed by Applicant would be considered on its own merits in light of the statutory standards set forth in § 3 of the Act.

Bank is the 31st largest banking organization in the Dallas banking market and holds deposits of $55.5 million, representing 0.3 percent of the total deposits held by commercial banks in the market. Applicant is already a significant competitor in the Dallas banking market. Applicant, with seven subsidiary banks, is the largest banking organization in that market and holds total deposits of $3,047.9 million,[3] representing 26.3 percent of the total deposits in commercial banks in the market.

[1] All banking data are as of March 31, 1978.
[2] The Dallas banking market is approximated by the Dallas RMA.
[3] This figure reflects bank holding company acquisitions and formations approved as of October 31, 1978.

While consummation of the proposal would appear to eliminate some existing competition inasmuch as Applicant and Bank operate in the same market, the board notes that Applicant, or its predecessor in interest, Republic Bank, has held 24.85 percent or more of the shares of Bank since 1956, and that the nature of this relationship is such that little, if any, meaningful competition presently exists between Bank and Applicant's subsidiary banks in the Dallas market. But for the history of the established relationship between Applicant and Bank, the effects on existing competition would be viewed as more serious, but viewed in light of that relationship the effects are only slight. Moreover, while Applicant is one of the largest organizations in the banking market, in view of the facts presented in the record of this application, the board does not regard the slight increase in concentration of market deposits as significant. Accordingly, the board concludes that the proposed acquisition of Bank by Applicant would not have significant adverse effects on competition.

The financial and managerial resources of Applicant and its subsidiaries are regarded as satisfactory and their future prospects appear favorable. The financial and managerial resources and future prospects of Bank are also regarded as satisfactory, particularly in light of Applicant's commitment to provide Bank with additional capital. Therefore, considerations relating to banking factors are consistent with and lend some weight toward approval of the application.

Upon consummation of the proposed acquisition, Applicant will assist Bank in developing programs to enable it to serve the banking needs of all sections of the city of Plano. In particular, Applicant intends to cause Bank to increase its commercial lending in order to help meet the general credit needs of the rapidly expanding Plano community. In addition, affiliation with Applicant will provide Bank's customers with access to credit life and credit accident and health insurance offered by a subsidiary of Applicant at rates below the state maximum rates currently charged by Bank. Thus, considerations relating to convenience and needs of the community to be served lend some weight toward approval of the application, and in the board's view, outweigh any slightly adverse effects on competition that might result from consummation of this proposal. Accordingly, it is the board's judgment that the proposed acquisition would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective day of this Order unless such period is extended for good cause by the board or by the Federal Reserve Bank of Dallas pursuant to delegated authority.

By Order of the Board of Governors, effective January 26, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Partee, and Teeters. Absent and not voting: Governor Coldwell.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Citizens Ban-Corporation,
Rock Port, Missouri

Order Denying Acquisition of Bank

Citizens Ban-Corporation, Rock Port, Missouri, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 95.31 per cent of the voting shares of Farmers and Merchants Bank of Elmo ("Bank"), Elmo, Missouri.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, a one-bank holding company, controls The Citizens Bank of Atchison County ("Rock Port"), Rock Port, Missouri. The acquisition of Bank would increase Applicant's share of total deposits in commercial banks in Missouri from 0.07 per cent to 0.11 per cent, and would not have an appreciable effect on the concentration of banking resources in the state.

Bank, with deposits of $7.5 million,[1] is the fourth largest of six commercial banks in its bank-

[1] All banking data are as of December 31, 1977.

ing market.[2] Bank and Rock Port are located in separate banking markets, and consummation of this proposal would not eliminate any significant competition. Accordingly, competitive considerations are consistent with approval.

Under the Bank Holding Company Act, the board is required to consider the financial and managerial resources of an applicant and its subsidiary banks. In the exercise of that responsibility, the board has indicated on previous occasions that it will closely examine the condition of an applicant to ensure that it will serve as a source of financial and managerial strength to its subsidiary banks.[3] The board finds that considerations relating to the financial resources of Applicant warrant denial of the application. The board has previously stated that less restrictive debt to equity standards can appropriately be applied to prospective one-bank holding companies if the adverse effects associated with leverage are outweighed by public benefits in the case of transfers of ownership of small rural banks. However, the financial structure of a multi-bank holding company should be more conservative than that of a one-bank holding company.[4]

In connection with this proposal, Applicant would incur acquisition debt of approximately $1.3 million, which Applicant proposes to service over a twelve-year period solely through earnings of its subsidiary banks. Neither Applicant nor any of its principals will have contributed any cash towards the purchase of Bank. Applicant's principals purchased Bank in February 1978 exclusively with debt, and Applicant would assume this debt in its entirety. Applicant may be able to retire its debt while maintaining a satisfactory capital position for its subsidiary banks, but capital ratios at both banks would decline below current ratios. Although by itself this decline would not necessarily constitute an adverse factor, it compounds Applicant's initial weak financial position, and Applicant's proposal would greatly limit its ability to furnish additional capital if needed in response to unforeseen problems in its subsidiary banks.

The Board has considered Applicant's managerial resources, which it regards as satisfactory. However, these managerial considerations do not outweigh the adverse financial factors, and therefore, considerations relating to the banking factors warrant denial of this application.

As indicated above, the proposed acquisition is essentially a restructuring of the ownership interests of Bank and consummation of the proposal would not result in an immediate change in the service provided by Bank. Consequently, considerations relating to the convenience and needs of the community to be served are consistent with, but do not lend weight toward, approval of the application.

On the basis of all the circumstances concerning this application, the board concludes that the banking considerations involved in the proposal present adverse factors bearing upon the financial resources and future prospects of Applicant and Bank. These adverse factors are not outweighed by any procompetitive effects or by benefits to the convenience and needs of the relevant community. Accordingly, it is the board's judgment that approval of the application would not be in the public interest and that the application should be denied.

On the basis of the facts of record, the application is denied for the reasons summarized above.

By order of the Board of Governors, effective January 19, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Orders Under Section 4
of Bank Holding Company Act

Alaska Bancorporation,
Anchorage, Alaska

Order Approving Retention and Acquisition of Voting Shares of Alaska Bancshares, Inc.

Alaska Bancorporation, Anchorage, Alaska, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval, under § 4(c)(8) of the Act (12

[2] The relevant banking market is approximated by Nodaway County, Missouri, and the southern one-third of Page County, Iowa.

[3] Section 3(c) of the Act provides that the board must, in every case, consider, among other things, the financial and managerial resources of both the applicant company and the bank to be acquired. The board's action in this case is based on a consideration of such factors. See *Board of Governors of the Federal Reserve System* v. *First Lincolnwood Corporation*, 47 U.S.L.W. 4048 (December 11, 1978).

[4] See *Stuarco Oil Company, Inc.*, 61 FEDERAL RESERVE BULLETIN 178, 179 (1975); *BHCo, Inc.*, 60 FEDERAL RESERVE BULLETIN 123, 124 (1974).

U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to retain its 89.6 percent interest in Alaska Bancshares, Inc., Anchorage, Alaska ("Bancshares"), and to acquire additional voting shares of Bancshares so that Bancshares will become a wholly owned subsidiary of Applicant.[1] Bancshares engages in the activity of acting as agent or broker for the sale of life and accident insurance and health insurance in connection with extensions of credit by its banking subsidiary, Alaska Statebank, Anchorage, Alaska ("Bank").[2] Such activity has been determined by the board to be closely related to banking (12 C.F.R. § 225.4(a)(9)(ii)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 55820). The time for filing comments and views has expired, and the board has considered the application and all comments received in the light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, a one-bank holding company, became a bank holding company as a result of the 1970 Amendments to the Act, by virtue of its control of the majority of the voting shares of Bank. Applicant acquired a total of 65 percent of the voting shares of Bancshares during 1969 and 1970. Pursuant to the provisions of section 4 of the Act, Applicant has until December 31, 1980, to divest these shares of Bancshares or, in the alternative, to apply to the board for approval to retain them.[3]

Applicant is the fifth largest banking organization in Alaska by virtue of its control of Bank. Bank has deposits of $90.9 million, representing approximately 5.8 percent of the total deposits in commercial banks in the state.[4] Applicant does not engage in any other nonbanking activities.

Bancshares conducts its credit life and credit accident and health insurance agency business solely in connection with extensions of credit by Bank. Bank has a total of eight branches, located in three relevant markets in Alaska, at which Applicant offers credit-related insurance. Inasmuch as Bancshares had been engaged in its insurance agency activities for some time prior to its acquisition by Applicant, and Applicant was not engaging in any insurance activities at that time, it appears that the acquisition of Bancshares by Applicant did not eliminate any existing or potential competition between the two. Accordingly, the board concludes that Applicant's acquisition of Bancshares did not have any adverse effects on competition in any relevant area, and that its retention of Bancshares, as well as proposed acquisition of additional shares, would not have any adverse competitive effects.

Applicant's retention of Bancshares as its wholly owned subsidiary will ensure the continued availability of credit life and credit accident and health insurance to customers of Bank. Furthermore, there is no evidence in the record to indicate that consummation of the proposal would result in any undue concentration of resources, unfair competition, conflicts of interest or unsound banking practices. On the basis of the foregoing and other facts of record, the board concludes that the benefits to the public resulting from Applicant's acquisition of Bancshares outweigh any possible adverse effects that could have resulted from the

[1] The shares which Applicant seeks permission to retain include 666.666 common shares acquired in December 1974 and 768 common shares acquired in June 1976, as well as 804 preferred shares acquired in December 1976, all of which acquisitions were in violation of section 4 of the Act. The board has examined all of the circumstances surrounding Applicant's acquisition of these shares, including Applicant's correspondence with the Federal Reserve Bank of San Francisco concerning the proposed acquisitions, and the fact that Bancshares was authorized to continue to engage in its nonbanking activities on the basis of permanent grandfather privileges pursuant to the proviso contained in section 4(a)(2) of the Act, and has concluded that the violations were inadvertent and of a technical nature. Furthermore, when advised of the violations, Applicant acted responsibly and cooperated fully with the Federal Reserve System in seeking to resolve the matter. Accordingly, the board has concluded that the violations are not so serious as to require denial of this application.

[2] Bancshares is also engaged in impermissible real estate development activities, which Applicant has not applied for the board's approval to retain. Accordingly, pursuant to section 4(a)(2) of the Act, Applicant must divest its indirect interest in Bancshares' impermissible activities on or before December 31, 1980.

[3] Section 4 of the Act provides, *inter alia*, that nonbanking activities acquired between June 30, 1968, and December 31, 1970, by a company which becomes a bank holding company as a result of the 1970 Amendments may not be retained beyond December 31, 1980, without prior board approval. In December 1972, the board determined that Bancshares was entitled to engage in its nonbanking activities on the basis of permanent grandfather privileges pursuant to the proviso of section 4(a)(2) of the Act, since these activities had been commenced by Bancshares before June 30, 1969, but noted that Applicant, which acquired Bancshares in July 1969, was not entitled to grandfather rights for such activities (59 FEDERAL RESERVE BULLETIN 211 (1973)).

[4] Unless otherwise noted, all financial data are as of June 30, 1978.

affiliation, and in the board's view approval of Applicant's retention of Company as a wholly owned subsidiary can reasonably be expected to continue to produce benefits to the public that would outweigh possible adverse effects.

Based upon the foregoing and other considerations reflected in the record, the board has determined that the balance of the public interest factors the board is required to consider under § 4(c)(8) is favorable, and the application should be approved. Accordingly, the application is hereby approved. The acquisition shall be consummated no later than three months after the effective date of this Order unless such period is extended by the board or the Federal Reserve Bank of San Francisco. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the board finds necessary to assure compliance with the provisions and purposes of the Act and the board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective January 19, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

F&M National Corporation,
Winchester, Virginia

Order Denying Retention of Winchester Credit Corporation and its wholly owned subsidiary, Rouss Finance Company

F&M National Corporation, Winchester, Virginia, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the board's Regulation Y (12 C.F.R. § 225.4(b)(2)) to retain all of the voting shares of Winchester Credit Corporation ("Winchester"), and its wholly owned subsidiary, Rouss Finance Company ("Rouss"), both of Winchester, Virginia. Winchester engages in commercial, mortgage, and consumer lending, as well as installment sales financing. Rouss engages in consumer lending. In addition, both Winchester and Rouss act as agent in the sale of credit life and credit accident and health insurance directly related to such extensions of credit. Such activities have been determined by the board to be closely related to banking (12 C.F.R. § 225.4(a)(1) and (9)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 38940). The time for filing comments and views has expired, and the board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant controls two banks and is the 14th largest banking organization in Virginia, controlling aggregate deposits of $150.2 million, representing 0.9 per cent of the total deposits in commercial banks in the state.[1] Winchester and Rouss have assets of $5.5 million and $0.6 million, respectively, as of May 31, 1978. Applicant became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the Act, by virtue of its control at that time of Farmers and Merchants National Bank, Winchester, Virginia ("Bank"). Applicant acquired all of the outstanding shares of Winchester and its wholly owned subsidiary, Rouss, on July 10, 1970. Pursuant to the provisions of section 4 of the Act, Applicant has until December 31, 1980, to divest itself of its interest in Winchester and Rouss or, in the alternative, to apply for and secure the Board's approval to retain such interest.

In order to approve an application under section 4(c)(8) of the Act, the board must determine whether the activities of the company to be acquired or retained are "so closely related to banking or managing or controlling banks as to be a proper incident thereto." Where, as here, the activities of the subject company have been determined previously by regulation to be closely related to banking, the board is required to consider whether a bank holding company's operation of that company "can reasonably be expected to produce benefits to the public such as greater convenience, increased competition, or gains in

[1] Banking data are as of March 31, 1978, unless otherwise indicated.

efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices." This statutory test requires a positive showing by an applicant that the public benefits of its proposal outweigh the possible adverse effects. The board regards the standards under section 4(c)(8) of the Act for retention of shares to be the same as the standards for a proposed acquisition.

The relevant product market to be considered in evaluating the competitive effects of this proposal is the making of personal cash loans, and the board has previously determined that consumer finance companies compete with commercial banks in the area of personal loans.[2] At the time Applicant acquired Winchester and Rouss in 1970, Bank, which was then Applicant's sole banking subsidiary, was the largest of four banking organizations in the Winchester City/Frederick County banking market,[3] with deposits of $45.4 million, and controlled 19.8 percent of the market's personal cash loans. At that time, Winchester and Rouss, each of which had one office located in the same market as Bank, held assets of $1.1 million and $0.5 million, respectively, and controlled 2.3 percent and 1.2 percent, respectively, of the market's personal cash loans. Thus, in the aggregate, Applicant controlled 23.3 percent of the market's personal cash loans in 1970. By year-end 1977, Bank's market share had grown to 26.2 percent, while the market shares of Winchester and Rouss were 2.1 percent, and 1.7 percent, respectively. Thus, Applicant's market share of personal cash loans had increased to 30 percent by year-end 1977.[4] The facts of record indicate that the acquisition of Winchester and Rouss by Applicant in 1970 eliminated a significant amount of existing competition in the relevant market and, as a result, Applicant has further increased its share of the market's personal cash loans. Accordingly, in the board's view, the adverse effects upon competition resulting from the acquisition by Applicant of Winchester and Rouss weigh against approval of this application.

[2] See *Bankers Trust Corporation* (Public Loan Company), 59 Federal Reserve Bulletin 694 (1973).

[3] The Winchester City/Frederick County banking market is comprised of the city of Winchester and the surrounding county of Frederick.

[4] Applicant also engages in consumer lending through Peoples Loans, Incorporated, Luray, Virginia, a nonbank subsidiary located outside the relevant banking market, acquired on October 30, 1974, pursuant to board approval.

As stated above, Applicant must bear the burden of showing that the benefits to the public that have resulted or will result from the application outweigh in the public interest the adverse effects. However, it appears from the facts of record that any public benefits stemming from the acquisition of Winchester and Rouss could have been achieved by Applicant on a *de novo* basis or through Bank without the elimination of two alternative sources of competition in the market.

Based upon the foregoing and other considerations reflected in the record, the board has determined that the balance of the public interest factors the board is required to consider under section 4(c)(8) is not favorable. Accordingly, this application is denied.

By order of the Board of Governors, effective January 12, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) Griffith L. Garwood,
[seal] *Deputy Secretary of the Board.*

NCNB Corporation,
Charlotte, North Carolina

Order Approving
Retention of NCNB Mortage Company

NCNB Corporation, Charlotte, North Carolina, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the board's Regulation Y (12 C.F.R. § 225.4(b)(2)) to retain NCNB Mortgage Company, Charlotte, North Carolina ("Company"), a company that engages in the activities of mortgage banking, including originating, and servicing for its own account and the account of others, conventional and guaranteed residential, apartment, commercial, and industrial loans. Company also acts as agent for the sale of credit life insurance and credit accident and health insurance directly related to its extensions of credit. Such activities have been determined by the board to be closely related to banking (12 C.F.R. § 225.4(a)(1),(3), and (9)).[1]

[1] Company also engages, through six subsidiaries, in real estate development activities that are impermissible for a bank holding company. Under section 4(a)(2) of the Act, these

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 45644). The time for filing comments and views has expired, and the board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, a one-bank holding company, became a bank holding company as a result of the 1970 Amendments to the Act by virtue of its control of North Carolina National Bank, Charlotte, North Carolina ("Bank"). Company was organized as a subsidiary of Applicant on December 6, 1968. Pursuant to the provisions of section 4 of the Act, Applicant has until December 31, 1980, to divest its interest in Company or, in the alternative, to apply to secure the board's approval to retain such interest.[2] The board regards the standards under section 4(c)(8) for retention of shares to be the same as the standards for a proposed acquisition of a 4(c)(8) activity.

Applicant is the second largest banking organization in North Carolina by virtue of its control of Bank, which has deposits of $2.5 billion, representing 17.2 percent of the total deposits in commercial banks in the state.[3] In addition to engaging in mortgage banking and related insurance activities in North Carolina through Company, Applicant engages through subsidiaries in a variety of nonbanking activities, including consumer finance, mortgage banking outside of North Carolina, factoring, providing trust services, and acting as an investment advisor. Company was established by Applicant in 1968 to assume the mortgage banking business of Bank, including the assets of two small mortgage companies acquired by Bank in 1965 and 1967. While at the time of acquisition Bank also conducted mortgage business in the same markets as these two companies, from the information available, it does not appear that the effects of the acquisition on existing competition were significant.

Company operates 17 offices in six markets in North Carolina, as well as Atlanta, Georgia, and Orlando, Florida. As of December 31, 1977, Company, with a real estate mortgage servicing portfolio of $722 million, ranked 58th among all mortgage companies in the United States. Company engages principally in the origination and servicing of 1-4 family residential mortgage loans in six local markets in North Carolina. In 1977 Company originated an aggregate of $93 million 1-4 family residential loans in North Carolina. Bank also engages in originating 1-4 family residential mortgages in the six North Carolina markets where Company is represented. However, in 1977 Company and Bank originated $94.8 million of 1 to 4 family residential mortgages in North Carolina, representing from 2.0 to 5.1 percent of such loans in the relevant markets where both Company and Bank operate, and a combined average of 3.9 percent of such loans. In view of the small market shares held by Bank and Company, Applicant cannot be regarded as dominant in the mortgage lending market in any relevant area. The board concludes, based on all the facts of record, that Applicant's acquisition did not have any significant adverse effects on competition in any relevant area. Furthermore, there is no evidence in the record indicating that the proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other adverse effects.

It appears that Applicant's acquisition of Company has produced benefits to the public such as greater efficiency in processing loans. In particular, Applicant has installed a new data processing system which has enabled Company to improve its mortgage servicing activities. In addition, Applicant has, through Company, actively participated in government programs designed to expand the availability of low and moderate income housing. These benefits to the public are consistent with approval of the subject application, and it is the board's view that approval of Applicant's retention of Company can reasonably be expected to continue to produce benefits to the public that would outweigh possible adverse effects.

Based upon the foregoing and other considerations reflected in the record, the board has determined that the balance of the public interest

activities may not be retained beyond December 31, 1980, and Applicant has committed to the board that it will discontinue these activities by divesting these subsidiaries by December 31, 1980. In addition, Company has four other subsidiaries engaged in nonbanking activities for which Applicant claims other exemptions under the Act. Accordingly, Applicant has not applied for the board's approval to retain such subsidiaries, and the board's action herein does not pertain to such subsidiaries.

[2] Section 4 of the Act provides, *inter alia*, that nonbanking activities acquired between June 30, 1968, and December 31, 1970, by a company that becomes a bank holding company as a result of the 1970 Amendments may not be retained beyond December 31, 1980, without board approval.

[3] All banking data are as of June 30, 1978.

factors the board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the board finds necessary to assure compliance with the provisions and purposes of the Act and the board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective January 12, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Certifications Under the Bank Holding Company Tax Act of 1976

Northwestern Financial Corporation,
North Wilkesboro, North Carolina

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976

[*Docket No. TCR 76-170*]

Northwestern Financial Corporation, North Wilkesboro, North Carolina ("Northwestern"), has requested a prior certification pursuant to § 6158(a) of the Internal Revenue Code (the "Code"), as amended by § 3(a) of the Bank Holding Company Tax Act of 1976 (the "Tax Act"), that its proposed sale of all the 1,100,000 issued and outstanding shares of Northwestern Security Life Insurance Company, Phoenix, Arizona ("Company"), held by Northwestern, is necessary or appropriate to effectuate § 4 of the Bank Holding Company Act (12 U.S.C. § 1843) ("BHC Act"). The shares of Company are to be sold to The Central National Life Insurance Company of Omaha, Omaha, Nebraska, a subsidiary of Beneficial Corporation, Wilmington, Delaware ("Beneficial"), for $12,580,000 in cash.

In connection with this request, the following information is deemed relevant for purposes of issuing the requested certification:[1]

1. Northwestern is a corporation organized under the laws of the state of North Carolina on January 10, 1969. On August 1, 1969, Northwestern acquired ownership and control of 99.8 percent of the outstanding voting shares of The Northwestern Bank, North Wilkesboro, North Carolina ("Bank").

2. Northwestern became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the board on November 26, 1971. Northwestern would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on that date, by virtue of its ownership and control on that date of more than 25 percent of the voting shares of Bank. Northwestern currently owns and controls 99.8 percent of the outstanding voting shares of Bank.

3. Company is a wholly owned subsidiary of Northwestern acquired by merger on June 30, 1969. Since 1959 Company has engaged in the insurance business, and is currently engaged in the activity of underwriting all types of ordinary, term, group, and credit life insurance, a hospital benefit plan, and accident and health insurance. Northwestern owns and controls the 1,100,000 issued and outstanding shares of Company, all of which it acquired before July 7, 1970.

4. Northwestern did not file an application with the board, and did not otherwise obtain the board's approval pursuant to § 4(c)(8) of the BHC Act, to retain the shares of Company or engage in the activities carried on by Company.[2]

5. On January 4, 1979, Northwestern concluded negotiations with Beneficial for a Stock Purchase Agreement providing for the sale of the shares of Company to a subsidiary of Beneficial for cash. Neither Beneficial nor any of its subsidiaries is indebted to Northwestern or its subsidiaries.

[1] This information derives from Northwestern's correspondence with the board concerning its request for this certification, Northwestern's Registration Statement filed with the board pursuant to the BHC Act, and other records of the board.

[2] Some or all of Company's activities may be among those activities that the board previously has determined to be closely related to banking under § 4(c)(8) of the BHC Act. However, in the absence of approval by the board of an application by Northwestern to retain Company, Northwestern may not retain the shares of Company beyond December 31, 1980. (*Cf. Wachovia Corp.*, Docket No. TCR 76-132, 63 FEDERAL RESERVE BULLETIN 606 (May 9, 1977)).

6. No director, officer, or employee with policy making functions of Northwestern or any of its subsidiaries (including honorary and advisory directors) holds any such position with Beneficial or any subsidiary thereof.

7. Northwestern does not control in any manner the election of a majority of the directors, or exercise a controlling influence over the management or policies of Beneficial or its subsidiaries.

On the basis of the foregoing information, it is hereby certified that:

(A) Northwestern is a qualified bank holding corporation within the meaning of section 6158(F)(1) and section 1103(b) of the Code, and satisfies the requirements of section 1103(b);

(B) the shares of Company proposed to be sold by Northwestern are "prohibited property" within the meaning of sections 6158(F)(2) and 1103(c) of the Code; and

(C) the sale of the shares of Company by Northwestern is necessary or appropriate to effectuate § 4 of the BHC Act.

This certification is based upon the representations made to the board by Northwestern and upon the facts set forth above. In the event the board should hereafter determine that facts material to this certification are otherwise than as represented by Northwestern, or that Northwestern has failed to disclose to the board other material facts, it may revoke this certification.

By order of the Board of Governors acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(3), effective January 8, 1979.

(Signed) GRIFFITH L. GARWOOD,

[SEAL] *Deputy Secretary of the Board.*

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During January 1979, the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	*Bank(s)*	*Board action (effective date)*
Capital Management, Inc., Lincoln, Nebraska	Broken Bow Enterprises, Inc., Broken Bow, Nebraska	1/29/79
Chenoa Corporation, Farmer City, Illinois	Bank of Chenoa, Chenoa, Illinois	1/15/79
Lockney Bancshares, Inc., Lockney, Texas	First National Bank in Lockney, Lockney, Texas	1/19/79
Miles Service Corporation, Miles, Iowa	Miles Savings Bank, Miles, Iowa	1/12/79
Northwest Ohio Bancshares, Inc., Toledo, Ohio	The Willard United Bank, Willard, Ohio	1/26/79
Palisade Bancshares, Inc., Palisade, Colorado	The Palisade National Bank, Palisade, Colorado	1/25/79
South Plains Bancshares, Inc., Idalou, Texas	Idalou State Bank, Idalou, Texas	1/12/79
T & C Bancorp, Inc., St. Joseph, Missouri	Town and Country Bank, Quincy, Illinois	1/15/79

Section 4

Applicant	Nonbanking company (or activity)	Effective date
Chenoa Corporation, Farmer City, Illinois	To act as agent or broker for the sale of insurance directly related to extensions of credit by Bank	1/15/79

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies of the orders are available upon request to the Reserve Banks.

Section 4

Applicant	Bank(s)	Reserve Bank	Effective date
CB & T Bancshares, Inc., Columbus, Georgia	Security Bank and Trust Company of Albany, Albany, Georgia	Atlanta	1/23/79
Central Wisconsin Bancshares, Inc., Wausau, Wisconsin	Community State Bank, Eau Claire, Wisconsin	Chicago	1/15/79

ORDERS APPROVED UNDER BANK MERGER ACT

Applicant	Bank(s)	Reserve Bank	Effective date
Central Bank of Northern Virginia, Bailey's Crossroads, Virginia	First Manassas Bank and Trust Company, Manassas, Virginia	Richmond	1/15/79
Fidelity American Bank, Norfolk, Virginia	Fidelity American Bank, Eastern Shore, Parksley, Virginia	Richmond	1/25/79
United Jersey Bank, Hackensack, New Jersey	United Jersey Bank/South Bergen, Carlstadt, New Jersey	New York	1/25/79

Pending Cases Involving the Board of Governors

Does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

California Life Corporation v. *Board of Governors*, filed January 1979, U.S.C.A. for the District of Columbia.

Hunter Holding Company v. *Board of Governors*, filed December 1978, U.S.C.A. for the Eighth Circuit.

Consumers Union of the United States v. *G. William Miller, et al.*, filed December 1978, U.S.D.C. for the District of Columbia.

Commercial National Bank, et al., v. *Board of Governors*, filed December 1978, U.S.C.A. for the District of Columbia.

Ella Jackson et al., v. *Board of Governors*, filed November 1978, U.S.C.A. for the Fifth Circuit.

Metro-North State Bank, Kansas City v. *Board of Governors*, filed October 1978, U.S.C.A. for the Eighth Circuit.

Manchester-Tower Grove Community Organization/ACORN v. *Board of Governors*, filed September 1978, U.S.C.A. for the District of Columbia.

Beckley v. *Board of Governors*, filed July 1978, U.S.D.C. for the Northern District of Illinois.

Independent Bankers Association of Texas v. *First National Bank in Dallas, et al.*, filed July 1978, U.S.C.A. for the Northern District of Texas.

Mid-Nebraska Bancshares, Inc. v. *Board of Governors*, filed July 1978, U.S.C.A. for the District of Columbia.

NCNB Corporation v. *Board of Governors*, filed June 1978, U.S.C.A. for the Fourth Circuit.

United States League of Savings Associations v. *Board of Governors*, filed May 1978, U.S.D.C. for the District of Columbia.

Citicorp v. *Board of Governors*, filed March 1978, U.S.C.A. for the Second Circuit.

Security Bancorp and Security National Bank v. *Board of Governors*, filed March 1978, U.S.C.A. for the Ninth Circuit.

Michigan National Corporation v. *Board of Governors*, filed January 1978, U.S.C.A. for the Sixth Circuit.

Wisconsin Bankers Association v. *Board of Governors*, filed January 1978, U.S.C.A. for the District of Columbia.

Vickars-Henry Corp. v. *Board of Governors*, filed December 1977, U.S.C.A. for the Ninth Circuit.

Emch v. *The United States of America, et al.*, filed November 1977, for the Eastern District of Wisconsin.

Central Bank v. *Board of Governors*, filed October 1977, U.S.C.A. for the District of Columbia.

Investment Company Institute v. *Board of Governors*, filed September 1977, U.S.D.C. for the District of Columbia.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.D.C. for the Northern District of California.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.C.A. for the Ninth Circuit.

Roberts Farms, Inc. v. *Comptroller of the Currency, et al.*, filed November 1975, U.S.D.C. for the Southern District of California.

Florida Association of Insurance Agents, Inc. v. *Board of Governors*, and *National Association of Insurance Agents, Inc.* v. *Board of Governors*, filed August 1975, actions consolidated in U.S.C.A. for the Fifth Circuit.

David R. Merrill, et al., v. *Federal Open Market Committee of the Federal Reserve System*, filed May 1975, U.S.D.C. for the District of Columbia.

Bankers Trust New York Corporation v. *Board of Governors*, filed May 1973, U.S.C.A. for the Second Circuit.

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INTEREST AND EXCHANGE RATES

1.10 MONETARY AGGREGATES AND INTEREST RATES

	Item	1978 Q1	1978 Q2	1978 Q3	1978 Q4	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.
		Monetary and credit aggregates (annual rates of change, seasonally adjusted in per cent)[12]								
	Member bank reserves									
1	Total	8.9	6.2	8.6	3.1	−5.0	8.6	5.4	−3.5	6.1
2	Required	8.8	6.7	8.6	2.8	−4.2	8.0	6.1	−5.3	6.1
3	Nonborrowed	14.5	0.6	6.6	5.4	0.2	11.3	−0.9	13.5	1.3
	Concepts of money[1]									
4	M-1	6.6	9.2	8.1	4.4	8.5	13.8	1.7	−2.0	1.7
5	M-1+	5.0	7.2	6.0	2.5	7.2	12.1	0.8	−4.9	−1.4
6	M-2	7.0	8.4	9.9	7.7	11.6	13.0	6.5	4.7	2.7
7	M-3	8.1	8.4	10.4	9.4	11.5	13.4	8.9	6.7	5.6
	Time and savings deposits									
	Commercial banks:									
8	Total	12.5	11.5	11.3	12.4	10.9	12.7	8.5	21.9	5.1
9	Savings	2.0	3.8	2.3	−0.9	4.8	9.7	−1.6	−9.6	−7.5
10	Other time	11.7	11.4	18.5	19.2	21.2	14.8	19.3	24.5	12.0
11	Thrift institutions[2]	9.7	8.5	11.1	11.7	11.3	14.0	12.0	9.8	9.7
12	Total loans and investments at commercial banks[3]	10.1	14.9	10.8	7.7	5.1	9.7	9.8	6.7	1.1

	Item	1978 Q1	1978 Q2	1978 Q3	1978 Q4	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.
		Interest rates (levels, per cent per annum)								
	Short-term rates									
13	Federal funds[4]	6.76	7.28	8.09	9.58	8.45	8.96	9.76	10.03	10.07
14	Federal Reserve discount[5]	6.46	6.78	7.50	9.09	7.83	8.26	9.50	9.50	9.50
15	Treasury bills (3-month market yield)[6]	6.39	6.48	7.31	8.57	7.85	7.99	8.64	9.08	9.35
16	Commercial paper (90- to 119-day)[6,7]	6.76	7.16	8.03	9.83	8.39	8.98	10.14	10.37	10.25
	Long-term rates									
	Bonds:									
17	U.S. government[8]	8.19	8.43	8.53	8.78	8.47	8.69	8.75	8.90	8.98
18	State and local government[9]	5.65	6.02	6.16	6.28	6.09	6.13	6.19	6.51	6.47
19	Aaa utility (new issue)[10]	8.70	8.98	8.94	9.23	8.86	9.17	9.27	9.28	9.54
20	Conventional mortgages[11]	9.23	9.58	9.80	r10.12	9.80	9.95	10.10	r10.30	10.30

1 M-1 equals currency plus private demand deposits adjusted.

M-1 + equals M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M-2 equals M-1 plus bank time and savings deposits other than large negotiable certificates of deposit (CDs).

M-3 equals M-2 plus deposits at mutual savings banks, savings and loan associations, and credit union shares.

2 Savings and loan associations, mutual savings banks, and credit unions.

3 Quarterly changes calculated from figures shown in table 1.23.

4 Seven-day averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).

5 Rate for the Federal Reserve Bank of New York.

6 Quoted on a bank-discount basis.

7 Beginning Nov. 1977, unweighted average of offering rates quoted by five dealers. Previously, most representative rate quoted by these dealers.

8 Market yields adjusted to a 20-year maturity by the U.S. Treasury.

9 *Bond Buyer* series for 20 issues of mixed quality.

10 Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.

11 Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.

12 Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

	Factors	Monthly averages of daily figures			Weekly averages of daily figures for weeks ending—						
		1978		1979	1978		1979				
		Nov.	Dec.	Jan.p	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24p	Jan. 31p
	SUPPLYING RESERVE FUNDS										
1	**Reserve Bank credit outstanding**	**129,544**	**129,330**	**128,805**	**129,644**	**131,307**	**132,678**	**128,914**	**129,659**	**127,746**	**126,657**
2	*U.S. government securities*[1]	*111,243*	*109,255*	*105,287*	*109,902*	*107,835*	*110,306*	*104,737*	*107,131*	*104,725*	*102,629*
3	Bought outright	110,728	108,780	105,151	109,798	107,375	109,032	104,737	107,131	104,725	102,629
4	Held under repurchase agreement	515	475	136	104	460	1,274	....	....	....	....
5	*Federal agency securities*	*8,109*	*8,089*	*7,905*	*7,942*	*8,212*	*8,225*	*7,892*	*7,892*	*7,889*	*7,832*
6	Bought outright	7,928	7,897	7,878	7,896	7,896	7,895	7,892	7,892	7,889	7,832
7	Held under repurchase agreement	181	192	27	46	316	330	....	....	....	....
8	Acceptances	180	167	56	6	110	574	....	....	....	....
9	Loans	722	874	994	568	1,413	1,183	686	896	924	1,427
10	Float	6,588	7,423	9,938	7,322	9,264	7,917	11,088	9,354	9,859	9,471
11	Other Federal Reserve assets	2,702	3,522	4,625	3,904	4,473	4,472	4,512	4,386	4,349	5,299
12	Gold stock	11,645	11,635	11,625	11,611	11,628	11,671	11,660	11,609	11,608	11,603
13	Special Drawing Rights certificate account	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
14	Treasury currency outstanding	11,779	11,826	11,867	11,822	11,844	11,838	11,850	11,864	11,875	11,888
	ABSORBING RESERVE FUNDS										
15	Currency in circulation	110,929	113,395	112,341	113,329	114,377	114,720	113,761	112,599	111,437	110,552
16	Treasury cash holdings	278	260	250	261	245	242	246	247	249	261
	Deposits, other than member bank reserves with F.R. Banks:										
17	Treasury	8,186	3,931	3,379	3,748	4,952	3,882	3,116	3,302	3,420	3,477
18	Foreign	289	301	288	292	320	334	341	277	269	256
19	Other[2]	540	724	826	666	620	1,204	710	786	858	789
20	Other F.R. liabilities and capital	4,193	4,322	4,522	4,367	4,548	4,343	4,417	4,490	4,593	4,658
21	Member bank reserves with F.R. Banks	29,853	31,158	31,991	31,715	31,018	32,765	31,133	32,731	31,703	31,456

		End-of-month figures			Wednesday figures						
		1978		1979	1978		1979				
		Nov.	Dec.	Jan.p	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24p	Jan. 31p
	SUPPLYING RESERVE FUNDS										
22	**Reserve bank credit outstanding**	**131,605**	**131,327**	**126,053**	**130,778**	**137,791**	**131,905**	**126,066**	**132,291**	**128,477**	**126,053**
23	*U.S. government securities*[1]	*113,305*	*110,562*	*101,279*	*107,104*	*111,639*	*106,896*	*102,833*	*102,373*	*105,724*	*101,279*
24	Bought outright	113,305	109,478	101,279	107,104	109,583	106,755	102,833	102,373	105,724	101,279
25	Held under repurchase agreement	....	1,084	....	....	2,056	141	....	....	....	....
26	*Federal agency securities*	*7,899*	*8,029*	*7,507*	*7,896*	*9,165*	*7,901*	*7,892*	*7,892*	*7,886*	*7,507*
27	Bought outright	7,899	7,896	7,507	7,896	7,896	7,892	7,892	7,892	7,886	7,507
28	Held under repurchase agreement	....	133	....	....	1,269	9	....	....	....	....
29	Acceptances	....	587	....	....	444	303	....	....	....	....
30	Loans	813	1,174	4,364	504	3,110	615	759	2,043	1,081	4,364
31	Float	7,238	6,432	7,227	10,932	8,812	11,775	10,318	15,305	9,392	7,227
32	Other Federal Reserve assets	2,350	4,543	5,676	4,342	4,621	4,415	4,264	4,678	4,394	5,676
33	Gold stock	11,642	11,671	11,592	11,611	11,671	11,671	11,624	11,608	11,608	11,592
34	Special Drawing Rights certificate account	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
35	Treasury currency outstanding	11,790	11,831	11,909	11,822	11,846	11,847	11,854	11,870	11,882	11,909
	ABSORBING RESERVE FUNDS										
36	Currency in circulation	112,072	114,645	110,683	114,075	115,227	114,786	113,478	112,294	111,158	110,683
37	Treasury cash holdings	267	240	264	250	241	245	249	244	249	264
	Deposits, other than member bank reserves with F.R. Banks:										
38	Treasury	6,587	4,196	3,522	4,500	3,540	3,578	2,286	3,061	3,432	3,522
39	Foreign	379	368	339	275	285	270	234	316	291	339
40	Other[2]	567	1,256	874	582	613	754	653	712	853	874
41	Other F.R. liabilities and capital	4,545	4,275	4,594	4,499	4,704	4,169	4,345	4,542	4,596	4,594
42	Member bank reserves with F.R. Banks	31,919	31,152	30,578	31,329	37,999	32,921	29,600	35,900	32,688	30,578

1 *Includes* securities loaned—fully guaranteed by U.S. govt. securities pledged with F.R. Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

2 Includes certain deposits of foreign-owned banking institutions voluntarily held with member banks and redeposited in full with Federal Reserve Banks.

NOTE. For amounts of currency and coin held as reserves, see Table 1.12.

1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

	Reserve classification	Monthly averages of daily figures									
		1977	1978								1979
		Dec.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
	All member banks										
	Reserves:										
1	At F.R. Banks	27,057	27,890	27,840	28,570	28,079	28,010	28,701	29,853	31,158	31,991
2	Currency and coin	9,351	9,151	9,345	9,542	9,512	9,605	9,654	9,794	10,330	11,099
3	*Total held*[1]	*36,471*	*37,119*	*37,262*	*38,189*	*37,666*	*37,689*	*38,434*	*39,728*	*41,572*	*43,221*
4	Required	36,297	36,867	37,125	38,049	37,404	37,614	38,222	39,423	41,447	42,873
5	Excess[1]	174	252	137	140	262	75	212	305	125	348
	Borrowings at F.R. Banks:[2]										
6	Total	558	1,227	1,111	1,286	1,147	1,068	1,261	722	874	994
7	Seasonal	54	93	120	143	188	191	221	185	134	106
	Large banks in New York City										
8	*Reserves held*	*6,244*	*6,315*	*6,341*	*6,606*	*6,334*	*6,182*	*6,428*	*6,682*	*7,120*	*7,677*
9	Required	6,279	6,236	6,376	6,581	6,290	6,251	6,349	6,658	7,243	7,690
10	Excess	−35	79	−35	25	44	−69	79	24	−123	−13
11	Borrowings[2]	48	113	54	129	58	78	157	48	99	117
	Large banks in Chicago										
12	*Reserves held*	*1,593*	*1,697*	*1,668*	*1,708*	*1,648*	*1,655*	*1,672*	*1,791*	*1,907*	*1,986*
13	Required	1,613	1,669	1,670	1,707	1,646	1,650	1,649	1,765	1,900	2,010
14	Excess	−20	28	−2	1	2	5	23	26	7	−24
15	Borrowings[2]	26	19	20	20	3	35	14	4	10	22
	Other large banks										
16	*Reserves held*	*13,993*	*14,106*	*14,250*	*14,553*	*14,502*	*14,564*	*14,862*	*15,547*	*16,446*	*16,873*
17	Required	13,931	14,079	14,225	14,569	14,423	14,541	14,867	15,447	16,342	16,930
18	Excess	62	27	25	−16	79	23	−5	100	104	−57
19	Borrowings[2]	243	500	536	499	417	363	408	194	276	269
	All other banks										
20	*Reserves held*	*14,641*	*15,001*	*15,003*	*15,322*	*15,182*	*15,288*	*15,472*	*15,708*	*16,099*	*16,253*
21	Required	14,474	14,883	14,854	15,192	15,045	15,172	15,357	15,553	15,962	16,243
22	Excess	167	118	149	130	137	116	115	155	137	10
23	Borrowings[2]	241	595	501	638	669	592	682	476	489	586

	Reserve classification	Weekly averages of daily figures for weeks ending—									
		1978					1979				
		Nov. 29	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24[p]	Jan. 31[p]
	All member banks										
	Reserves:										
24	At F.R. Banks	31,416	31,328	30,139	31,715	31,018	32,765	31,133	32,731	31,703	31,456
25	Currency and coin	9,785	10,056	10,843	10,006	10,258	10,538	10,450	11,991	11,169	11,025
26	*Total held*[1]	*41,283*	*41,465*	*41,063*	*41,802*	*41,357*	*43,420*	*41,722*	*44,860*	*42,996*	*42,608*
27	Required	41,130	41,138	40,911	41,565	41,412	42,694	41,844	44,456	42,991	42,278
28	Excess[1]	153	327	152	237	−55	726	−122	404	5	330
	Borrowings at F.R. Banks:[2]										
29	Total	792	698	591	568	1,413	1,183	686	896	924	1,427
30	Seasonal	180	150	131	131	131	119	93	98	105	114
	Large banks in New York City										
31	*Reserves held*	*6,968*	*7,300*	*7,122*	*7,391*	*6,871*	*7,933*	*7,204*	*8,472*	*7,451*	*7,292*
32	Required	6,980	7,236	7,130	7,300	7,025	7,734	7,360	8,379	7,658	7,345
33	Excess	−12	64	−8	91	−154	199	−156	93	−207	−53
34	Borrowings[2]	31	....	....	....	330	143	....	169	14	299
	Large banks in Chicago										
35	*Reserves held*	*1,886*	*1,891*	*1,862*	*1,945*	*1,883*	*1,964*	*1,959*	*2,261*	*1,845*	*1,903*
36	Required	1,881	1,913	1,867	1,950	1,849	1,944	1,955	2,224	1,941	1,950
37	Excess	5	−22	−5	−5	34	20	4	37	−96	−47
38	Borrowings[2]	6	....	10	6	29	9	3	....	3	90
	Other large banks										
39	*Reserves held*	*16,323*	*16,206*	*16,174*	*16,383*	*16,391*	*17,120*	*16,459*	*17,545*	*17,054*	*16,722*
40	Required	16,255	16,093	16,133	16,377	16,439	16,846	16,519	17,488	17,001	16,748
41	Excess	68	113	41	6	−48	274	−60	57	53	−26
42	Borrowings[2]	236	176	193	106	488	470	241	234	199	339
	All other banks										
43	*Reserves held*	*16,106*	*16,068*	*15,905*	*16,083*	*16,212*	*16,403*	*16,100*	*16,582*	*16,257*	*16,353*
44	Required	16,014	15,896	15,781	15,938	16,099	16,170	16,010	16,365	16,391	16,235
45	Excess	92	172	124	145	113	233	90	217	−134	118
46	Borrowings[2]	519	522	388	456	566	561	442	493	708	699

1 Adjusted to include waivers of penalties for reserve deficiencies in accordance with board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merges into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.

2 Based on closing figures.

1.13 FEDERAL FUNDS TRANSACTIONS Money Market Banks

Millions of dollars, except as noted

	Type	1978, week ending—				1979, week ending—				
		Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
		Total, 46 banks								
	Basic reserve position									
1	Excess reserves[1]	169	127	166	−40	331	−36	65	−11	46
	LESS:									
2	Borrowings at F.R. Banks	62	81	1	590	226	79	211	42	439
3	Net interbank federal funds transactions	15,823	17,468	15,421	15,136	14,813	17,623	17,052	15,248	12,928
	EQUALS: Net surplus, or deficit (−):									
4	Amount	−15,716	−17,422	−15,256	−15,765	−14,708	−17,737	−17,199	−15,301	−13,321
5	*Percent of average required reserves*	*87.7*	*97.7*	*83.7*	*88.1*	*77.8*	*96.7*	*85.2*	*81.4*	*72.6*
	Interbank federal funds transactions									
	Gross transactions:									
6	Purchases	23,567	23,265	23,624	22,886	23,480	24,357	23,953	22,400	20,855
7	Sales	7,744	5,797	8,203	7,750	8,667	6,734	6,901	7,152	7,927
8	Two-way transactions[2]	5,965	4,952	6,135	5,854	6,329	5,421	5,471	5,315	6,370
	Net transactions:									
9	Purchases of net buying banks	17,602	18,313	17,489	17,032	17,151	18,936	18,482	17,085	14,485
10	Sales of net selling banks	1,778	845	2,068	1,896	2,339	1,313	1,429	1,836	1,558
	Related transactions with U.S. government securities dealers									
11	Loans to dealers[3]	3,833	5,153	3,857	4,606	3,062	5,101	3,114	3,988	4,697
12	Borrowing from dealers[4]	1,831	1,590	1,226	1,865	1,679	1,232	1,146	1,414	1,336
13	Net loans	2,002	3,564	2,631	2,740	1,382	3,869	1,968	2,573	3,361
		8 banks in New York City								
	Basic reserve position									
14	Excess reserves[1]	48	37	128	−61	169	−37	47	−9	−21
	LESS:									
15	Borrowings at F.R. Banks	...	...	...	312	143	...	162	14	272
16	Net interbank federal funds transactions	2,529	4,136	2,816	3,134	4,214	4,145	4,226	2,480	2,050
	EQUALS: Net surplus, or deficit (−):									
17	Amount	−2,481	−4,099	−2,688	−3,507	−4,188	−4,182	−4,341	−2,503	−2,344
18	*Percent of average required reserves*	*37.8*	*63.4*	*40.6*	*55.1*	*59.5*	*62.6*	*57.0*	*36.2*	*35.4*
	Interbank federal funds transactions									
	Gross transactions:									
19	Purchases	4,281	4,894	4,940	4,658	5,299	5,078	5,227	4,142	3,674
20	Sales	1,752	758	2,124	1,523	1,085	933	1,001	1,663	1,623
21	Two-way transactions[2]	1,182	758	1,500	1,379	1,085	933	1,001	1,224	1,449
	Net transactions:									
22	Purchases of net buying banks	3,099	4,136	3,440	3,278	4,214	4,145	4,226	2,919	2,225
23	Sales of net selling banks	570	...	624	144	...	...	...	439	175
	Related transactions with U.S. government securities dealers									
24	Loans to dealers[3]	2,114	2,970	2,382	3,066	1,896	3,206	1,790	2,366	2,987
25	Borrowing from dealers[4]	659	609	450	420	382	399	394	426	377
26	Net loans	1,455	2,361	1,932	2,646	1,514	2,807	1,396	1,940	2,610
		38 banks outside New York City								
	Basic reserve position									
27	Excess reserves[1]	121	91	38	21	163	1	18	−2	67
	LESS:									
28	Borrowings at F.R. Banks	62	81	1	278	83	79	50	27	166
29	Net interbank federal funds transactions	13,294	13,332	12,605	12,002	10,600	13,478	12,826	12,769	10,878
	EQUALS: Net surplus, or deficit (−):									
30	Amount	−13,235	−13,323	−12,567	−12,258	−10,520	−13,555	−12,858	−12,798	−10,977
31	*Percent of average required reserves*	*116.5*	*117.2*	*108.3*	*106.3*	*88.7*	*116.2*	*102.3*	*107.7*	*93.6*
	Interbank federal funds transactions									
	Gross transactions:									
32	Purchases	19,286	18,371	18,684	18,229	18,182	19,279	18,726	18,258	17,182
33	Sales	5,992	5,039	6,079	6,227	7,582	5,801	5,900	5,489	6,304
34	Two-way transactions[2]	4,783	4,194	4,635	4,475	5,245	4,488	4,470	4,092	4,921
	Net transactions:									
35	Purchases of net buying banks	14,503	14,177	14,049	13,754	12,937	14,791	14,256	14,166	12,260
36	Sales of net selling banks	1,208	845	1,444	1,752	2,339	1,313	1,429	1,397	1,383
	Related transactions with U.S. government securities dealers									
37	Loans to dealers[3]	1,718	2,183	1,475	1,540	1,166	1,895	1,324	1,622	1,710
38	Borrowing from dealers[4]	1,172	981	776	1,446	1,297	833	752	989	959
39	Net loans	547	1,202	699	94	−131	1,062	572	633	751

For notes see end of table.

1.13 Continued

	Type	1978, week ending—				1979, week ending—				
		Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
		5 banks in City of Chicago								
	Basic reserve position									
40	Excess reserves[1]	19	15	−19	23	37	17	45	22	17
	LESS:									
41	Borrowings at F.R. Banks	....	....	....	29	....	....	....	....	80
42	Net interbank federal funds transactions	5,424	5,930	6,477	6,025	5,379	6,131	5,880	5,207	4,597
	EQUALS: Net surplus, or deficit (−):									
43	Amount	−5,405	−5,915	−6,497	−6,030	−5,341	−6,114	−5,835	−5,184	−4,661
44	*Percent of average required reserves*	*304.1*	*341.6*	*355.2*	*348.9*	*293.3*	*333.9*	*278.1*	*284.9*	*255.1*
	Interbank federal funds transactions									
	Gross transactions:									
45	Purchases	7,030	7,082	7,704	7,183	6,746	7,309	7,168	6,708	6,123
46	Sales	1,606	1,153	1,226	1,158	1,368	1,179	1,288	1,501	1,525
47	Two-way transactions[2]	1,606	1,153	1,189	1,101	1,290	1,136	1,218	1,428	1,505
	Net transactions:									
48	Purchases of net buying banks	5,424	5,930	6,515	6,083	5,456	6,173	5,950	5,280	4,618
49	Sales of net selling banks	....	....	38	58	77	42	69	73	20
	Related transactions with U.S. government securities dealers									
50	Loans to dealers[3]	216	215	300	259	179	266	213	179	209
51	Borrowing from dealers[4]	354	276	160	417	298	4	58	9	125
52	Net loans	−139	−60	140	−158	−119	262	155	171.	84
		33 other banks								
	Basic reserve position									
53	Excess reserves[1]	102	76	58	−2	126	−16	−27	−25	51
	LESS:									
54	Borrowings at F.R. Banks	62	81	1	249	83	79	50	27	86
55	Net interbank federal funds transactions	7,871	7,403	6,128	5,977	5,221	7,347	6,946	7,562	6,280
	EQUALS: Net surplus, or deficit (−):									
56	Amount	−7,830	−7,408	−6,071	−6,228	−5,178	−7,441	−7,023	−7,614	−6,316
57	*Percent of average required reserves*	*81.7*	*76.9*	*62.1*	*63.5*	*51.6*	*75.7*	*67.0*	*75.7*	*63.8*
	Interbank federal funds transactions									
	Gross transactions:									
58	Purchases	12,256	11,289	10,981	11,045	11,436	11,970	11,558	11,550	11,059
59	Sales	4,385	3,886	4,853	5,068	6,215	4,623	4,612	3,987	4,779
60	Two-way transactions[2]	3,177	3,041	3,446	3,374	3,954	3,352	3,252	2,663	3,417
	Net transactions:									
61	Purchases of net buying banks	9,079	8,248	7,534	7,671	7,482	8,618	8,306	8,886	7,642
62	Sales of net selling banks	1,208	845	1,406	1,694	2,262	1,271	1,360	1,324	1,362
	Related transactions with U.S. government securities dealers									
63	Loans to dealers[3]	1,503	1,968	1,175	1,281	987	1,629	1,110	1,442	1,501
64	Borrowing from dealers[4]	818	705	616	1,029	999	829	694	980	834
65	Net loans	685	1,263	559	252	−12	800	417	462	667

1 Based on reserve balances, including adjustments to include waivers of penalities for reserve deficiencies in accordance with changes in policy of the Board of Governors effective Nov. 19, 1975.

2 Derived from averages for individual banks for entire week. Figure for each bank indicates extent to which the bank's average purchases and sales are offsetting.

3 Federal funds loaned, net funds supplied to each dealer by clearing banks, repurchase agreements (purchases from dealers subject to resale), or other lending arrangements.

4 Federal funds borrowed, net funds acquired from each dealer by clearing banks, reverse repurchase agreements (sales of securities to dealers subject to repurchase), resale agreements, and borrowings secured by U.S. govt. or other securities.

NOTE. Weekly averages of daily figures. For description of series, see August 1964 BULLETIN, pp. 944–53. Back data for 46 banks appear in the board's *Annual Statistical Digest, 1971–1975*, table 3.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Per cent per annum

Current and previous levels

Federal Reserve Bank	Loans to member banks									Loans to all others under sec. 13, last par.[4]		
	Under secs. 13 and 13a[1]			Under sec. 10(b)[2]								
				Regular rate			Special rate[3]					
	Rate on 1/31/79	Effective date	Previous rate	Rate on 1/31/79	Effective date	Previous rate	Rate on 1/31/79	Effective date	Previous rate	Rate on 1/31/79	Effective date	Previous rate
Boston	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
New York	9½	11/1/78	8½	10	11/1/78	9	10½	11/1/78	9½	12½	11/1/78	11½
Philadelphia	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Cleveland	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Richmond	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Atlanta	9½	11/3/78	8½	10	11/3/78	9	10½	11/3/78	9½	12½	11/3/78	11½
Chicago	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
St. Louis	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Minneapolis	9½	11/1/78	8½	10	11/1/78	9	10½	11/1/78	9½	12½	11/1/78	11½
Kansas City	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Dallas	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
San Francisco	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½

Range of rates in recent years[5]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1970	5½	5½
1971—Jan. 8	5¼–5½	5¼
15	5¼	5¼
19	5–5¼	5¼
22	5–5¼	5
29	5	5
Feb. 13	4¾–5	5
19	4¾	4¾
July 16	4¾–5	5
23	5	5
Nov 11	4¾–5	5
19	4¾	4¾
Dec. 13	4½–4¾	4¾
17	4½–4¾	4½
24	4½	4½
1973—Jan. 15	5	5
Feb. 26	5–5½	5½
Mar. 2	5½	5½
Apr. 23	5½–5¾	5½

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1973—May 4	5¾	5¾
11	5¾–6	6
18	6	6
June 11	6–6½	6½
15	6½	6½
July 2	7	7
Aug. 14	7–7½	7½
23	7½	7½
1974—Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975—Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1976—Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977—Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
In effect Jan 31, 1979	9½	9½

1 Discounts of eligible paper and advances secured by such paper or by U.S. government obligations or any other obligations eligible for Federal Reserve Bank purchase.

2 Advances secured to the satisfaction of the Federal Reserve Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the section 13 rate.

3 Applicable to special advances described in section 201.2(e)(2) of Regulation A.

4 Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. government or any agency thereof.

5 Rates under secs. 13 and 13a (as described above). For description and earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, *Banking and Monetary Statistics, 1941–1970*, *Annual Statistical Digest, 1971–75, 1972–76*, and *1973–77*.

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect January 31, 1979		Previous requirements	
	Percent	Effective date	Percent	Effective date
Net demand:[2]				
0–2	7	12/30/76	7½	2/13/75
2–10	9½	12/30/76	10	2/13/75
10–100	11¾	12/30/76	12	2/13/75
100–400	12¾	12/30/76	13	2/13/75
Over 400	16¼	12/30/76	16½	2/13/75
Time:[2,3,4]				
Savings	3	3/16/67	3½	3/2/67
Other time:[5]				
0–5, maturing in—				
30–179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	2½	1/8/76	3	3/16/67
4 years or more	1	10/30/75	3	3/16/67
Over 5, maturing in—				
30–179 days	6	12/12/74	5	10/1/70
180 days to 4 years	2½	1/8/76	3	12/12/74
4 years or more	1	10/30/75	3	12/12/74

	Legal limits	
	Minimum	Maximum
Net demand:		
Reserve city banks	10	22
Other banks	7	14
Time	3	10
Borrowings from foreign banks	0	22

1 For changes in reserve requirements beginning 1963, see board's *Annual Statistical Digest, 1971–1975* and for prior changes, see board's *Annual Report* for 1976, Table 13.

2 (a) Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements are gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

(b) The Federal Reserve Act specifies different ranges of requirements for reserve city banks and for other banks. Reserve cities are designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million is considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constitutes designation of that place as a reserve city. Cities in which there are Federal Reserve Banks or branches are also reserve cities. Any banks having net demand deposits of $400 million or less are considered to have the character of business of banks outside of reserve cities and are permitted to maintain reserves at ratios set for banks not in reserve cities. For details, see the board's Regulation D.

(c) Effective August 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S. residents were reduced to zero from 4 percent and 1 percent, respectively. The Regulation D reserve requirement on borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

(d) Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge Corporations are subject to the same reserve requirements as deposits of member banks.

3 Negotiable order of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts are subject to the same requirements as savings deposits.

4 The average reserve requirement on savings and other time deposits must be at least 3 percent, the minimum specified by law.

5 Effective November 2, 1978, a supplementary reserve requirement of 2 percent was imposed on time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect Jan. 31, 1979		Previous maximum		In effect Jan. 31, 1979		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5	7/1/73	4½	1/21/70	5¼	(7)	5	(8)
2 Negotiable order of withdrawal accounts[1]	5	1/1/74	(10)	....	5	1/1/74	(10)	....
3 Money market time deposits of less than $100,000[2]	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)
Other time (multiple- and single-maturity unless otherwise indicated)[3]								
30–89 days:								
4 Multiple-maturity	5	7/1/73	4¼	1/21/70	(10)	....	(10)	....
5 Single-maturity			5	9/26/66				
90 days to 1 year:								
6 Multiple-maturity	5½	7/1/73	5	7/20/66	[4]5¾	(7)	5¼	1/21/70
7 Single-maturity				9/26/66				
8 1 to 2 years[4]	6	7/1/73	5½	1/21/70	6½	(7)	5¾	1/21/70
9 2 to 2½ years[4]			5¾	1/21/70			6	1/21/70
10 2½ to 4 years[4]	6½	7/1/73	5¾	1/21/70	6¾	(7)	6	1/21/70
11 4 to 6 years[5]	7¼	11/1/73	(11)	....	7½	11/1/73	(11)	....
12 6 to 8 years[5]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
13 8 years or more[5]	7¾	6/1/78	(10)	....	8	6/1/78	(10)	....
14 Issued to governmental units (all maturities)	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
15 Individual retirement accounts and Keogh (H.R. 10) plans[6]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77

1 For authorized states only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, and in New York State on Nov. 10, 1978.

2 Must have a maturity of exactly 26 weeks and a minimum denomination of $10,000, and must be nonnegotiable.

3 For exceptions with respect to certain foreign time deposits see the FEDERAL RESERVE BULLETIN for October 1962 (p. 1279), August 1965 (p. 1094), and February 1968 (p. 167).

4 A minimum of $1,000 is required for savings and loan associations, except in areas where mutual savings banks permit lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

5 $1,000 minimum except for deposits representing funds contributed to an Individual Retirement Account (IRA) or a Keogh (H.R. 10) Plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976, respectively.

6 3-year minimum maturity.

7 July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loan associations.

8 Oct. 1, 1966, for mutual savings banks; Jan. 21, 1970, for savings and loan associations.

9 Commercial banks, savings and loan associations, and mutual savings banks were authorized to offer money market time deposits effective June 1, 1978. The ceiling rate for commercial banks is the discount rate on most recently issued 6-month U.S. Treasury bills. The ceiling rate for savings and loan associations and mutual savings banks is ¼ percent higher than the rate for commercial banks. The most recent rates and effective dates are as follows:

	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25
Banks	9.580	9.550	9.443	9.534	9.475
Thrifts	9.830	9.800	9.693	9.784	9.725

10 No separate account category.

11 Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, ceilings were reimposed on certificates maturing in 4 years or more with minimum denominations of $1,000. There is no limitation on the amount of these certificates that banks can issue.

NOTE. Maximum rates that can be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations are established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526, respectively. The maximum rates on time deposits in denominations of $100,000 or more were suspended in mid-1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the Federal Home Loan Bank Board *Journal*, and the *Annual Report* of the Federal Deposit Insurance Corporation.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1976	1977	1978	1978						
					June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	U.S. GOVERNMENT SECURITIES										
	Outright transactions (excluding matched sale-purchase transactions)										
	Treasury bills:										
1	Gross purchases	14,343	13,738	16,628	4,395	701	972	2,635	1,978	2,039	0
2	Gross sales	8,462	7,241	13,725	0	466	689	0	2,148	3,587	2,751
3	Redemptions	[2] 5,017	2,136	2,033	0	0	0	0	0	603	0
	Others within 1 year:[1]										
4	Gross purchases	472	3,017	1,184	135	0	171	168	73	139	0
5	Gross sales	0	0	0	0	0	0	0	0	0	0
6	Exchange, or maturity shift	792	4,499	−5,170	−380	−241	−1,544	563	−385	−778	705
7	Redemptions	0	2,500	0	0	0	0	0	0	0	0
	1 to 5 years:										
8	Gross purchases	[2] 3,202	2,833	4,188	631	0	424	350	507	628	0
9	Gross sales	177	0	0	0	0	0	0	0	0	0
10	Exchange, or maturity shift	−2,588	−6,649	−178	467	241	−490	−563	385	−657	−705
	5 to 10 years:										
11	Gross purchases	1,048	758	1,526	176	0	238	110	87	163	0
12	Gross sales	0	0	0	0	0	0	0	0	0	0
13	Exchange, or maturity shift	1,572	584	2,803	−87	0	1,434	0	0	835	0
	Over 10 years:										
14	Gross purchases	642	553	1,063	115	0	113	122	139	108	0
15	Gross sales	0	0	0	0	0	0	0	0	0	0
16	Exchange, or maturity shift	225	1,565	2,545	0	0	600	0	0	600	0
	All maturities:[1]										
17	Gross purchases	[2] 19,707	20,898	24,591	5,451	701	1,919	3,386	2,785	3,075	0
18	Gross sales	8,639	7,241	13,725	0	466	689	0	2,148	3,587	2,751
19	Redemptions	[2] 5,017	4,636	2,033	0	0	0	0	0	603	0
	Matched sale-purchase transactions										
20	Gross sales	196,078	425,214	511,126	52,544	44,657	29,162	33,346	35,112	40,785	52,661
21	Gross purchases	196,579	423,841	510,854	52,557	44,712	29,641	33,130	36,106	40,546	51,586
	Repurchase agreements										
22	Gross purchases	232,891	178,683	151,618	14,956	15,822	16,286	10,724	18,976	7,719	8,133
23	Gross sales	230,355	180,535	152,436	13,100	17,374	15,140	10,353	20,565	8,383	7,049
24	Net change in U.S. government securities	9,087	5,798	7,743	7,320	−1,261	2,854	3,540	43	−2,017	−2,743
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions:										
25	Gross purchases	891	1,433	301	301	0	0	0	0	0	0
26	Gross sales	0	0	173	0	0	173	0	0	0	0
27	Redemptions	169	223	235	28	4	13	28	12	39	3
	Repurchase agreements:										
28	Gross purchases	10,520	13,811	40,567	3,421	5,170	3,080	3,877	6,675	2,544	4,307
29	Gross sales	10,360	13,638	40,885	3,088	5,457	3,032	3,348	7,196	2,670	4,174
30	Net change in federal agency obligations	882	1,383	−426	606	−291	−138	501	−533	−165	130
	BANKERS ACCEPTANCES										
31	Outright transactions, net	−545	−196	0	0	0	0	0	0	0	0
32	Repurchase agreements, net	410	159	−366	747	−753	28	419	−479	−236	587
33	Net change in bankers acceptances	−135	−37	−366	747	−753	28	419	−479	−236	587
34	**Total net change in System Open Market Account**	**9,833**	**7,143**	**6,951**	**8,783**	**−2,305**	**2,744**	**4,460**	**−969**	**−2,419**	**−2,026**

1 Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): 1975, 3,549; 1976, none; Sept. 1977, 2,500.

2 In 1975, the system obtained $421 million of 2-year Treasury notes in exchange for maturing bills. In 1976 there was a similar transaction amounting to $189 million. Acquisition of these notes is treated as a purchase; the run-off of bills, as a redemption.

NOTE. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

1.18 FEDERAL RESERVE BANKS Condition and F.R. Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1979					1978		1979
	Jan. 3	Jan. 10	Jan. 17	Jan. 24p	Jan. 31p	Nov.	Dec.	Jan.p
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,671	11,624	11,608	11,608	11,592	11,642	11,671	11,592
2 Special Drawing Rights certificate account	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
3 Coin	265	265	284	305	316	275	274	316
Loans:								
4 Member bank borrowings	615	759	2,043	1,081	4,364	813	1,174	4,364
5 Other	...	...	...	...	...	...	...	...
Acceptances:								
6 Bought outright	...	...	...	...	...	...	...	...
7 Held under repurchase agreements	303	...	...	...	...	...	587	...
Federal agency obligations:								
8 Bought outright	7,892	7,892	7,892	7,886	7,507	7,899	7,896	7,507
9 Held under repurchase agreements	9	...	...	...	...	...	133	...
U.S. government securities								
Bought outright:								
10 Bills	39,435	35,513	35,053	38,404	33,959	45,985	42,158	33,959
11 Certificates—Special	...	...	...	...	...	...	...	...
12 Other	...	...	...	...	...	...	...	...
13 Notes	54,855	54,855	54,855	54,855	54,855	54,855	54,855	54,855
14 Bonds	12,465	12,465	12,465	12,465	12,465	12,465	12,465	12,465
15 Total[1]	106,755	102,833	102,373	105,724	101,279	113,305	109,478	101,279
16 Held under repurchase agreements	141	...	...	...	...	...	1,084	...
17 **Total U.S. government securities**	**106,896**	**102,833**	**102,373**	**105,724**	**101,279**	**113,305**	**110,562**	**101,279**
18 **Total loans and securities**	**115,715**	**111,484**	**112,308**	**114,691**	**113,150**	**122,017**	**120,352**	**113,150**
19 Cash items in process of collection	20,561	17,110	23,490	15,918	13,452	13,165	12,926	13,452
20 Bank premises	394	396	396	395	395	396	394	395
Other assets:								
21 Denominated in foreign currencies[2]	1,487	1,477	1,462	1,355	2,528	53	1,606	2,528
22 All other	2,534	2,391	2,820	2,644	2,753	1,901	2,543	2,753
23 **Total assets**	**153,927**	**146,047**	**153,668**	**148,216**	**145,486**	**150,749**	**151,066**	**145,486**
LIABILITIES								
24 Federal Reserve notes	103,449	102,137	100,952	99,830	99,354	100,825	103,325	99,354
Deposits:								
25 Member bank reserves	32,921	29,600	35,900	32,688	30,578	31,919	31,152	30,578
26 U.S. Treasury—General account	3,578	2,286	3,061	3,432	3,522	6,587	4,196	3,522
27 Foreign	270	234	316	291	339	379	368	339
28 Other	754	653	712	853	874	567	1,256	874
29 **Total deposits**	**37,523**	**32,773**	**39,989**	**37,264**	**35,313**	**39,452**	**36,972**	**35,313**
30 Deferred availability cash items	8,786	6,792	8,185	6,526	6,225	5,927	6,494	6,225
31 Other liabilities and accrued dividends	1,932	1,956	1,986	1,875	1,685	1,725	2,119	1,685
32 **Total liabilities**	**151,690**	**143,658**	**151,112**	**145,495**	**142,577**	**147,929**	**148,910**	**142,577**
CAPITAL ACCOUNTS								
33 Capital paid in	1,079	1,079	1,082	1,085	1,085	1,073	1,078	1,085
34 Surplus	1,078	1,078	1,078	1,078	1,078	1,029	1,078	1,078
35 Other capital accounts	80	232	396	558	746	718	...	746
36 **Total liabilities and capital accounts**	**153,927**	**146,047**	**153,668**	**148,216**	**145,486**	**150,749**	**151,066**	**145,486**
37 MEMO: Marketable U.S. govt. securities held in custody for foreign and intl. account	96,405	96,799	96,732	95,794	95,762	92,412	95,307	95,762
	Federal Reserve note statement							
38 F.R. notes outstanding (issued to Bank)	112,878	113,078	113,493	113,806	113,618	112,445	112,836	113,618
Collateral held against notes outstanding:								
39 Gold certificate account	11,671	11,624	11,608	11,608	11,592	11,642	11,671	11,592
40 Special Drawing Rights certificate account	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
41 Eligible paper	536	672	1,568	924	2,726	692	907	2,726
42 U.S. government securities	99,371	99,482	99,017	99,974	98,000	98,811	98,958	98,000
43 **Total collateral**	**112,878**	**113,078**	**113,493**	**113,806**	**113,618**	**112,445**	**112,836**	**113,618**

1 *Includes* securities loaned—fully guaranteed by U.S. govt. securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

2 Beginning December 29, 1978, such assets are revalued monthly at market exchange rates.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity	Wednesday 1979 Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	End of month 1978 Nov. 30	Dec. 31	1979 Jan. 31
1 **Loans**	**617**	**759**	**2,047**	**1,081**	**4,364**	**812**	**1,172**	**4,364**
2 Within 15 days	585	712	2,023	1,061	4,334	767	1,142	4,334
3 16 days to 90 days	32	47	24	20	30	45	30	30
4 91 days to 1 year	....	....	....	....	....	....	....	....
5 **Acceptances**	**303**	....	....	....	....	....	**587**	....
6 Within 15 days	303	....	....	....	....	....	587	....
7 16 days to 90 days	....	....	....	....	....	....	....	....
8 91 days to 1 year	....	....	....	....	....	....	....	....
9 **U.S. government securities**	**106,896**	**102,833**	**102,373**	**105,724**	**101,279**	**113,305**	**110,562**	**101,279**
10 Within 15 days[1]	3,323	4,129	2,311	2,914	3,961	4,467	4,297	3,961
11 16 days to 90 days	18,033	12,605	14,717	18,325	14,369	20,315	19,800	14,369
12 91 days to 1 year	28,358	28,916	28,162	27,302	25,980	31,523	29,465	25,980
13 Over 1 year to 5 years	31,790	31,791	31,791	31,791	31,577	31,608	31,608	31,577
14 Over 5 years to 10 years	14,717	14,717	14,717	14,717	14,717	14,717	14,717	14,717
15 Over 10 years	10,675	10,675	10,675	10,675	10,675	10,675	10,675	10,675
16 **Federal agency obligations**	**7,901**	**7,892**	**7,892**	**7,886**	**7,507**	**7,899**	**8,029**	**7,507**
17 Within 15 days[1]	9	56	73	17	16	135	217	16
18 16 days to 90 days	507	451	434	494	507	438	482	507
19 91 days to 1 year	1,388	1,388	1,388	1,369	1,188	1,292	1,286	1,188
20 Over 1 year to 5 years	3,676	3,676	3,676	3,685	3,475	3,686	3,723	3,475
21 Over 5 years to 10 years	1,511	1,511	1,511	1,511	1,511	1,488	1,511	1,511
22 Over 10 years	810	810	810	810	810	860	810	810

1 Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposit. Monthly data are at annual rates.

Bank group, or type of customer	1975	1976	1977	1978 Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.
				Debits to demand deposits 2 (seasonally adjusted)				
1 All commercial banks	25,028.5	29,180.4	34,322.8	42,819.1	41,896.6	42,942.5	42,941.5	42,307.5
2 Major New York City banks	9,670.7	11,467.2	13,860.6	16,435.0	15,500.0	15,437.8	15,673.6	15,100.2
3 Other banks	15,357.8	17,713.2	20,462.2	26,384.1	26,396.6	27,504.7	27,267.9	27,207.3
				Debits to savings deposits 3 (not seasonally adjusted)				
4 All customers	....	....	174.0	434.6	424.4	467.6	446.0	438.0
5 Business 1	....	....	21.7	58.5	62.0	67.2	66.8	61.4
6 Others	....	....	152.3	376.1	362.4	400.4	379.1	376.6
				Demand deposit turnover 2 (seasonally adjusted)				
7 All commercial banks	105.3	116.8	129.2	146.5	141.9	144.1	145.1	141.6
8 Major New York City banks	356.9	411.6	503.0	577.6	549.6	530.1	559.8	535.9
9 Other banks	72.9	79.8	85.9	100.0	98.8	102.3	101.8	100.5
				Savings deposit turnover 3 (not seasonally adjusted)				
10 All customers	....	....	1.6	2.0	1.9	2.1	2.0	2.0
11 Business 1	....	....	4.1	5.2	5.4	5.8	5.8	5.4
12 Others	....	....	1.5	1.8	1.7	1.9	1.8	1.8

1 Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies).

2 Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.

3 Excludes negotiable order of withdrawal (NOW) accounts and special club accounts, such as Christmas and vacation clubs.

NOTE. Historical data—estimated for the period 1970 through June 1977, partly on the basis of the debits series for 233 SMSAs, which were available through June 1977—are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.D. 20551. Debits and turnover data for savings deposits are not available prior to July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1975 Dec. r	1976 Dec. r	1977 Dec. r	1978 Dec.	1978 July r	Aug. r	Sept. r	Oct. r	Nov. r	Dec.
	Seasonally adjusted									
MEASURES[1]										
1 M-1	295.4	313.8	338.7	361.5	354.5	357.0	361.1	361.6	361.0	361.5
2 M-1+	456.8	517.2	560.6	586.7	580.0	583.5	589.4	589.8	587.4	586.7
3 M-2	664.8	740.6	809.4	876.3	848.7	856.9	866.2	870.9	874.3	876.3
4 M-3	1,092.4	1,235.6	1,374.3	1,500.9	1,444.6	1,458.4	1,474.7	1,485.6	1,493.9	1,500.9
5 M-4	745.8	803.0	883.1	973.0	936.7	944.5	954.8	959.6	969.7	973.0
6 M-5	1,173.5	1,298.0	1,448.0	1,597.5	1,532.6	1,546.0	1,563.2	1,574.2	1,589.3	1,597.5
COMPONENTS										
7 Currency	73.8	80.8	88.6	97.5	93.2	93.9	95.2	95.8	96.6	97.5
Commercial bank deposits:										
8 Demand	221.7	233.0	250.1	264.1	261.3	263.0	265.9	265.8	264.4	264.1
9 *Time and savings*	*450.3*	*489.2*	*544.4*	*611.4*	*582.2*	*587.5*	*593.7*	*597.9*	*608.7*	*611.4*
10 Savings	160.7	202.1	219.7	220.0	222.8	223.7	225.5	225.2	223.4	220.0
11 Negotiable CDs[2]	81.0	62.4	73.7	96.6	88.0	87.6	88.5	88.6	95.4	96.6
12 Other time	208.6	224.7	251.0	292.8	271.4	276.2	279.6	284.1	289.9	292.8
13 Nonbank thrift institutions[3]	427.7	495.0	544.4	611.4	582.2	587.5	593.7	597.9	608.7	611.4
	Not seasonally adjusted									
MEASURES[1]										
14 M-1	303.9	322.6	348.2	371.6	356.3	354.4	359.0	361.4	363.0	371.6
15 M-1+	463.6	524.2	568.0	594.7	583.7	580.9	585.4	587.9	587.6	594.7
16 M-2	670.0	745.8	814.9	882.0	851.4	853.8	861.7	868.2	871.6	882.0
17 M-3	1,095.0	1,238.3	1,377.2	1,503.6	1,450.2	1,455.5	1,469.2	1,481.6	1,487.9	1,503.6
18 M-4	753.5	810.0	890.8	981.6	938.8	941.8	952.0	959.0	968.0	981.6
19 M-5	1,178.4	1,302.6	1,453.2	1,603.1	1,537.6	1,543.5	1,559.5	1,572.5	1,584.3	1,603.1
COMPONENTS										
20 Currency	69.0	75.1	82.1	90.1	93.9	94.2	94.9	95.6	97.2	99.1
Commercial bank deposits:										
21 *Demand*	*222.2*	*228.8*	*240.5*	*258.1*	*262.4*	*260.2*	*264.1*	*265.8*	*265.7*	*272.5*
22 Member	159.7	162.8	169.4	177.5	177.9	176.2	178.3	179.3	178.3	182.9
23 Domestic nonmember	58.5	62.6	67.5	76.2	80.5	80.1	81.9	82.7	83.7	85.6
24 *Time and savings*	*416.7*	*449.6*	*487.4*	*542.6*	*582.4*	*587.5*	*593.1*	*597.6*	*605.0*	*609.9*
25 Savings	134.5	159.1	200.2	217.7	224.7	223.7	223.6	223.5	221.5	219.9
26 Negotiable CDs[2]	90.5	83.5	64.3	75.9	87.3	88.0	90.3	90.8	96.4	99.5
27 Other time	207.1	222.9	249.0	290.5	270.5	275.7	279.2	283.3	287.1	290.5
28 Other checkable deposits[4]	0.4	0.7	1.4	2.1	2.7	2.8	2.8	2.9	3.1	3.2
29 Nonbank thrift institutions[3]	366.3	424.9	492.5	562.3	598.8	601.7	607.5	613.4	616.3	621.6
30 U.S. government deposits (all commerical banks)	4.9	4.1	4.4	5.1	4.5	3.6	6.2	4.3	8.0	10.2

1 Composition of the money stock measures is as follows:

M-1: Averages of daily figures for (1) demand deposits at commercial banks other than domestic interbank and U.S. government, less cash items in process of collection and Federal Reserve float; (2) foreign demand balances at Federal Reserve Banks; and (3) currency outside the Treasury, Federal Reserve Banks, and vaults of commercial banks.

M-1+: M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M2-: M-1 plus savings deposits, time deposits open account, and time certificates of deposit (CDs) other than negotiable CDs of $100,000 or more at large weekly reporting banks.

M-3: M-2 plus the average of the beginning- and end-of-month deposits of mutual savings banks, savings and loan shares, and credit union shares (nonbank thrift).

M-4: M-2 plus large negotiable CDs.

M-5: M-3 plus large negotiable CDs.

2 Negotiable time CDs issued in denominations of $100,000 or more by large weekly reporting commercial banks.

3 Average of the beginning- and end-of-month figures for deposits of mutual savings banks, for savings capital at savings and loan associations, and for credit union shares.

4 Includes NOW accounts at thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

NOTE. Latest monthly and weekly figures are available from the board's 508 (H.6) release. Back data are available from the Banking Section, Division of Research and Statistics.

NOTES TO TABLE 1.23:

1 Adjusted to exclude domestic commercial interbank loans.

2 Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company. Prior to Aug. 28, 1974, the institutions included had been defined somewhat differently, and the reporting panel of banks was also different. On the new basis, both "Total loans" and "Commerical and industrial loans" were reduced by about $100 million.

3 Data beginning June 30, 1974, include one large mutual savings bank that merged with a nonmember commercial bank. As of that date there were increases of about $500 million in loans, $100 million in "Other" securities and $600 million in "Total loans and investments."

As of Oct. 31, 1974, "Total loans and investments" of all commercial banks were reduced by $1.5 billion in connection with the liquidation of one large bank. Reductions in other items were: "Total loans," $1.0 billion (of which $0.6 billion was in "Commercial and industrial loans"), and "Other securities," $0.5 billion. In late November "Commercial and industrial loans" were increased by $0.1 billion as a result of loan reclassifications at another large bank.

4 Reclassification of loans reduced these loans by about $1.2 billion as of Mar. 31, 1976.

5 Reclassification of loans at one large bank reduced these loans by about $200 million as of Dec. 31, 1977.

NOTE. Data are for last Wednesday of month except for June 30 and Dec. 31; data are partly or wholly estimated except when June 30 and Dec. 31 are call dates.

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

Item	1975 Dec.	1976 Dec.	1977 Dec.	1978 May	1978 June	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.
	Seasonally adjusted										
1 **Reserves**[1]	**34.67**	**34.89**	**36.10**	**37.27**	**37.63**	**38.11**	**37.93**	**38.21**	**38.38**	**39.75**	**41.27**
2 Nonborrowed	34.54	34.84	35.53	36.06	36.53	36.80	36.79	37.15	37.10	39.05	40.40
3 Required	34.40	34.61	35.91	37.05	37.45	37.92	37.77	38.02	38.22	39.53	41.04
4 **Deposits subject to reserve requirements**[2]	**504.2**	**528.6**	**568.6**	**591.5**	**595.8**	**600.5**	**602.7**	**607.0**	**608.9**	**616.9**	**616.7**
5 Time and savings	336.8	354.1	386.7	405.1	407.4	410.8	413.0	416.8	418.3	427.5	429.4
Demand:											
6 Private	164.5	171.5	178.5	183.6	184.6	186.1	186.5	186.2	187.2	187.0	185.1
7 U.S. Government	2.9	3.0	3.5	2.7	3.8	3.6	3.3	4.0	3.5	2.3	2.3
	Not seasonally adjusted										
8 **Deposits subject to reserve requirements**[2]	**510.9**	**534.8**	**575.3**	**588.3**	**596.8**	**600.6**	**599.2**	**605.9**	**608.4**	**r615.1**	**624.0**
9 Time and savings	337.2	353.6	386.4	406.1	408.6	411.1	412.8	416.6	418.5	425.2	429.6
Demand:											
10 Private	170.7	177.9	185.1	179.3	183.7	186.4	183.9	184.7	186.9	r188.0	191.9
11 U.S. Government	3.1	3.3	3.8	2.9	4.5	3.2	2.5	4.6	3.0	2.0	2.5

1 Series reflects actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M. There are breaks in series because of changes in reserve requirements effective Dec. 12, 1974; Feb. 13, May 22, and Oct. 30, 1975; Jan. 8 and Dec. 30, 1976. In addition, effective Jan. 1, 1976, statewide branching in New York was instituted. The subsequent merger of a number of banks raised required reserves because of higher reserve requirements on aggregate deposits at these banks.

2 Includes total time and savings deposits and net demand deposits as defined by Regulation D. Private demand deposits include all demand deposits except those due to the U.S. govt., less cash items in process of collection and demand balances due from domestic commercial banks.

NOTE. Back data and estimates of the impact on required reserves and changes in reserve requirements are shown in Table 14 of the Board's *Annual Statistical Digest, 1971–1975.*

1.23 LOANS AND INVESTMENTS All Commercial Banks

Billions of dollars; last Wednesday of month except for June 30 and Dec. 31

Category	1974 Dec. 31[3]	1975 Dec. 31	1976 Dec. 31	1977 Dec. 31	1978 July 26p	1978 Aug. 30p	1978 Sept. 27p	1978 Oct. 25p	1978 Nov. 29p	1978 Dec. 31p
	Seasonally adjusted									
1 **Loans and investments**[1]	**691.1**	**721.8**	**785.1**	**870.6**	**940.7**	**944.6**	**952.4**	**960.9**	**966.5**	**967.3**
2 Including loans sold outright[2]	695.9	726.2	788.9	875.5	945.3	949.3	957.0	964.8	970.2	971.1
Loans:										
3 Total	500.2	496.9	538.9	617.0	675.1	680.2	687.3	696.8	706.8	709.0
4 Including loans sold outright[2]	505.0	501.3	542.7	621.9	679.7	684.9	691.9	700.7	710.5	712.8
5 Commercial and industrial	183.5	176.2	[4]179.7	[5]201.4	220.8	222.8	224.6	227.0	228.9	228.9
6 Including loans sold outright[2]	186.2	178.7	[4]182.1	[5]204.2	223.1	225.2	226.9	228.9	230.8	230.7
Investments:										
7 U.S. Treasury	51.1	80.1	98.0	95.6	100.6	97.9	97.2	95.2	90.3	88.4
8 Other	139.8	144.8	148.2	158.0	165.0	166.5	167.9	168.9	169.4	169.9
	Not seasonally adjusted									
9 **Loans and investments**[1]	**705.6**	**737.0**	**801.6**	**888.9**	**936.6**	**942.0**	**951.4**	**958.4**	**969.3**	**987.6**
10 Including loans sold outright[2]	710.4	741.4	805.4	893.8	941.2	946.7	956.1	962.3	973.0	991.4
Loans:										
11 Total[1]	510.7	507.4	550.2	629.9	675.6	681.0	688.6	696.6	707.2	723.9
12 Including loans sold outright[2]	515.5	511.8	554.0	634.8	680.2	685.7	693.3	700.5	710.9	727.7
13 Commercial and industrial	186.8	179.3	[4]182.9	[5]205.0	220.9	221.7	223.9	226.5	228.9	233.0
14 Including loans sold outright[2]	189.5	181.8	[4]185.3	[5]207.8	232.2	224.1	226.2	228.4	230.8	234.8
Investments:										
15 U.S. Treasury	54.5	84.1	102.5	100.2	96.1	94.8	95.0	93.5	92.6	93.0
16 Other	140.5	145.5	148.9	158.8	164.9	166.2	167.7	168.3	169.5	170.7

For notes see bottom of opposite page.

1.24 COMMERCIAL BANK ASSETS AND LIABILITIES Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

	Account	1977	1978[3]									
		Dec.	Mar.	Apr.	May	June	July[p]	Aug.[p]	Sept.[p]	Oct.[p]	Nov.[p]	Dec.[p]
		All commercial										
1	**Loans and investments**	**939.1**	**939.7**	**953.0**	**974.4**	**985.0**	**980.6**	**985.5**	**996.4**	**1,003.0**	**1,016.2**	**1,034.7**
2	Loans, gross	680.1	680.4	688.7	712.4	722.1	719.6	724.5	733.6	741.2	754.1	770.9
	Investments:											
3	U.S. Treasury securities	100.2	99.0	100.2	97.3	97.9	96.1	94.8	95.0	93.5	92.6	92.6
4	Other	158.8	160.3	164.1	164.6	165.1	164.9	166.2	167.7	168.3	169.5	171.2
5	**Cash assets**	**168.7**	**130.5**	**133.1**	**161.0**	**166.8**	**130.2**	**137.4**	**141.8**	**146.5**	**149.2**	**170.1**
6	Currency and coin	13.9	14.4	14.3	14.5	12.0	14.8	15.2	15.2	15.1	16.7	17.2
7	Reserves with F.R. Banks	29.3	30.2	27.6	30.3	29.6	23.6	29.7	32.6	34.6	32.6	37.7
8	Balances with banks	59.0	42.6	43.6	51.9	56.0	44.4	43.0	44.4	45.0	46.5	51.6
9	Cash items in process of collection	66.4	43.3	47.6	64.3	69.3	47.3	49.5	49.6	51.7	53.5	63.6
10	**Total assets/total liabilities and capital**[1]	**1,166.0**	**1,140.5**	**1,156.9**	**1,206.5**	**1,215.0**	**1,179.2**	**1,192.9**	**1,209.5**	**1,220.4**	**1,240.8**	**1,284.0**
11	**Deposits**	**939.4**	**899.8**	**915.5**	**952.9**	**965.7**	**932.3**	**937.7**	**949.9**	**952.3**	**959.0**	**993.1**
	Demand:											
12	Interbank	51.7	37.6	39.0	51.2	49.3	40.5	40.4	41.9	43.3	42.9	51.1
13	U.S. government	7.3	4.9	6.2	3.3	8.0	4.3	2.8	11.0	7.6	2.1	2.3
14	Other	323.9	281.2	293.8	312.9	317.5	296.3	298.6	297.1	299.2	304.7	327.1
	Time:											
15	Interbank	9.8	9.0	9.0	9.4	10.2	10.3	10.7	11.6	11.1	11.8	12.4
16	Other	546.6	567.1	567.5	576.1	580.8	580.9	585.2	588.3	591.2	597.6	600.3
17	Borrowings	96.2	105.6	104.9	112.2	106.8	103.2	109.1	112.8	118.3	125.6	133.0
18	**Total capital accounts**[2]	**85.8**	**83.4**	**83.7**	**84.6**	**89.9**	**85.8**	**86.2**	**87.1**	**87.1**	**87.8**	**87.3**
19	MEMO: Number of banks	14,707	14,689	14,697	14,702	14,698	14,713	14,721	14,715	14,713	14,719	14,719
		Member										
20	**Loans and investments**	**675.5**	**668.6**	**676.8**	**693.8**	**699.7**	**695.8**	**698.9**	**706.9**	**713.4**	**724.3**	**739.5**
21	Loans, gross	494.9	490.5	495.3	514.3	519.6	517.6	520.3	527.0	533.9	544.6	558.3
	Investments:											
22	U.S. Treasury securities	70.4	68.2	68.8	66.9	67.4	65.7	65.3	65.4	64.1	63.5	63.6
23	Other	110.1	109.9	112.7	112.7	112.7	112.5	113.3	114.5	115.3	116.2	117.6
24	**Cash assets, total**	**134.4**	**104.8**	**106.5**	**130.7**	**133.8**	**104.2**	**111.2**	**115.4**	**118.6**	**121.3**	**140.2**
25	Currency and coin	10.4	10.6	10.5	10.6	8.7	10.8	11.1	11.1	11.1	12.3	12.7
26	Reserves with F.R. Banks	29.3	30.2	27.6	30.3	29.6	23.6	29.7	32.6	34.6	32.6	37.7
27	Balances with banks	30.8	22.9	22.7	28.1	29.1	24.3	22.9	24.0	23.2	25.1	28.6
28	Cash items in process of collection	63.9	41.2	45.7	61.7	66.5	45.4	47.6	47.7	49.7	51.4	61.2
29	**Total assets/total liabilities and capital**[1]	**861.8**	**833.2**	**843.3**	**884.7**	**888.7**	**857.3**	**868.5**	**882.2**	**891.2**	**908.5**	**945.2**
30	**Deposits**	**683.5**	**645.1**	**655.1**	**686.7**	**694.3**	**666.1**	**670.6**	**679.6**	**682.5**	**688.6**	**716.3**
	Demand:											
31	Interbank	48.0	34.7	36.0	47.5	45.5	37.3	37.2	38.6	39.9	39.5	47.3
32	U.S. government	5.4	3.7	4.5	2.2	5.6	3.1	1.9	8.1	5.7	1.5	1.6
33	Other	239.4	205.1	213.4	229.1	231.6	214.6	217.0	215.6	217.0	221.3	237.9
	Time:											
34	Interbank	7.8	7.0	6.9	7.3	8.1	8.2	8.6	9.4	9.0	9.7	10.2
35	Other	382.9	394.7	394.3	400.5	403.4	402.9	405.9	407.8	411.0	416.7	419.3
36	Borrowings	84.9	91.8	91.1	96.9	92.1	88.0	93.9	97.2	101.4	108.1	115.9
37	**Total capital accounts**[2]	**63.7**	**62.4**	**62.7**	**63.3**	**66.1**	**64.2**	**64.5**	**65.1**	**65.2**	**65.7**	**65.5**
38	MEMO: Number of banks	5,669	5,654	5,645	5,638	5,622	5,613	5,610	5,593	5,585	5,586	5,586

1 Includes items not shown separately.
Effective Mar. 31, 1976, some of the item "reserve for loan losses" and all of the item "unearned income on loans" are no longer reported as liabilities. As of that date the "valuation" portion of "reserve for loan losses" and the "unearned income on loans" have been netted against "other assets," and against "total assets" as well.
Total liabilities continue to include the deferred income tax portion of "reserve for loan losses."

2 Effective Mar. 31, 1976, includes "reserves for securities" and the contingency portion (which is small) of "reserve for loan losses."

3 Figures partly estimated except on call dates.

NOTE. Figures include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries.

Commercial banks: All such banks in the United States, including member and nonmember banks, stock savings banks, nondeposit trust companies, and U.S. branches of foreign banks.

Member banks: The following numbers of noninsured trust companies that are members of the Federal Reserve System are excluded from member banks in tables 1.24 and 1.25 and are included with noninsured banks in table 1.25: 1976—December, 11; 1978—January, 12.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars, except for number of banks

	Account	1976	1977		1978	1976	1977		1978
		Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30
		Total insured				National (all insured)			
1	**Loans and investments, gross**	**827,696**	**854,733**	**914,779**	**956,431**	**476,610**	**488,240**	**523,000**	**542,218**
	Loans:								
2	Gross	578,734	601,122	657,509	695,443	340,691	351,311	384,722	403,812
3	Net	560,077	581,143	636,318	672,207	329,971	339,955	372,702	390,630
	Investments:								
4	U.S. Treasury securities	101,461	100,568	99,333	97,001	55,727	53,345	52,244	50,519
5	Other	147,500	153,042	157,936	163,986	80,191	83,583	86,033	87,886
6	Cash assets	129,562	130,726	159,264	157,393	76,072	74,641	92,050	90,728
7	**Total assets/total liabilities**[1]	**1,003,970**	**1,040,945**	**1,129,712**	**1,172,772**	**583,304**	**599,743**	**651,360**	**671,166**
8	**Deposits**	**825,003**	**847,372**	**922,657**	**945,874**	**469,377**	**476,381**	**520,167**	**526,932**
	Demand:								
9	U.S. government	3,022	2,817	7,310	7,956	1,676	1,632	4,172	4,483
10	Interbank	44,064	44,965	49,843	47,203	23,149	22,876	25,646	22,416
11	Other	285,200	284,544	319,873	312,707	163,346	161,358	181,821	176,025
	Time:								
12	Interbank	8,248	7,721	8,731	8,987	4,907	4,599	5,730	5,791
13	Other	484,467	507,324	536,899	569,020	276,296	285,915	302,795	318,215
14	Borrowings	75,291	81,137	89,339	98,351	54,421	57,283	63,218	68,948
15	**Total capital accounts**	**72,061**	**75,502**	**79,082**	**83,074**	**41,319**	**43,142**	**44,994**	**47,019**
16	MEMO: Number of banks	14,397	14,425	14,397	14,381	4,735	4,701	4,654	4,616
		State member (all insured)				Insured nonmember			
17	**Loans and investments, gross**	**144,000**	**144,597**	**152,514**	**157,464**	**207,085**	**221,896**	**239,265**	**256,749**
	Loans:								
18	Gross	102,277	102,117	110,243	115,736	135,766	147,694	162,543	175,894
19	Net	99,474	99,173	107,205	112,470	130,630	142,015	156,411	169,106
	Investments:								
20	U.S. Treasury securities	18,849	19,296	18,179	16,886	26,884	27,926	28,909	29,595
21	Other	22,874	23,183	24,091	24,841	44,434	46,275	47,812	51,259
22	Cash assets	32,859	35,918	42,305	43,057	20,631	20,166	24,908	23,606
23	**Total assets/total liabilities**[1]	**189,579**	**195,452**	**210,442**	**217,384**	**231,086**	**245,748**	**267,910**	**284,221**
24	**Deposits**	**149,491**	**152,472**	**163,436**	**167,403**	**206,134**	**218,519**	**239,053**	**251,539**
	Demand:								
25	U.S. government	429	371	1,241	1,158	917	813	1,896	2,315
26	Interbank	19,295	20,568	22,346	23,117	1,619	1,520	1,849	1,669
27	Other	52,204	52,570	57,605	55,550	69,648	70,615	80,445	81,131
	Time:								
28	Interbank	2,384	2,134	2,026	2,275	956	988	973	920
29	Other	75,178	76,827	80,216	85,301	132,993	144,581	153,887	165,502
30	Borrowings	17,310	19,697	21,736	23,167	3,559	4,155	4,384	6,235
31	**Total capital accounts**	**13,199**	**13,441**	**14,182**	**14,670**	**17,542**	**18,919**	**19,905**	**21,384**
32	MEMO: Number of banks	1,023	1,019	1,014	1,005	8,639	8,705	8,729	8,760
		Noninsured nonmember				Total nonmember			
33	**Loans and investments, gross**	**18,819**	**22,940**	**24,415**	**28,699**	**225,904**	**244,837**	**263,681**	**285,448**
	Loans:								
34	Gross	16,336	20,865	22,686	26,747	152,103	168,559	185,230	202,641
35	Net	16,209	20,679	22,484	26,548	146,840	162,694	178,896	195,655
	Investments:								
36	U.S. Treasury securities	1,054	993	879	869	27,938	28,919	29,788	30,465
37	Other	1,428	1,081	849	1,082	45,863	47,357	48,662	52,341
38	Cash assets	6,496	8,330	9,458	9,360	27,127	28,497	34,367	32,967
39	**Total assets/total liabilities**[1]	**26,790**	**33,390**	**36,433**	**42,279**	**257,877**	**279,139**	**304,343**	**326,501**
40	**Deposits**	**13,325**	**14,658**	**16,844**	**19,924**	**219,460**	**233,177**	**255,898**	**271,463**
	Demand:								
41	U.S. government	4	8	10	8	921	822	1,907	2,323
42	Interbank	1,277	1,504	1,868	2,067	2,896	3,025	3,718	3,736
43	Other	3,236	3,588	4,073	4,814	72,884	74,203	84,518	85,946
	Time:								
44	Interbank	1,041	1,164	1,089	1,203	1,997	2,152	2,063	2,123
45	Other	7,766	8,392	9,802	11,831	140,760	152,974	163,690	177,334
46	Borrowings	4,842	7,056	6,908	8,413	8,401	11,212	11,293	14,649
47	**Total capital accounts**	**818**	**893**	**917**	**962**	**18,360**	**19,812**	**20,823**	**22,346**
48	MEMO: Number of banks	275	293	310	317	8,914	8,998	9,039	9,077

1 Includes items not shown separately.

For Note see Table 1.24.

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, June 30, 1978

Millions of dollars, except for number of banks.

	Asset account	All commercial banks	Insured commercial banks	Member banks[1]					Non-member banks[1]
				Total	Large banks			All other	
					New York City	City of Chicago	Other large[2]		
1	**Cash bank balances, items in process**	**166,754**	**157,393**	**133,786**	**40,354**	**5,594**	**48,783**	**39,054**	**32,967**
2	Currency and coin	11,950	11,883	8,691	795	190	2,878	4,828	3,259
3	Reserves with Federal Reserve Banks	29,574	29,566	29,566	4,104	1,537	12,499	11,426	8
4	Demand balances with banks in United States	43,092	38,158	23,166	10,382	248	3,539	8,996	19,926
5	Other balances with banks in United States	6,779	5,007	2,775	520	5	782	1,468	4,004
6	Balances with banks in foreign countries	6,093	3,588	3,110	439	384	1,484	803	2,982
7	Cash items in process of collection	69,266	69,192	66,478	24,113	3,231	27,602	11,533	2,788
8	**Total securities held—Book value**	**261,272**	**259,360**	**178,753**	**20,609**	**7,979**	**57,297**	**92,868**	**82,519**
9	U.S. Treasury	97,872	97,002	67,406	9,623	2,955	22,215	32,613	30,466
10	Other U.S. government agencies	39,847	39,486	25,193	1,800	1,353	7,362	14,678	14,654
11	States and political subdivisions	117,257	117,018	82,541	8,881	3,480	26,626	43,554	34,716
12	All other securities	6,204	5,767	3,549	305	191	1,071	1,981	2,655
13	Unclassified total	92	88	64	....	....	23	41	27
14	*Trading-account securities*	*7,160*	*7,156*	*7,010*	*3,026*	*978*	*2,756*	*251*	*150*
15	U.S. Treasury	4,062	4,062	4,044	1,907	713	1,352	72	17
16	Other U.S. government agencies	986	986	976	428	80	423	45	11
17	States and political subdivisions	1,676	1,676	1,657	610	133	824	90	19
18	All other trading account securities	345	345	270	82	52	133	3	75
19	Unclassified	92	88	64	....	....	23	41	27
20	*Bank investment portfolios*	*254,112*	*252,204*	*171,743*	*17,583*	*7,002*	*54,541*	*92,617*	*82,369*
21	U.S. Treasury	93,810	92,940	63,362	7,716	2,242	20,863	32,541	30,448
22	Other U.S. government agencies	38,861	38,499	24,217	1,373	1,273	6,939	14,633	14,644
23	States and political subdivisions	115,582	115,343	80,884	8,271	3,347	25,802	43,464	34,697
24	All other portfolio securities	5,859	5,422	3,279	223	139	938	1,979	2,580
25	Federal Reserve stock and corporate stock	1,669	1,628	1,380	309	105	491	475	288
26	**Federal funds sold and securities resale agreement**	**48,576**	**43,768**	**34,495**	**4,309**	**1,616**	**17,935**	**10,636**	**14,081**
27	Commercial banks	41,068	36,621	27,517	2,321	1,300	13,996	9,899	13,552
28	Brokers and dealers	4,962	4,954	4,847	1,514	235	2,528	569	115
29	Others	2,546	2,193	2,131	474	80	1,411	167	415
30	**Other loans, gross**	**673,615**	**651,675**	**485,054**	**76,423**	**25,479**	**184,099**	**199,053**	**188,560**
31	LESS: Unearned income on loans	16,142	16,086	10,768	620	104	3,521	6,524	5,374
32	Reserves for loan loss	7,293	7,150	5,680	1,297	325	2,155	1,902	1,613
33	Other loans, net	650,180	628,439	468,606	74,506	25 049	178,424	190,628	181,574
	Other loans, gross, by category								
34	*Real estate loans*	*192,877*	*192,609*	*131,891*	*9,629*	*2,678*	*49,324*	*70,260*	*60,986*
35	Construction and land development	23,658	23,639	17,684	2,391	630	8,586	6,076	5,974
36	Secured by farmland	8,208	8,189	3,565	23	8	405	3,129	4.643
37	Secured by residential properties	110,293	110,113	76,832	4,891	1,426	28,984	41,531	33,460
38	*1- to 4-family residences*	*104,952*	*104,793*	*72,964*	*4,209*	*1,331*	*27,608*	*39,816*	*31,988*
39	FHA-insured or VA-guaranteed	7,496	7,423	6,430	519	42	3,395	2,474	1,065
40	Conventional	97,457	97,370	66,534	3,690	1,289	24,213	37,342	30,923
41	*Multifamily residences*	*5,341*	*5,320*	*3,869*	*683*	*95*	*1,376*	*1,714*	*1,472*
42	FHA-insured	399	395	327	120	25	87	96	72
43	Conventional	4,941	4,926	3,541	563	70	1,289	1,619	1,400
44	Secured by other properties	50,719	50,667	33,810	2,324	614	11,349	19,523	16,909
45	*Loans to financial institutions*	*44,426*	*35,472*	*33,355*	*11,483*	*4,015*	*14,985*	*2,873*	*11,071*
46	REITs and mortgage companies	8,348	8,341	7,949	2,114	812	4,369	654	399
47	Domestic commercial banks	5,263	3,116	2,398	702	123	1,307	265	2,865
48	Banks in foreign countries	12,864	6,610	6,447	2,931	272	2,648	596	6,417
49	Other depositary institutions	1,480	1,458	1,312	240	53	775	245	168
50	Other financial institutions	16,471	15,948	15,249	5,496	2,755	5,886	1,113	1,222
51	Loans to security brokers and dealers	11,716	11,340	11,043	6,567	1,457	2,706	313	673
52	Other loans to purchase or carry securities	4,425	4,337	3,604	403	294	1,896	1,011	821
53	Loans to farmers—except real estate	27,018	26,993	14,813	161	178	3,630	10,844	12,205
54	Commercial and industrial loans	221,591	210,907	170,678	38,588	13,149	67,555	51,387	50,913
55	Loans to individuals	153,582	153,458	105,611	6,686	2,334	37,998	58,592	47,971
56	*Installment loans*	*124,139*	*124,066*	*85,515*	*5,041*	*1,505*	*31,323*	*47,646*	*38,624*
57	Passenger automobiles	55,757	55,740	35,523	994	179	10,746	23,605	20,233
58	Residential repair and modernization	7,956	7,955	5,203	305	77	1,912	2,909	2,753
59	Credit cards and related plans	20,136	20,125	17,766	2,214	1,068	9,069	5,414	2,370
60	Charge-account credit cards	16,185	16,184	14,516	1,424	1,027	7,617	4,449	1,668
61	Check and revolving credit plans	3,951	3,941	3,249	791	41	1,453	965	702
62	Other retail consumer goods	18,752	18,747	12,722	395	54	4,843	7,430	6,030
63	Mobile homes	9,387	9,387	6,553	171	19	2,471	3,892	2,834
64	Other	9,365	9,360	6,169	225	35	2,372	3,537	3,196
65	Other installment loans	21,539	21,498	14,301	1,132	128	4,752	8,288	7,238
66	Single-payment loans to individuals	29,443	29,392	20,096	1,646	829	6,675	10,946	9,347
67	All other loans	17,979	16,559	14,059	2,906	1,373	6,005	3,774	3,920
68	**Total loans and securities, net**	**961,697**	**933,196**	**683,234**	**99,732**	**34,749**	**254,146**	**294,607**	**278,463**
69	Direct lease financing	6,303	6,302	5,918	1,106	98	3,669	1,045	384
70	Fixed assets—Buildings, furniture, real estate	22,318	22,191	16,454	2,390	793	6,215	7,056	5,863
71	Investment in unconsolidated subsidiaries	3,146	3,109	3,069	1,546	182	1,240	101	77
72	Customer acceptances outstanding	16,489	15,293	14,788	7,399	1,089	5,908	392	1,701
73	Other assets	38,347	35,288	31,300	12,779	1,241	12,456	4,824	7,046
74	**Total assets**	**1,215,052**	**1,172,773**	**888,551**	**165,307**	**43,748**	**332,417**	**347,080**	**326,501**

1.26 Continued

Liability or capital account	All commercial banks	Insured commercial banks	Member banks[1]					Nonmember banks[1]
			Total	Large banks			All other	
				New York City	City of Chicago	Other large[2]		
75 **Demand deposits**	**374,758**	**367,867**	**282,751**	**65,198**	**10,932**	**100,994**	**105,627**	**92,006**
76 Mutual savings banks	1,626	1,425	1,217	588	1	291	337	409
77 Other individuals, partnerships, and corporations	279,829	278,459	206,399	33,292	7,802	78,702	86,603	73,430
78 U.S. government	7,964	7,956	5,641	584	187	2,043	2,828	2,323
79 States and political subdivisions	18,210	18,138	12,421	830	184	3,564	7,842	5,789
80 Foreign governments, central banks, etc.	1,840	1,351	1,317	1,084	25	170	37	524
81 Commercial banks in United States	38,924	37,963	36,639	18,730	2,147	11,503	4,260	2,285
82 Banks in foreign countries	8,721	7,815	7,679	6,007	225	1,249	198	1,042
83 Certified and officers' checks, etc.	17,643	14,760	11,440	4,083	361	3,473	3,522	6,204
84 **Time deposits**	**365,015**	**353,571**	**257,007**	**37,850**	**15,695**	**93,735**	**109,727**	**108,008**
85 Accumulated for personal loan payments	90	90	72	....	....	1	71	18
86 Mutual savings banks	292	275	263	115	37	90	20	29
87 Other individuals, partnerships, and corporations	287,380	280,154	202,808	29,149	12,118	72,205	89,336	84,572
88 U.S. government	989	989	793	82	39	421	251	195
89 States and political subdivisions	56,273	55,928	38,077	1,672	1,261	16,031	19,113	18,195
90 Foreign governments, central banks, etc.	10,171	7,429	7,193	4,184	1,201	1,684	123	2,979
91 Commercial banks in United States	7,968	7,352	6,645	1,917	911	3,113	705	1,323
92 Banks in foreign countries	1,853	1,354	1,156	730	128	190	108	697
93 **Savings deposits**	**226,026**	**224,436**	**154,577**	**10,945**	**2,758**	**55,474**	**85,401**	**71,449**
94 Individuals and nonprofit organizations	210,453	209,067	144,198	10,150	2,612	51,865	79,572	66,255
95 Corporations and other profit organizations	10,807	10,787	7,431	504	137	3,091	3,699	3,376
96 U.S. government	62	62	53	1	....	16	36	9
97 States and political subdivisions	4,501	4,486	2,863	273	9	494	2,087	1,638
98 All other	204	35	31	16	*	9	7	172
99 **Total deposits**	**965,799**	**945,875**	**694,335**	**113,992**	**29,385**	**250,204**	**300,755**	**271,464**
100 **Federal funds purchased and securities sold under agreements to repurchase**	**93,179**	**88,903**	**83,003**	**20,103**	**8,989**	**40,575**	**13,336**	**10,176**
101 Commercial banks	46,947	43,727	41,154	7,773	5,904	21,697	5,780	5,793
102 Brokers and dealers	13,356	13,289	12,325	3,199	1,897	5,686	1,543	1,030
103 Others	32,876	31,887	29,524	9,132	1,188	13,192	6,013	3,352
104 Other liabilities for borrowed money	13,586	9,448	9,112	3,398	179	4,243	1,292	4,473
105 Mortgage indebtedness	1,738	1,733	1,425	233	28	698	465	313
106 Bank acceptances outstanding	17,125	15,925	15,419	8,014	1,095	5,916	394	1,705
107 Other liabilities	33,773	22,062	19,126	5,911	1,106	8,051	4,057	14,647
108 **Total liabilities**	**1,125,200**	**1,083,946**	**822,421**	**151,651**	**40,782**	**309,688**	**320,299**	**302,779**
109 Subordinated notes and debentures	5,816	5,753	4,440	1,004	80	2,061	1,296	1,376
110 **Equity capital**	**84,037**	**83,074**	**61,690**	**12,652**	**2,885**	**20,668**	**25,485**	**22,347**
111 Preferred stock	88	81	33	....	....	2	31	55
112 Common stock	17,790	17,691	12,743	2,645	570	3,997	5,531	5,047
113 Surplus	32,386	31,874	22,906	4,451	1,404	8,063	8,898	9,480
114 Undivided profits	31,949	31,684	24,803	5,334	859	8,238	10,372	7,146
115 Other capital reserves	1,824	1,744	1,205	132	52	368	652	619
116 **Total liabilities and equity capital**	**1,215,052**	**1,172,773**	**888,551**	**165,307**	**43,748**	**332,417**	**347,080**	**326,501**
MEMO ITEMS:								
117 Demand deposits adjusted[2]	258,603	252,756	173,993	21,771	5,368	59,847	87,007	84,610
Average for last 15 or 30 days:								
118 Cash and due from bank	151,066	142,173	121,518	35,452	5,619	44,611	35,836	29,548
119 Federal funds sold and securities purchased under agreements to resell	53,196	47,463	36,121	5,530	1,901	16,558	12,132	17,075
120 Total loans	647,386	628,167	468,342	74,085	24,972	178,557	190,728	179,043
121 Time deposits of $100,000 or more	181,510	174,479	143,050	31,979	12,833	61,496	36,742	38,459
122 Total deposits	941,481	923,749	675,725	106,594	28,441	243,663	297,026	265,756
123 Federal funds purchased and securities sold under agreements to repurchase	95,273	90,853	85,358	21,859	9,825	40,469	13,205	9,915
124 Other liabilities for borrowed money	13,002	8,533	8,027	3,433	171	3,437	986	4,975
125 Standby letters of credit outstanding	18,948	17,750	16,686	9,406	1,269	4,796	1,215	2,262
126 Time deposits of $100,000 or more	183,339	177,602	145,695	32,476	13,253	62,711	37,245	37,653
127 Certificates of deposit	155,925	151,931	123,685	28,200	11,450	52,439	31,595	32,240
128 Other time deposits	27,414	25,671	22,001	4,277	1,803	10,271	5,650	5,413
129 Number of banks	14,698	14,381	5,621	12	9	153	5,447	9,077

1 Member banks exclude and nonmember banks include 13 noninsured trust companies that are members of the Federal Reserve System.

2 Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. government, less cash items reported as in process of collection.

NOTE. Data include consolidated reports, including figures for all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Securities are reported on a gross basis before deductions of valuation reserves. Back data in lesser detail were shown in previous BULLETINS.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $750 Million or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1978				1979				
		Dec. 6[e]	Dec. 13[e]	Dec. 20[e]	Dec. 27[e]	Jan. 3[p]	Jan. 10[p]	Jan. 17[p]	Jan. 24[p]	Jan. 31[p]
1	Cash items in process of collection	44,260	45,198	48,512	52,100	54,830	44,287	46,233	39,735	44,029
2	Demand deposits due from banks in the United States					15,112	14,445	14,145	13,122	14,396
3	All other cash and due from depositary institutions					33,854	30,336	36,357	33,453	29,772
4	**Total loans and securities**	**445,536**	**444,042**	**453,242**	**454,702**	**458,040**	**453,052**	**450,897**	**447,922**	**450,902**
	Securities									
5	*U.S. Treasury securities*	35,443	35,714	35,773	35,902	35,533	35,102	35,778	35,710	35,189
6	Trading account					3,112	3,272	3,989	4,209	3,990
7	Investment account, by maturity					32,421	31,830	31,789	31,501	31,200
8	One year or less					8,805	8,361	8,283	8,173	7,905
9	Over one through five years					19,503	19,370	19,304	19,160	19,037
10	Over five years					4,114	4,099	4,203	4,168	4,258
11	*Other securities*	60,854	61,702	61,747	61,691	63,564	63,914	63,669	63,697	63,809
12	Trading account					2,420	2,658	2,562	2,283	2,491
13	Investment account					61,144	61,256	61,107	61,414	61,318
14	U.S. government agencies					11,909	11,897	11,656	11,928	11,859
15	States and political subdivision, by maturity					46,037	46,257	46,399	46,485	46,484
16	One year or less					7,706	7,772	7,708	7,645	7,762
17	Over one year					38,332	38,486	38,692	38,839	38,721
18	Other bonds, corporate stocks and securities					3,198	3,102	3,052	3,001	2,975
	Loans									
19	*Federal funds sold*[1]					*27,380*	*25,775*	*24,076*	*22,608*	*25,026*
20	To commercial banks	16,573	16,387	20,349	21,905	19,454	16,789	15,814	16,621	17,474
21	To nonbank brokers and dealers in securities					5,510	5,979	6,025	4,276	5,510
22	To others					2,416	3,006	2,237	1,712	2,042
23	Other loans, gross					341,526	338,262	337,401	335,972	336,946
24	Commercial and industrial	130,744	130,662	131,801	132,150	133,896	132,057	132,060	131,795	131,644
25	Bankers' acceptances and commercial paper					4,351	3,442	3,628	3,504	3,478
26	All other					129,545	128,614	128,432	128,291	128,166
27	U.S. addresses					123,477	122,672	122,428	122,147	121,931
28	Non-U.S. addressees					6,068	5,942	6,004	6,143	6,235
29	Real estate	78,916	79,257	79,505	79,835	80,664	81,061	81,191	81,490	81,796
30	To individuals for personal expenditures					58,663	58,689	58,941	59,278	59,915
	To financial institutions									
31	Commercial banks in the U.S.	2,805	2,633	3,029	3,297	3,498	3,110	3,309	3,065	2,893
32	Banks in foreign countries	8,851	9,053	9,451	9,976	9,662	9,018	8,978	8,510	8,365
33	Sales finance, personal finance companies, etc.	8,223	8,129	8,602	8,818	8,112	8,237	7,919	7,893	7,933
34	Other financial institutions	15,006	15,179	15,163	15,234	15,969	15,926	15,802	15,433	15,368
35	To nonbank brokers and dealers in securities					8,445	8,516	7,725	7,659	8,664
36	To others for purchasing and carrying securities[2]	2,129	2,149	2,173	2,172	2,202	2,232	2,279	2,302	2,308
37	To finance agricultural production	4,421	4,416	4,445	4,511	4,584	4,574	4,535	4,465	4,470
38	All other					15,828	14,842	14,662	14,081	13,590
39	Less: Unearned income					5,618	5,645	5,678	5,708	5,640
40	Loan loss reserve					4,345	4,356	4,348	4,356	4,428
41	Other loans, net					331,562	328,262	327,374	325,907	326,878
42	Lease financing receivables					4,803	4,886	5,074	5,119	5,237
43	All other assets					66,188	66,938	65,588	63,845	64,147
44	**Total assets**	**600,047**	**605,144**	**615,785**	**630,331**	**632,828**	**613,945**	**618,295**	**603,197**	**608,484**
	Deposits									
45	*Demand deposits*	*177,965*	*180,086*	*188,345*	*192,637*	*203,164*	*182,347*	*184,556*	*169,066*	*176,361*
46	Mutual savings banks	778	644	676	698	1,004	860	754	671	748
47	Individuals, partnerships, and corporations	125,797	129,449	131,530	135,620	144,472	128,858	133,133	122,167	124,373
48	States and political subdivisions	4,423	4,437	4,818	4,854	5,291	4,737	5,024	4,969	5,506
49	U.S. government	1,015	939	2,682	964	978	1,632	1,054	1,107	1,334
50	Commercial banks in United States	30,316	27,943	30,691	33,213	34,122	31,054	28,818	25,299	29,065
51	Banks in foreign countries	6,390	7,030	7,860	8,268	7,711	6,785	6,651	6,728	6,807
52	Foreign governments and official institutions	1,321	1,969	1,546	1,713	1,646	1,035	1,234	1,481	1,148
53	Certified and officers' checks	7,774	7,523	8,390	7,156	7,941	7,387	7,888	6,643	7,379
54	*Time and savings deposits*	*253,077*	*255,031*	*255,079*	*255,109*	*258,104*	*259,444*	*259,224*	*260,066*	*258,245*
55	Savings	76,762	76,490	76,268	76,494	77,869	77,866	77,446	76,968	76,570
56	Individuals and nonprofit organizations	71,420	71,192	71,035	71,270	72,394	72,320	72,068	71,561	71,236
57	Partnerships and corporations operated for profit	4,485	4,432	4,353	4,367	4,530	4,536	4,427	4,450	4,428
58	Domestic governmental units	814	826	840	814	903	962	907	914	864
59	All other	42	41	40	42	41	48	44	42	42
60	Time	176,315	178,541	178,811	178,615	180,234	181,578	181,777	183,098	181,675
61	Individuals, partnerships, and corporations	138,928	140,724	140,894	140,973	141,967	142,452	142,528	143,524	142,350
62	States and political subdivisions	22,447	22,734	22,618	22,545	23,131	23,396	23,610	23,898	23,831
63	U.S. government	524	472	475	474	484	488	495	485	490
64	Commercial banks in United States	6,828	7,129	7,334	7,276	7,528	7,769	7,781	7,772	7,683
65	Foreign governments, official institutions, and banks	7,588	7,482	7,491	7,347	7,125	7,473	7,363	7,418	7,321
66	Federal funds purchased[3]	76,556	78,047	75,424	80,869	73,380	75,773	76,819	74,569	70,171
	Other liabilities for borrowed money									
67	Borrowings from Federal Reserve Banks	184	74	120	2,552	142	316	1,532	432	3,602
68	Treasury tax-and-loan notes					6,292	2,910	3,811	5,736	6,756
69	All other liabilities for borrowed money	9,906	9,499	14,316	16,022	8,217	8,497	7,388	8,610	7,883
70	Other liabilities and subordinated note and debentures					41,933	42,684	43,593	43,418	43,900
71	**Total liabilities**					591,234	571,970	576,924	561,896	566,918
72	Residual (total assets minus total liabilities)[4]					41,594	41,975	41,371	41,301	41,565

1 Includes securities purchased under agreements to resell.
2 Other than financial institutions and brokers and dealers.
3 Includes securities sold under agreements to repurchase.
4 This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1 Billion or More on December 31, 1977 Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1978				1979				
		Dec. 6[e]	Dec. 13[e]	Dec. 20[e]	Dec. 27[e]	Jan. 3[p]	Jan. 10[p]	Jan. 17[p]	Jan. 24[p]	Jan. 31[p]
1	Cash items in process of collection	42,170	43,087	46,269	49,630	51,843	42,046	43,902	37,610	41,799
2	Demand deposits due from banks in the United States	......	......	......	......	14,081	13,706	13,352	12,524	13,710
3	All other cash and due from depositary institutions	......	......	......	......	31,822	28,628	34,671	31,513	27,998
4	**Total loans and securities**	**415,334**	**415,143**	**423,848**	**425,750**	**428,352**	**422,666**	**420,994**	**418,541**	**421,336**
	Securities									
5	*U.S. Treasury securities*	*32,911*	*33,179*	*33,260*	*33,377*	*33,162*	*32,701*	*33,411*	*33,336*	*32,797*
6	Trading account	......	......	......	......	3,073	3,244	3,964	4,179	3,952
7	Investment account, by maturity	......	......	......	......	30,089	29,456	29,446	29,157	28,845
8	One year or less	......	......	......	......	8,157	7,703	7,648	7,536	7,264
9	Over one through five years	......	......	......	......	18,172	18,017	17,960	17,822	17,710
10	Over five years	......	......	......	......	3,761	3,737	3,839	3,800	3,871
11	*Other securities*	55,554	56,366	56,402	56,324	58,651	58,878	58,774	58,822	58,895
12	Trading account	......	......	......	......	2,359	2,603	2,502	2,230	2,413
13	Investment account	......	......	......	......	56,292	56,274	56,272	56,592	56,482
14	U.S. government agencies	......	......	......	......	11,068	10,996	10,831	11,118	11,036
15	States and political subdivision, by maturity	......	......	......	......	42,266	42,444	42,625	42,709	42,707
16	One year or less	......	......	......	......	7,023	7,077	7,132	7,071	7,182
17	Over one year	......	......	......	......	35,243	35,367	35,492	35,638	35,525
18	Other bonds, corporate stocks and securities	......	......	......	......	2,958	2,835	2,816	2,766	2,739
	Loans									
19	*Federal funds sold*[1]	......	......	......	......	*25,130*	*23,310*	*21,532*	*20,581*	*22,872*
20	To commercial banks	14,788	14,654	18,405	20,347	17,535	14,628	13,672	14,912	15,698
21	To nonbank brokers and dealers in securities	......	......	......	......	5,242	5,708	5,674	3,979	5,141
22	To others	......	......	......	......	2,353	2,974	2,185	1,690	2,033
23	Other loans, gross	......	......	......	......	320,641	317,022	316,574	315,132	316,103
24	Commercial and industrial	124,348	124,268	125,362	125,575	127,017	124,968	125,228	124,980	124,844
25	Bankers' acceptances and commercial paper	......	......	......	......	4,281	3,371	3,561	3,446	3,421
26	All other	......	......	......	......	122,736	121,598	121,667	121,534	121,423
27	U.S. addresses	......	......	......	......	116,728	115,711	115,720	115,439	115,236
28	Non-U.S. addressees	......	......	......	......	6,008	5,886	5,947	6,095	6,187
29	Real estate	......	......	......	......	75,590	75,843	76,058	76,335	76,627
30	To individuals for personal expenditures	......	......	......	......	52,181	52,166	52,442	52,743	53,263
	To financial institutions									
31	Commercial banks in the U.S.	2,724	2,556	2,919	3,209	3,406	3,010	3,215	2,974	2,788
32	Banks in foreign countries	8,788	8,991	9,390	9,910	9,590	8,934	8,894	8,425	8,284
33	Sales finance, personal finance companies, etc.	8,014	7,917	8,373	8,586	7,892	8,007	7,701	7,688	7,746
34	Other financial institutions	14,590	14,760	14,749	14,819	15,431	15,392	15,273	14,914	14,851
35	To nonbank brokers and dealers in securities	......	......	......	......	8,320	8,405	7,619	7,555	8,557
36	To others for purchasing and carrying securities[2]	1,831	1,852	1,871	1,874	1,898	1,927	1,974	1,997	2,001
37	To finance agricultural production	4,282	4,274	4,301	4,369	4,422	4,410	4,372	4,303	4,314
38	All other	......	......	......	......	14,894	13,960	13,797	13,217	12,829
39	Less: Unearned income	......	......	......	......	5,138	5,149	5,194	5,221	5,158
40	Loan loss reserve	......	......	......	......	4,094	4,095	4,102	4,109	4,173
41	Other loans, net	......	......	......	......	311,409	307,778	307,278	305,802	306,772
42	Lease financing receivables	......	......	......	......	4,646	4,734	4,919	4,962	5,079
43	All other assets	......	......	......	......	64,701	65,278	63,953	62,314	62,532
44	**Total assets**	**565,564**	**570,813**	**580,637**	**595,027**	**595,445**	**577,058**	**581,792**	**567,464**	**572,454**
	Deposits									
45	*Demand deposits*	*167,075*	*169,181*	*177,039*	*181,333*	*190,575*	*170,814*	*173,085*	*158,606*	*165,550*
46	Mutual savings banks	744	617	652	677	964	822	728	647	718
47	Individuals, partnerships, and corporations	117,445	120,997	122,970	126,842	134,769	119,837	124,232	114,073	116,089
48	States and political subdivisions	3,898	3,870	4,198	4,243	4,639	4,120	4,345	4,261	4,798
49	U.S. government	913	854	2,468	881	870	1,485	901	939	1,219
50	Commercial banks in United States	28,967	26,704	29,412	31,948	32,420	29,748	27,452	24,143	27,745
51	Banks in foreign countries	6,330	6,953	7,750	8,176	7,650	6,662	6,582	6,661	6,732
52	Foreign governments and official institutions	1,317	1,965	1,542	1,710	1,645	1,030	1,226	1,471	1,145
53	Certified and officers' checks	7,332	7,092	7,917	6,728	7,618	7,110	7,619	6,411	7,104
54	*Time and savings deposits*	*237,060*	*238,984*	*239,015*	*239,042*	*241,471*	*242,518*	*242,429*	*243,248*	*241,413*
55	Savings	71,141	70,898	70,690	70,924	72,190	72,068	71,801	71,366	71,013
56	Individuals and nonprofit organizations	66,224	66,021	65,881	66,117	67,107	66,950	66,819	66,352	66,059
57	Partnerships and corporations operated for profit	4,138	4,081	4,007	4,020	4,194	4,178	4,097	4,123	4,107
58	Domestic governmental units	737	755	763	745	847	892	841	848	805
59	All other	42	41	39	42	41	48	43	42	42
60	Time	165,919	168,086	168,325	168,118	169,280	170,450	170,628	171,882	170,400
61	Individuals, partnerships, and corporations	130,724	132,458	132,632	132,722	133,348	133,790	133,816	134,766	133,548
62	States and political subdivisions	20,421	20,722	20,587	20,497	21,084	21,240	21,492	21,755	21,678
63	U.S. government	519	467	470	469	479	484	490	481	485
64	Commercial banks in United States	6,678	6,968	7,157	7,095	7,258	7,479	7,482	7,477	7,384
65	Foreign governments, official institutions, and banks	7,577	7,471	7,480	7,336	7,112	7,458	7,348	7,403	7,305
66	Federal funds purchased[3]	72,904	74,592	71,840	77,272	69,740	71,764	72,874	70,809	66,505
	Other liabilities for borrowed money									
67	Borrowings from Federal Reserve Banks	162	42	105	2,490	128	301	1,517	326	3,490
68	Treasury tax-and-loan notes	......	......	......	......	5,775	2,755	3,543	5,324	6,266
69	All other liabilities for borrowed money	9,520	9,125	13,635	15,243	7,914	8,040	7,051	8,172	7,504
70	Other liabilities and subordinated note and debentures	......	......	......	......	40,838	41,545	42,519	42,272	42,766
71	**Total liabilities**	......	......	......	......	556,442	537,737	543,020	528,756	533,496
72	Residual (total assets minus total liabilities)[4]	......	......	......	......	39,003	39,321	38,772	38,709	38,959

1 Includes securities purchased under agreements to resell.
2 Other than financial institutions and brokers and dealers.
3 Includes securities sold under agreements to repurchase.
4 This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1978				1979				
		Dec. 6[e]	Dec. 13[e]	Dec. 20[e]	Dec. 27[e]	Jan. 3[p]	Jan. 10[p]	Jan. 17[p]	Jan. 24[p]	Jan. 31[p]
1	Cash items in process of collection	15,362	15,430	16,872	17,747	17,369	16,675	15,990	13,594	15,975
2	Demand deposits due from banks in the United States	...	...	...	...	7,679	8,515	8,040	7,894	8,627
3	All other cash and due from depositary institutions	...	...	...	...	9,222	6,883	10,048	8,558	7,620
4	**Total loans and securities**[1]	...	...	...	...	98,468	95,885	95,087	94,899	96,429
	Securities									
5	*U.S. Treasury securities*[2]	...	...	...	...	...	...	...	...	...
6	Trading account[2]	...	...	...	...	...	...	...	...	...
7	Investment account, by maturity	...	...	...	...	6,485	6,306	6,183	5,892	5,844
8	One year or less	...	...	...	...	1,119	958	837	750	650
9	Over one through five years	...	...	...	...	4,653	4,653	4,606	4,419	4,447
10	Over five years	...	...	...	...	712	696	739	723	748
11	*Other securities*[2]	...	...	...	...	...	...	...	...	...
12	Trading account[2]	...	...	...	...	...	...	...	...	...
13	Investment account	...	...	...	...	11,267	11,196	11,243	11,290	11,258
14	U.S. government agencies	...	...	...	...	1,376	1,376	1,375	1,426	1,405
15	States and political subdivision, by maturity	...	...	...	...	9,220	9,180	9,215	9,215	9,205
16	One year or less	...	...	...	...	1,832	1,783	1,817	1,750	1,732
17	Over one year	...	...	...	...	7,388	7,397	7,398	7,465	7,473
18	Other bonds, corporate stocks and securities	...	...	...	...	671	641	652	648	648
	Loans									
19	*Federal funds sold*[3]	...	...	...	...	*4,886*	*4,643*	*4,288*	*5,105*	*6,419*
20	To commercial banks	2,672	2,428	4,608	4,319	3,444	2,962	2,782	3,912	4,779
21	To nonbank brokers and dealers in securities	...	...	...	...	1,035	1,041	981	988	1,281
22	To others	...	...	...	...	406	640	525	204	358
23	Other loans, gross	...	...	...	...	*77,828*	*75,719*	*75,363*	*74,605*	*74,912*
24	Commercial and industrial	38,589	38,648	39,459	39,590	39,336	38,000	37,876	37,643	37,404
25	Bankers' acceptances and commercial paper	...	...	...	...	1,980	1,295	1,380	1,199	964
26	All other	...	...	...	...	37,356	36,705	36,496	36,444	36,440
27	U.S. addressees	...	...	...	...	35,061	34,416	34,285	34,257	34,091
28	Non-U.S. addressees	...	...	...	...	2,294	2,289	2,212	2,187	2,349
29	Real estate	9,986	10,022	10,057	10,121	10,178	10,210	10,217	10,245	10,293
30	To individuals for personal expenditures	...	...	...	...	7,294	7,294	7,265	7,262	7,274
	To financial institutions									
31	Commercial banks in the U.S.	1,064	948	1,102	1,356	1,295	1,094	1,224	1,158	1,010
32	Banks in foreign countries	3,834	3,966	4,316	4,760	4,327	4,008	3,903	3,546	3,497
33	Sales finance, personal finance companies, etc.	3,002	2,913	3,117	3,326	3,127	3,174	3,034	2,938	3,017
34	Other financial institutions	4,466	4,538	4,592	4,530	4,427	4,455	4,452	4,407	4,404
35	To nonbank brokers and dealers in securities	...	...	...	...	4,635	4,529	4,055	4,281	4,823
36	To others for purchasing and carrying securities[4]	365	366	368	369	366	364	401	403	411
37	To finance agricultural production	192	193	201	195	192	193	194	190	200
38	All other	...	...	...	...	2,650	2,399	2,739	2,532	2,579
39	Less: Unearned income	...	...	...	...	662	649	657	660	639
40	Loan loss reserve	...	...	...	...	1,336	1,331	1,333	1,333	1,364
41	Other loans, net	...	...	...	...	75,830	73,739	73,373	72,612	72,908
42	Lease financing receivables	...	...	...	...	490	489	497	489	492
43	All other assets[5]	...	...	...	...	32,141	32,941	32,103	32,427	32,026
44	**Total assets**	**159,494**	**162,046**	**165,982**	**170,412**	**165,370**	**161,388**	**161,764**	**157,861**	**161,169**
	Deposits									
45	*Demand deposits*	*54,709*	*55,123*	*60,048*	*61,379*	*60,277*	*56,648*	*55,770*	*52,242*	*56,103*
46	Mutual savings banks	420	326	353	376	584	516	418	373	427
47	Individuals, partnerships, and corporations	28,400	29,256	30,112	30,700	33,192	28,753	30,029	28,512	29,397
48	States and political subdivisions	442	395	455	463	430	403	464	426	518
49	U.S. government	101	131	676	104	139	305	194	279	224
50	Commercial banks in United States	16,201	14,638	17,143	19,050	15,838	18,244	15,380	13,712	16,645
51	Banks in foreign countries	4,575	5,060	5,897	6,364	5,490	4,705	4,712	4,767	4,924
52	Foreign governments and official institutions	1,068	1,726	1,258	1,444	1,366	786	962	1,181	770
53	Certified and officers' checks	3,502	3,591	4,153	2,876	3,238	2,936	3,611	2,992	3,197
54	*Time and savings deposits*	*50,578*	*50,872*	*51,004*	*50,772*	*50,808*	*51,224*	*51,349*	*51,913*	*50,996*
55	Savings	9,331	9,343	9,288	9,310	9,414	9,556	9,537	9,516	9,486
56	Individuals and nonprofit organizations	8,695	8,701	8,664	8,690	8,761	8,890	8,890	8,846	8,842
57	Partnerships and corporations operated for profit	460	454	440	444	461	460	449	450	438
58	Domestic governmental units	160	170	168	162	182	189	185	209	196
59	All other	16	18	16	14	11	16	12	11	9
60	Time	41,246	41,528	41,716	41,461	41,394	41,668	41,812	42,397	41,510
61	Individuals, partnerships, and corporations	31,703	31,947	32,084	31,980	31,915	31,860	32,041	32,432	31,741
62	States and political subdivisions	2,051	2,014	1,981	1,941	1,862	1,908	1,890	1,899	1,817
63	U.S. government	52	55	52	52	48	42	40	40	35
64	Commercial banks in U.S.	2,829	2,925	3,080	3,022	3,139	3,287	3,329	3,402	3,375
65	Foreign governments, official institutions, and banks	4,612	4,587	4,519	4,466	4,430	4,570	4,514	4,624	4,541
66	Federal funds purchased[6]	20,105	22,550	20,009	20,888	19,805	19,344	19,376	18,269	17,168
	Other liabilities for borrowed money									
67	Borrowings from Federal Reserve Banks	...	...	...	1,403	...	...	975	100	2,021
68	Treasury tax-and-loan notes	...	...	...	...	1,065	390	556	1,124	1,255
69	All other liabilities for borrowed money	4,589	4,424	5,675	5,643	4,396	3,935	3,792	4,104	3,770
70	Other liabilities and subordinated note and debentures	...	...	...	5,643	16,394	17,281	17,403	17,540	17,150
71	**Total liabilities**	...	...	...	...	**152,746**	**148,821**	**149,221**	**145,293**	**148,462**
72	Residual (total assets minus total liabilities)[7]	...	...	...	...	12,623	12,567	12,543	12,568	12,707

1 Excludes trading account securities.
2 Not available due to confidentiality.
3 Includes securities purchased under agreements to resell.
4 Other than financial institutions and brokers and dealers.
5 Includes trading account securities.
6 Includes securities sold under agreements to repurchase.
7 This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1978[1]				1979				
	Dec. 6[e]	Dec. 13[e]	Dec. 20[e]	Dec. 27[e]	Jan. 3[p]	Jan. 10[p]	Jan. 17[p]	Jan. 24[p]	Jan. 31[p]
	Large weekly reporting banks with assets of $750 million or more								
1 Total loans (gross) and investments adjusted[2]	434,950	434,854	439,718	439,294	445,050	443,154	441,802	438,301	440,604
2 Total loans (gross) adjusted[2]	338,653	337,437	342,198	341,700	345,952	334,138	342,354	338,894	341,606
3 Demand deposits adjusted[3]	102,374	106,006	106,460	106,360	113,234	105,374	108,451	102,924	101,932
Time deposits in accounts of $100,000 or more									
4 *Total*	*131,153*	*133,325*	*133,503*	*133,198*	*131,247*	*131,650*	*131,817*	*133,518*	*131,837*
5 Negotiable CDs	95,326	97,142	97,200	96,948	96,584	96,826	96,466	97,739	96,140
6 Other time deposits	35,827	36,183	36,303	36,250	34,664	34,824	35,351	35,778	35,698
Loans sold outright to affiliates[4]									
7 *Total*	*3,679*	*3,694*	*3,706*	*3,697*	*3,734*	*3,641*	*3,545*	*3,609*	*3,568*
8 Commercial and industrial	1,796	1,823	1,884	1,786	1,917	2,554	2,447	2,501	2,487
9 Other	1,884	1,871	1,822	1,911	1,817	1,088	1,097	1,108	1,080
	Large weekly reporting banks with assets of $1 billion or more								
10 Total loans (gross) and investments adjusted[2]	406,927	407,070	411,682	411,295	416,643	414,272	413,403	409,985	412,182
11 Total loans (gross) adjusted[2]	318,461	317,525	322,020	321,594	324,830	322,694	321,218	317,826	320,489
12 Demand deposits adjusted[3]	95,025	98,536	98,890	98,874	105,442	97,536	100,831	95,914	94,786
Time deposits in accounts of $100,000 or more									
13 *Total*	*123,814*	*125,933*	*126,102*	*125,796*	*123,873*	*124,270*	*124,334*	*125,973*	*124,271*
14 Negotiable CDs	91,070	92,861	92,918	92,642	92,271	92,248	91,949	93,148	91,486
15 Other time deposits	32,743	33,072	33,183	33,154	31,602	32,022	32,385	32,825	32,785
Loans sold outright to affiliates[4]									
16 *Total*	*3,629*	*3,643*	*3,657*	*3,644*	*3,692*	*3,598*	*3,502*	*3,566*	*3,526*
17 Commercial and industrial	1,770	1,797	1,860	1,755	1,899	2,534	2,429	2,482	2,470
18 Other	1,859	1,846	1,797	1,889	1,793	1,065	1,074	1,084	1,056
	Large weekly reporting banks in New York City								
19 Total loans (gross) and investments adjusted[2, 5]	....	....	....	....	95,726	93,809	93,070	91,822	92,644
20 Total loans (gross) adjusted[2]	78,011	78,349	80,069	79,932	77,974	76,306	75,644	74,641	75,542
21 Demand deposits adjusted[3]	23,045	24,924	25,358	24,479	26,931	21,424	24,207	24,657	23,259
Time deposits in accounts of $100,000 or more									
22 *Total*	*36,296*	*36,545*	*36,714*	*36,470*	*36,237*	*36,645*	*36,815*	*37,314*	*36,422*
23 Negotiable CDs	29,214	29,463	29,632	29,394	29,137	29,489	29,596	30,113	29,139
24 Other time deposits	7,082	7,082	7,082	7,076	7,100	7,156	7,220	7,201	7,282

1 Data revised to conform with new coverage basis for 1979. Data shown only for items that are conceptually comparable with those for 1979.

2 Exclusive of loans and federal funds transactions with domestic commercial banks.

3 All demand deposits except U.S. government and domestic banks less cash items in process of collection.

4 Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank) and nonconsolidated nonbank subsidiaries of the holding company.

5 Excludes trading account securities.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Commercial and Industrial Loans

Millions of dollars

	Industry classification	Outstanding					Net change during—				
		1978					1978		1978		
		Nov. 29	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Q3	Q4	Oct.	Nov.	Dec.
		Total loans classified[2]									
1	**Total**	**114,541**	**114,799**	**114,549**	**115,578**	**115,773**	**1,354**	**4,323**	**1,863**	**1,228**	**1,232**
	Durable goods manufacturing:										
2	Primary metals	2,595	2,624	2,643	2,672	2,662	−66	−70	−68	−69	67
3	Machinery	5,473	5,513	5,415	5,408	5,348	−16	−40	61	24	−125
4	Transportation equipment	2,627	2,571	2,593	3,110	3,096	−52	349	−159	39	469
5	Other fabricated metal products	2,414	2,451	2,447	2,405	2,471	69	−51	−78	−30	57
6	Other durable goods	3,986	4,062	4,050	4,046	3,992	136	−53	−79	20	6
	Nondurable goods manufacturing:										
7	Food, liquor, and tobacco	4,550	4,642	4,628	4,613	4,681	−101	527	186	210	131
8	Textiles, apparel, and leather	3,976	3,999	3,930	3,833	3,756	240	−627	−110	−297	−220
9	Petroleum refining	2,552	2,569	2,570	2,660	2,634	−116	113	−47	78	82
10	Chemicals and rubber	3,232	3,275	3,357	3,453	3,465	−101	−3	−173	−63	233
11	Other nondurable goods	2,440	2,424	2,405	2,400	2,380	213	−100	−47	7	−60
12	Mining, including crude petroleum and natural gas	10,622	10,594	10,607	10,629	10,585	172	8	17	28	−37
	Trade:										
13	Commodity dealers	1,793	1,859	1,870	1,872	1,952	−323	208	61	−12	159
14	Other wholesale	9,530	9,502	9,443	9,433	9,367	232	195	279	79	−163
15	Retail	8,939	8,855	8,711	8,557	8,412	−80	218	636	109	−527
16	Transportation	5,520	5,494	5,515	5,469	5,494	53	....	34	−8	−26
17	Communication	1,774	1,782	1,748	1,772	1,765	68	32	−20	61	−9
18	Other public utilities	5,545	5,587	5,586	5,741	5,940	89	841	245	201	395
19	Construction	5,106	5,040	5,031	5,035	5,098	118	−73	−16	−49	−8
20	Services	14,422	14,509	14,484	14,750	14,749	520	790	219	244	327
21	All other domestic loans	8,458	8,449	8,473	8,392	8,537	282	501	257	165	79
22	Bankers acceptances	3,542	3,591	3,543	3,766	3,809	−149	697	210	220	267
23	Foreign commercial and industrial loans	5,445	5,407	5,500	5,562	5,580	166	861	455	271	135
	MEMO ITEMS:										
24	Commercial paper included in total classified loans[1]	62	....	....	....	45	−8	−18	−1	....	−17
25	Total commercial and industrial loans of all large weekly reporting banks	140,658	140,655	140,557	141,829	142,103	1,390	5,394	2,125	1,824	1,445

	Industry classification	1978					1978		1978		
		Aug. 30	Sept. 27	Oct. 25	Nov. 29	Dec. 27	Q3	Q4	Oct.	Nov.	Dec.
		"Term" loans classified[3]									
26	**Total**	**52,618**	**53,019**	**53,762**	**54,861**	**55,481**	**1,726**	**2,463**	**743**	**1,099**	**620**
	Durable goods manufacturing:										
27	Primary metals	1,710	1,672	1,641	1,631	1,624	−34	−48	−31	−10	−7
28	Machinery	2,669	2,650	2,768	2,751	2,771	74	121	118	−17	20
29	Transportation equipment	1,586	1,565	1,506	1,517	1,664	145	99	−59	11	147
30	Other fabricated metal products	990	1,007	1,004	1,040	1,119	13	112	−3	36	79
31	Other durable goods	1,699	1,713	1,717	1,815	1,902	35	189	4	98	87
	Nondurable goods manufacturing:										
32	Food, liquor, and tobacco	1,740	1,727	1,862	1,978	1,918	56	191	135	116	−60
33	Textiles, apparel, and leather	1,133	1,126	1,096	1,046	1,050	4	−76	−30	−50	4
34	Petroleum refining	1,882	1,846	1,789	1,843	1,895	−101	49	−57	54	52
35	Chemicals and rubber	2,322	2,301	2,109	2,043	2,181	−111	−120	−192	−66	138
36	Other nondurable goods	1,156	1,177	1,192	1,218	1,183	86	6	15	26	−35
37	Mining, including crude petroleum and natural gas	7,757	7,862	7,852	7,930	7,937	102	75	−10	78	7
	Trade:										
38	Commodity dealers	248	250	268	305	313	22	63	18	37	8
39	Other wholesale	2,276	2,360	2,329	2,372	2,342	185	−18	−31	43	−30
40	Retail	2,827	2,791	3,065	3,225	3,204	−43	413	274	160	−21
41	Transportation	3,732	3,753	3,718	3,746	3,790	15	37	−35	28	44
42	Communication	1,057	1,076	1,065	1,131	1,158	67	82	−11	66	27
43	Other public utilities	3,860	3,847	3,960	4,064	4,221	318	374	113	104	157
44	Construction	2,245	2,224	2,264	2,295	2,373	107	149	40	31	78
45	Services	6,606	6,797	6,936	7,113	7,270	307	473	139	177	157
46	All other domestic loans	2,616	2,713	2,798	2,857	2,908	393	196	85	59	51
47	Foreign commercial and industrial loans	2,507	2,562	2,823	2,941	2,658	86	96	261	118	−283

1 Reported for the last Wednesday of each month.
2 Includes "term" loans, shown below.
3 Outstanding loans with an original maturity of more than 1 year and all outstanding loans granted under a formal agreement—revolving credit or standby—on which the original maturity of the commitment was in excess of 1 year.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations

Billions of dollars, estimated daily-average balances

Type of holder	At commercial banks									
	1974 Dec.	1975 Dec.	1976 Dec.	1977			1978			
				June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **All holders, individuals, partnerships, and corporations**	**225.0**	**236.9**	**250.1**	**253.8**	**252.7**	**274.4**	**262.5**	**271.2**	**278.8**	**294.6**
2 Financial business	19.0	20.1	22.3	25.9	23.7	25.0	24.5	25.7	25.9	27.8
3 Nonfinancial business	118.8	125.1	130.2	129.2	128.5	142.9	131.5	137.7	142.5	152.7
4 Consumer	73.3	78.0	82.6	84.1	86.2	91.0	91.8	92.9	95.0	97.4
5 Foreign	2.3	2.4	2.7	2.5	2.5	2.5	2.4	2.4	2.5	2.7
6 Other	11.7	11.3	12.4	12.2	11.8	12.9	12.3	12.4	13.1	14.1
	At weekly reporting banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
7 **All holders, individuals, partnerships, and corporations**	**124.4**	**128.5**	**139.1**	**136.9**	**139.9**	**137.7**	**139.7**	**141.3**	**142.7**	**147.0**
8 Financial business	15.6	17.5	18.5	19.0	19.4	19.4	18.9	19.1	19.3	19.8
9 Nonfinancial business	69.9	69.7	76.3	71.9	73.7	72.0	74.1	75.0	75.7	79.0
10 Consumer	29.9	31.7	34.6	36.6	37.1	36.8	37.1	37.5	37.7	38.2
11 Foreign	2.3	2.6	2.4	2.3	2.3	2.4	2.4	2.5	2.5	2.5
12 Other	6.6	7.1	7.4	7.1	7.3	7.1	7.3	7.2	7.5	7.5

NOTE. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

1.33 COMMERCIAL PAPER AND BANKERS ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1975 Dec.	1976 Dec.	1977 Dec.	1978						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Commercial paper (seasonally adjusted)									
1 **All issuers**	**48,459**	**53,025**	**65,209**	**74,536**	**74,900**	**73,960**	**76,988**	**77,152**	**80,504**	**83,817**
Financial companies:[1]										
Dealer-placed paper:[2]										
2 Total	6,202	7,250	8,871	10,327	10,617	10,868	11,470	10,921	11,455	12,280
3 Bank-related	1,762	1,900	2,132	2,442	2,633	2,935	2,622	2,868	3,231	3,521
Directly-placed paper:[3]										
4 Total	31,374	32,500	40,496	47,315	46,594	45,510	47,791	48,030	50,010	51,625
5 Bank-related	6,892	5,959	7,102	9,585	10,030	9,634	10,383	10,925	11,478	12,314
6 Nonfinancial companies[4]	10,883	13,275	15,842	16,894	17,689	17,582	17,727	18,201	19,039	19,912
	Dollar acceptances (not seasonally adjusted)									
7 **Total**	**18,727**	**22,523**	**r25,450**	**28,289**	**27,579**	**28,319**	**27,952**	**30,579**	**32,145**	**33,700**
Held by:										
8 *Accepting banks*	*7,333*	*10,442*	*10,434*	*7,502*	*7,244*	*7,048*	*7,647*	*8,379*	*r8,082*	*8,579*
9 Own bills	5,899	8,769	8,915	6,520	6,345	6,131	6,461	7,012	r6,840	7,653
10 Bills bought	1,435	1,673	1,519	983	899	917	1,186	1,366	1,243	927
Federal Reserve Banks:										
11 Own account	1,126	991	954	1	....	....	1	....	....	1
12 Foreign correspondents	293	375	362	625	568	633	556	557	585	664
13 Others	9,975	10,715	13,904	20,160	19,766	20,638	19,748	21,644	r23,478	24,456
Based on:										
14 Imports into United States	3,726	4,992	r6,378	7,578	7,415	7,885	7,957	8,575	8,675	8,574
15 Exports from United States	4,001	4,818	r5,863	6,906	6,565	6,558	6,350	6,665	7,224	7,586
16 All other	11,000	12,713	r13,209	13,805	13,599	13,876	13,644	15,339	16,245	17,540

1 Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

2 Includes all financial company paper sold by dealers in the open market.

3 As reported by financial companies that place their paper directly with investors.

4 Includes public utilities and firms engaged primarily in activities such as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

1.34 PRIME RATE CHARGED BY BANKS on Short-term Business Loans

Per cent per annum

Effective date	Rate	Effective date	Rate	Month	Average rate	Month	Average rate
1978—Jan. 10	8	1978—Sept. 15	9½	1977—Apr.	6.25	1978—Mar.	8.00
		28	9¾	May	6.41	Apr.	8.00
May 5	8¼			June	6.75	May	8.27
26	8½	Oct. 13	10	July	6.75	June	8.63
		27	10¼	Aug.	6.83	July	9.00
June 16	8¾			Sept.	7.13	Aug.	9.01
30	9	Nov. 1	10½	Oct.	7.52	Sept.	9.41
		6	10¾	Nov.	7.75	Oct.	9.94
Aug. 31	9¼	17	11	Dec.	7.75	Nov.	10.94
		24	11½			Dec.	11.55
				1978—Jan.	7.93		
		Dec. 26	11¾	Feb.	8.00	1979—Jan.	11.75

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 6–11, 1978

Item	All sizes	Size of loan (in thousands of dollars) 1–24	25–49	50–99	100–499	500–999	1,000 and over
	Short-term commercial and industrial loans						
1 Amount of loans (thousands of dollars)	9,533,752	735,419	493,312	595,003	1,867,088	680,499	5,162,431
2 Number of loans	143,729	105,705	15,165	9,331	11,360	1,105	1,063
3 Weighted-average maturity (months)	3.0	2.9	2.7	2.7	3.1	3.4	3.1
4 Weighted-average interest rate (percent per annum)	11.44	11.73	11.73	11.43	11.53	11.19	11.37
5 Interquartile range[1]	10.92–12.10	10.38–13.29	10.50–12.75	10.37–12.62	10.76–12.25	10.25–11.73	11.00–11.85
Percent of amount of loans:							
6 With floating rate	64.4	27.1	26.4	35.0	50.1	69.3	81.2
7 Made under commitment	36.2	17.3	20.7	31.8	42.8	70.0	34.1
	Long-term commercial and industrial loans						
8 Amount of loans (thousands of dollars)	1,177,815		288,653		222,967	121,987	544,208
9 Number of loans	18,903		17,174		1,403	172	155
10 Weighted-average maturity (months)	43.2		30.6		44.4	42.1	49.6
11 Weighted-average interest rate (percent per annum)	11.38		11.41		11.93	11.58	11.09
12 Interquartile range[1]	10.47–12.50		10.47–12.40		11.00–12.88	10.75–12.68	10.00–12.13
Percentage of amount of loans:							
13 With floating rate	61.2		40.1		68.4	62.8	69.0
14 Made under commitment	60.8		42.3		40.3	69.1	77.1
	Construction and land development loans						
15 Amount of loans (thousands of dollars)	1,012,101	167,317	111,087	116,176	403,138	214,383	
16 Number of loans	25,510	18,633	3,155	1,766	1,800	157	
17 Weighted-average maturity (months)	7.7	4.2	4.0	5.5	8.7	11.8	
18 Weighted-average interest rate (percent per annum)	11.55	10.82	11.46	11.65	11.90	11.46	
19 Interquartile range[1]	10.50–12.50	9.92–12.13	10.29–12.68	10.56–12.62	11.75–12.36	10.50–12.75	
Percentage of amount of loans:							
20 With floating rate	42.7	19.8	18.9	23.9	59.6	51.4	
21 Secured by real estate	94.2	89.1	95.8	95.2	95.4	94.7	
22 Made under commitment	60.4	66.3	88.7	31.7	52.8	70.9	
23 Type of construction: 1- to 4-family	38.2	86.9	85.5	32.5	14.0	24.5	
24 Multifamily	15.4	1.0	1.5	3.3	27.6	17.5	
25 Nonresidential	46.3	12.1	13.0	64.2	58.4	57.9	

Item	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
	Loans to farmers						
26 Amount of loans (thousands of dollars)	949,031	134,907	186,760	169,744	156,770	171,536	129,314
27 Number of loans	58,275	36,846	12,625	5,009	2,386	1,198	211
28 Weighted-average maturity (months)	7.4	7.5	8.9	8.0	6.4	8.0	4.7
29 Weighted-average interest rate (percent per annum)	10.36	9.94	9.98	9.91	10.25	10.66	11.69
30 Interquartile range[1]	9.50–10.80	9.20–10.47	9.20–10.50	9.24–10.38	9.73–10.50	9.99–11.57	10.47–12.69
By purpose of loan:							
31 Feeder livestock	10.23	9.74	9.82	9.64	10.20	10.15	11.74
32 Other livestock	10.80	9.81	10.03	10.81	10.37	11.40	12.33
33 Other current operating expenses	10.27	9.87	9.83	10.02	10.33	11.03	11.42
34 Farm machinery and equipment	10.29	10.12	10.51	9.80	9.78	10.76	(2)
35 Other	10.72	10.34	10.46	10.18	10.20	10.96	11.78

1 Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.
2 Fewer than three sample loans.

NOTE. For more detail, see the board's 416 (G.14) statistical release. The past data have been revised and are available from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.36 INTEREST RATES Money and Capital Markets

Averages, per cent per annum

	Instrument	1976	1977	1978	1978			1979	1979, week ending—				
					Oct.	Nov.	Dec.	Jan.	Jan. 6	Jan. 13	Jan. 20	Jan. 27	Feb. 3
		Money market rates											
1	Federal funds[1]	5.05	5.54	7.94	8.96	9.76	10.03	10.07	10.59	9.97	10.05	10.05	10.12
	Prime commercial paper[2, 3]												
2	90- to 119-day	5.24	5.54	7.94	8.98	10.14	10.37	10.25	10.48	10.34	10.28	10.09	9.99
3	4- to 6-month	5.35	5.60	7.99	9.03	10.23	10.43	10.32	10.55	10.40	10.36	10.16	10.07
4	Finance company paper, directly placed, 3- to 6-month[3, 4]	5.22	5.49	7.78	8.78	9.82	10.06	10.10	10.24	10.19	10.15	9.98	9.86
5	Prime bankers acceptances, 90-day[3, 5]	5.19	5.59	8.11	9.32	10.53	10.55	10.29	10.65	10.41	10.29	10.11	9.92
	Large negotiable certificates of deposit												
6	3-month, secondary market[6]	5.26	5.58	8.20	9.14	10.72	10.72	10.51	10.88	10.71	10.49	10.44	10.20
7	Eurodollar deposits, 3-month[7]	5.57	6.05	8.74	10.12	11.51	11.62	11.16	11.81	11.46	11.21	11.05	10.65
	U.S. government securities												
	Bills:[3, 8]												
	Market yields:												
8	3-month	4.98	5.27	7.19	7.99	8.64	9.08	9.35	9.34	9.30	9.44	9.34	9.28
9	6-month	5.26	5.53	7.58	8.55	9.24	9.36	9.47	9.45	9.50	9.56	9.44	9.34
10	1-year	5.52	5.71	7.74	8.45	9.20	9.44	9.54	9.61	9.61	9.61	9.46	9.31
	Rates on new issue:[9]												
11	3-month	4.989	5.265	7.221	8.132	8.787	9.122	9.351	9.388	9.316	9.411	9.289	9.324
12	6-month	5.266	5.510	7.572	8.493	9.204	9.397	9.501	9.550	9.443	9.534	9.475	9.376
		Capital market rates											
	Government notes and bonds												
	U.S. Treasury												
	Constant maturities:[10]												
13	1-year	5.88	6.09	8.34	9.14	10.01	10.30	10.41	10.51	10.51	10.50	10.31	10.13
14	2-year	....	6.45	8.34	8.85	9.42	9.72	9.86	9.93	9.92	9.91	9.80	9.62
15	3-year	6.77	6.69	8.29	8.62	9.04	9.33	9.50	9.58	9.60	9.59	9.42	9.15
16	5-year	7.18	6.99	8.32	8.61	8.84	9.08	9.20	9.30	9.30	9.26	9.10	8.94
17	7-year	7.42	7.23	8.36	8.64	8.80	9.03	9.14	9.21	9.22	9.21	9.06	8.93
18	10-year	7.61	7.42	8.41	8.64	8.81	9.01	9.10	9.14	9.15	9.16	9.04	8.94
19	20-year	7.86	7.67	8.48	8.69	8.75	8.90	8.98	8.99	9.01	9.03	8.95	8.89
20	30-year	....	....	8.49	8.67	8.75	8.88	8.94	8.96	8.98	8.98	8.89	8.85
	Notes and bonds maturing in—[11]												
21	3 to 5 years	6.94	6.85	8.30	8.61	8.97	9.23	9.36	9.46	9.46	9.43	9.27	9.02
22	Over 10 years (long-term)	6.78	7.06	7.89	8.07	8.16	8.36	8.43	8.44	8.47	8.46	8.39	8.32
	State and local:												
	Moody's series[12]												
23	Aaa	5.66	5.20	5.52	5.53	5.59	5.91	5.95	6.05	6.00	6.00	5.75	5.70
24	Baa	7.49	6.12	6.27	6.18	6.65	6.76	7.14	7.50	7.30	7.00	6.75	7.00
25	*Bond Buyer* series[13]	6.64	5.68	6.03	6.13	6.19	6.51	6.47	6.58	6.50	6.48	6.30	6.22
	Corporate bonds												
	Seasoned issues[14]												
26	All industries	9.01	8.43	9.07	9.20	9.40	9.49	9.65	9.64	9.65	9.67	9.65	9.60
	By rating groups:												
27	Aaa	8.43	8.02	8.73	8.89	9.03	9.16	9.25	9.26	9.26	9.28	9.24	9.19
28	Aa	8.75	8.24	8.92	9.07	9.24	9.33	9.48	9.48	9.49	9.50	9.47	9.43
29	A	9.09	8.49	9.12	9.26	9.48	9.53	9.72	9.67	9.70	9.73	9.78	9.72
30	Baa	9.75	8.97	9.45	9.59	9.83	9.94	10.13	10.15	10.17	10.15	10.10	10.07
	Aaa utility bonds:[15]												
31	New issue	8.48	8.19	8.96	9.17	9.27	9.28	9.54	....	....	9.54	....	....
32	Recently offered issues	8.49	8.19	8.97	9.13	9.27	9.41	9.51	9.51	9.55	9.57	9.45	9.41
	Dividend/price ratio												
33	Preferred stocks	7.97	7.60	8.25	8.29	8.43	8.84	8.79	8.83	8.86	8.89	8.74	8.65
34	Common stocks	3.77	4.56	5.28	5.11	5.45	5.39	5.29	5.33	5.28	5.25	5.24	5.33

1 Weekly figures are 7-day averages of daily effective rates for the week ending Wednesday; the daily effective rate is an average of the rates on a given day weighted by the volume of transactions at these rates.

2 Beginning Nov. 1977, unweighted average of offering rates quoted by five dealers. Previously, most representative rate quoted by those dealers.

3 Yields are quoted on a bank-discount basis.

4 Averages of the most representative daily offering rates published by finance companies for varying maturities in this range.

5 Average of the midpoint of the range of daily dealer closing rates offered for domestic issues.

6 Weekly figures (week ending Wednesday) are 7-day averages of the daily midpoints as determined from the range of offering rates; monthly figures are averages of total days in the month. Beginning Apr. 5, 1978, weekly figures are simple averages of offering rates.

7 Averages of daily quotations for the week ending Wednesday.

8 Except for new bill issues, yields are computed from daily closing bid prices.

9 Rates are recorded in the week in which bills are issued.

10 Yields on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.

11 Unweighted averages for all outstanding notes and bonds in maturity ranges shown, based on daily closing bid prices. "Long-term" includes all bonds neither due nor callable in less than 10 years, including a number of very low yielding "flower" bonds.

12 General obligations only, based on figures for Thursday, from Moody's Investors Service.

13 Twenty issues of mixed quality.

14 Averages of daily figures from Moody's Investors Service.

15 Compilation of the Board of Governors of the Federal Reserve System.

Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.

1.37 STOCK MARKET Selected Statistics

Indicator	1976	1977	1978	1978 July	Aug.	Sept.	Oct.	Nov.	Dec.	1979 Jan.
	Prices and trading (averages of daily figures)									
Common stock prices										
1 New York Stock Exchange (Dec. 31, 1965 = 50)	**54.45**	**53.67**	53.76	**54.61**	**58.53**	**58.58**	**56.40**	**52.74**	**53.69**	**55.76**
2 Industrial	60.44	57.84	58.30	59.35	64.07	64.23	61.60	57.50	58.72	61.31
3 Transportation	39.57	41.07	43.25	44.74	49.45	50.19	46.70	41.80	42.49	43.69
4 Utility	36.97	40.91	39.23	39.28	40.20	39.82	39.44	37.88	38.09	38.79
5 Finance	52.94	55.23	56.74	57.97	63.28	63.22	60.42	54.95	55.73	57.59
6 Standard & Poor's Corporation (1941–43 = 10)[1]	**102.01**	**98.18**	96.11	**97.19**	**103.92**	**103.86**	**100.58**	**94.71**	**96.10**	**99.70**
7 American Stock Exchange (Aug. 31, 1973 = 100)	**101.63**	**116.18**	144.56	**149.87**	**162.52**	**170.95**	**160.14**	**144.17**	**149.94**	**159.26**
Volume of trading (thousands of shares)[2]										
8 New York Stock Exchange	21,189	20,936	28,591	27,074	37,603	33,612	31,020	24,505	24,622	27,988
9 American Stock Exchange	2,565	2,514	3,922	3,496	5,526	5,740	4,544	3,304	3,430	3,150
	Customer financing (end-of-period balances, in millions of dollars)									
10 Regulated margin credit at brokers/dealers[3]	**8,166**	**9,993**	....	**11,438**	**11,984**	**12,626**	**12,307**	**11,209**	**11,035**	....
11 Margin stock[4]	7,960	9,740	....	11,190	11,740	12,400	12,090	11,000	10,830	....
12 Convertible bonds	204	250	....	247	243	225	216	209	205	....
13 Subscription issues	2	3	....	1	1	1	1	....	1	....
MEMO: Free credit balances at brokers[6]										
14 Margin-account	585	640	....	710	795	825	885	790	835	....
15 Cash-account	1,855	2,060	....	2,295	2,555	2,655	2,465	2,305	2,510	....
	Margin-account debt at brokers (percentage distribution, end of period)									
16 **Total**	**100.0**	**100.0**	....	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	....
By equity class (in percent):[7]										
17 Under 40	12.0	18.0	....	13.0	12.0	15.0	47.0	32.0	33.0	....
18 40–49	23.0	36.0	....	34.0	34.0	36.0	20.0	27.0	28.0	....
19 50–59	35.0	23.0	....	25.0	23.0	23.0	15.0	20.0	18.0	....
20 60–69	15.0	11.0	....	14.0	16.0	13.0	8.0	10.0	10.0	....
21 70–79	8.7	6.0	....	8.0	9.0	7.0	5.0	6.0	6.0	....
22 80 or more	6.0	5.0	....	6.0	6.0	6.0	5.0	5.0	5.0	....
	Special miscellaneous-account balances at brokers (end of period)									
23 Total balances (millions of dollars)[8]	8,776	9,910	....	....	....	....	....	....	....	....
Distribution by equity status (percent)										
24 Net credit status	41.3	43.4	....	....	....	....	....	....	....	....
Debit status, equity of—										
25 60 percent or more	47.8	44.9	....	....	....	....	....	....	....	....
26 Less than 60 percent	10.9	11.7	....	....	....	....	....	....	....	....

Margin requirements (percent of market value)[9]

Effective date	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
27 Margin stocks	70	80	65	55	65	50
28 Convertible bonds	50	60	50	50	50	50
29 Short sales	70	80	65	55	65	50

1 Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2 Based on trading for a 5½-hour day.

3 Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

4 A distribution of this total by equity class is shown on lines 23–28.

5 Nonmargin stocks are those not listed on a national securities exchange and not included on the Federal Reserve System's list of over-the-counter margin stocks. At brokers, such stocks have no loan value.

6 Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

7 Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

8 Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.

9 Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act or 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

Regulation G and special margin requirements for bonds convertible into stocks were adopted by the Board of Governors effective Mar. 11, 1968.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1975	1976	1977	1978 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
						Savings and loan associations[9]						
1 **Assets**	**338,233**	**391,907**	**459,241**	**480,947**	**487,052**	**491,576**	**498,301**	**504,298**	**508,977**	**515,352**	**520,677**	**523,784**
2 Mortgages	278,590	323,005	381,163	397,284	402,305	407,965	411,956	416,677	420,971	425,236	429,420	432,922
3 Cash and investment securities[1]	30,853	35,724	39,150	41,853	42,444	41,505	43,627	44,188	43,987	45,577	45,869	44,964
4 Other	28,790	33,178	38,928	41,810	42,303	42,106	42,718	43,433	44,019	44,539	45,388	45,898
5 **Liabilities and net worth**	**338,233**	**391,907**	**459,241**	**480,947**	**487,052**	**491,576**	**498,301**	**504,298**	**508,977**	**515,352**	**520,677**	**523,784**
6 Savings capital	285,743	335,912	386,800	399,550	401,930	408,586	411,660	413,972	420,405	423,050	425,207	431,102
7 *Borrowed money*	*20,634*	*19,083*	*27,840*	*31,904*	*32,759*	*34,270*	*35,730*	*37,219*	*38,595*	*39,873*	*40,711*	*42,950*
8 FHLBB	17,524	15,708	19,945	22,692	23,323	24,875	26,151	27,363	28,632	29,456	30,052	32,052
9 Other	3,110	3,375	7,895	9,212	9,436	9,395	9,579	9,856	9,963	10,417	10,659	10,898
10 Loans in process	5,128	6,840	9,911	10,937	11,386	11,632	11,540	11,422	11,222	11,165	11,315	10,734
11 Other	6,949	8,074	9,506	12,186	14,239	10,046	11,972	13,906	10,676	12,832	14,666	9,958
12 Net worth[2]	19,779	21,998	25,184	26,370	26,738	27,042	27,399	27,779	28,079	28,432	28,808	29,040
13 MEMO: Mortgage loan commitments outstanding[3]	10,673	14,826	19,875	23,398	23,939	22,927	22,393	22,047	21,648	21,503	20,738	18,734
						Mutual savings banks[10]						
14 **Assets**	**121,056**	**134,812**	**147,287**	**151,383**	**152,202**	**153,175**	**154,315**	**155,210**	**156,110**	**156,843**	**157,436**	n.a.
Loans:												
15 Mortgage	77,221	81,630	88,195	90,346	90,915	91,555	92,230	92,866	93,403	93,903	94,497	n.a.
16 Other	4,023	5,183	6,210	7,422	7,907	7,771	8,207	8,379	8,418	8,272	7,921	n.a.
Securities:												
17 U.S. government	4,740	5,840	5,895	5,670	5,491	5,304	5,269	5,210	5,172	5,105	5,035	n.a.
18 State and local government	1,545	2,417	2,828	2,915	2,994	3,008	3,025	3,098	3,180	3,190	3,307	n.a.
19 Corporate and other[4]	27,992	33,793	37,918	39,146	39,225	39,427	39,639	39,592	39,639	39,651	39,679	n.a.
20 Cash	2,330	2,355	2,401	1,940	1,798	2,163	2,029	2,080	2,293	2,735	3,033	n.a.
21 Other assets	3,205	3,593	3,839	3,945	3,873	3,946	3,915	3,985	4,006	3,988	3,962	n.a.
22 **Liabilities**	**121,056**	**134,812**	**147,287**	**151,383**	**152,202**	**153,175**	**154,315**	**155,210**	**156,110**	**156,843**	**157,436**	n.a.
23 *Deposits*	*109,873*	*122,877*	*134,017*	*136,931*	*137,307*	*138,709*	*139,128*	*139,308*	*140,816*	*141,026*	*141,155*	n.a.
24 Regular:[5]	109,291	121,961	132,744	135,349	135,785	137,089	137,430	137,690	139,068	139,422	139,697	n.a.
25 Ordinary savings	69,653	74,535	78,005	78,170	78,273	77,321	76,116	75,578	75,423	74,124	72,398	n.a.
26 Time and other	39,639	47,426	54,739	57,179	57,512	59,768	61,313	62,112	63,645	65,298	67,299	n.a.
27 Other	582	916	1,272	1,582	1,521	1,620	1,698	1,619	1,747	1,604	1,458	n.a.
28 Other liabilities	2,755	2,884	3,292	4,152	4,481	3,969	4,636	5,246	4,570	5,040	5,411	n.a.
29 General reserve accounts	8,428	9,052	9,978	10,301	10,414	10,497	10,551	10,654	10,725	10,777	10,870	n.a.
30 MEMO: Mortgage loan commitments outstanding[6]	1,803	2,439	4,066	4,342	4,606	4,958	4,872	4,789	4,561	4,843	4,823	n.a.
						Life insurance companies[11]						
31 **Assets**	**289,304**	**321,552**	**351,722**	**363,269**	**366,938**	**369,879**	**374,415**	**378,124**	**381,050**	**382,446**	**385,562**	n.a.
Securities:												
32 *Government*	*13,758*	*17,942*	*19,553*	*19,330*	*19,489*	*19,401*	*19,447*	*19,563*	*19,638*	*19,757*	*19,711*	n.a.
33 United States[7]	4,736	5,368	5,315	5,087	5,206	4,984	5,006	5,155	5,156	5,183	4,934	n.a.
34 State and local	4,508	5,594	6,051	5,923	5,915	5,943	5,925	5,884	6,001	6,035	6,235	n.a.
35 Foreign[8]	4,514	6,980	8,187	8,320	8,368	8,474	8,516	8,524	8,481	8,539	8,542	n.a.
36 *Business*	*135,317*	*157,246*	*175,654*	*184,917*	*187,126*	*188,500*	*192,112*	*194,620*	*196,152*	*195,883*	*197,615*	n.a.
37 Bonds	107,256	122,984	141,891	150,419	152,267	153,812	156,207	157,888	159,972	161,347	162,835	n.a.
38 Stocks	28,061	34,262	33,763	34,498	34,859	34,688	35,905	36,732	36,180	34,536	34,780	n.a.
39 Mortgages	89,167	91,552	96,848	98,585	99,190	100,040	100,596	101,602	102,365	103,161	104,106	n.a.
40 Real estate	9,621	10,476	11,060	11,269	11,537	11,540	11,562	11,538	11,583	11,693	11,707	n.a.
41 Policy loans	24,467	25,834	27,556	28,246	28,431	28,649	28,843	29,067	29,290	29,521	29,818	n.a.
42 Other assets	16,971	18,502	21,051	20,922	21,165	21,749	21,855	21,734	22,022	22,431	22,605	n.a.
						Credit unions						
43 **Total assets/liabilities and capital**	**38,037**	**45,225**	**54,084**	**56,827**	**58,018**	**59,381**	**59,152**	**60,141**	**61,277**	**60,909**	**61,465**	**62,595**
44 Federal	20,209	24,396	29,574	31,255	31,925	32,793	32,679	33,315	34,058	33,718	34,093	34,681
45 State	17,828	20,829	24,510	25,572	26,093	26,588	26,473	26,826	27,219	27,191	27,372	27,914
46 *Loans outstanding*	*28,169*	*34,384*	*42,055*	*44,133*	*45,506*	*47,118*	*47,620*	*49,103*	*50,121*	*50,549*	*51,264*	*51,807*
47 Federal	14,869	18,311	22,717	23,919	24,732	25,762	25,970	26,840	27,510	27,697	28,176	28,583
48 State	13,300	16,073	19,338	20,214	20,774	21,356	21,650	22,263	22,611	22,852	23,088	23,224
49 *Savings*	*33,013*	*39,173*	*46,832*	*49,931*	*50,789*	*52,076*	*51,551*	*51,772*	*52,867*	*52,468*	*52,600*	*53,048*
50 Federal (shares)	17,530	21,130	25,849	27,592	28,128	28,903	28,627	28,779	29,429	29,086	29,163	29,326
51 State (shares and deposits)	15,483	18,043	20,983	22,339	22,661	23,173	22,924	22,993	23,438	23,382	23,437	23,722

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

	Type of account or operation	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Fiscal year 1978	Calendar year 1977 H2	1978 H1	1978 H2	1978 Oct.	1978 Nov.	1978 Dec.
	U.S. budget									
1	Receipts[1]	81,772	357,762	401,997	175,820	210,650	206,275	28,745	33,227	37,477
2	Outlays[1]	94,742	402,803	450,758	216,781	222,518	238,150	42,691	39,134	41,392
3	*Surplus, or deficit* (−)	*−12,970*	*−45,041*	*−48,761*	*−40,961*	*−11,870*	*−31,875*	*−13,946*	*−5,907*	*−3,915*
4	Trust funds	−1,952	7,833	12,693	4,293	4,334	11,755	1,626	1,293	1,833
5	Federal funds [2]	−11,018	−52,874	−61,454	−45,254	−16,204	−43,630	−15,572	−7,200	−5,748
	Off-budget entities surplus, or deficit (−)									
6	Federal Financing Bank outlays	−2,575	−8,415	−10,660	−6,663	−5,105	−5,082	−975	−296	−1,178
7	Other[3]	793	−269	354	428	−790	1,841	171	1,700	453
	U.S. budget plus off-budget, including Federal Financing Bank									
8	*Surplus, or deficit* (−)	*−14,752*	*−53,725*	*−59,067*	*−47,196*	*−17,765*	*−35,117*	*−14,750*	*−4,503*	*−4,640*
	Financed by:									
9	Borrowing from the public	18,027	53,516	59,106	40,284	23,374	30,308	6,484	5,236	3,533
10	Cash and monetary assets (decrease, or increase (−))	−2,899	−2,238	−3,023	4,317	−5,098	3,381	7,082	3,485	−2,323
11	Other [4]	−373	2,440	2,984	2,597	−511	1,428	1,184	−4,218	3,430
	MEMO ITEMS:									
12	**Treasury operating balance (level, end of period)**	**17,418**	**19,104**	**22,444**	12,274	**17,526**	**16,291**	**15,545**	**16,291**	**16,291**
13	Federal Reserve Banks	13,299	15,740	16,647	7,114	11,614	4,196	15,467	4,196	4,196
14	Tax and loan accounts	4,119	3,364	5,797	5,160	5,912	12,095	78	12,095	12,095

1 Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.
2 Half years calculated as a residual of total surplus/deficit and trust fund surplus/deficit.
3 Includes Pension Benefit Guaranty Corp.; Postal Service Fund; Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank; and Housing for the Elderly or Handicapped Fund until October 1977.
4 Includes public debt accrued interest payable to the public; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and *U.S. Budget, Fiscal Year 1978.*

NOTES TO TABLE 1.38

1 Holdings of stock of the Federal Home Loan Banks are included in "other assets."
2 Includes net undistributed income, which is accrued by most, but not all, associations.
3 Excludes figures for loans in process, which are shown as a liability.
4 Includes securities of foreign governments and international organizations and nonguaranteed issues of U.S. government agencies.
5 Excludes checking, club, and school accounts.
6 Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the State of New York.
7 Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in this table under "business" securities.
8 Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
9 Data reflect benchmark revisions back to 1977.
10 Data for June, July, and August 1978 have been revised.
11 Data for 1977 and the first 6 months of 1978 have been revised by the American Council of Life Insurance.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States. Data are reported on a gross-of-valuation-reserves basis.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

	Source or type	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Fiscal year 1978	Calendar year 1977 H2	Calendar year 1978 H1	Calendar year 1978 H2	1978 Oct.	1978 Nov.	1978 Dec.
	Receipts									
1	**All sources**[1]	**81,772**	**357,762**	**401,997**	**175,820**	**210,650**	**206,275**	**28,745**	**33,227**	**37,477**
2	*Individual income taxes, net*	*38,800*	*157,626*	*180,988*	*82,911*	*90,336*	*98,854*	*15,922*	*16,609*	*16,066*
3	Withheld	32,949	144,820	165,215	75,480	82,784	90,148	15,032	16,268	15,454
4	Presidential Election Campaign Fund	1	37	39	1	36	3	....	....	....
5	Nonwithheld	6,809	42,062	47,804	9,397	37,584	10,777	1,104	533	830
6	Refunds[1]	958	29,293	32,070	1,967	30,068	2,075	214	192	219
7	*Corporation income taxes:*									
8	Gross receipts	9,808	60,057	65,380	25,121	38,496	28,536	2,436	1,541	10,769
9	Refunds	1,348	5,164	5,428	2,819	2,782	2,757	752	493	382
10	*Social insurance taxes and contributions, net*	*25,760*	*108,683*	*123,410*	*52,347*	*66,191*	*61,064*	*7,805*	*11,923*	*7,716*
11	Payroll employment taxes and contributions[2]	21,534	88,196	99,626	44,384	51,668	51,052	6,595	9,762	7,059
12	Self-employment taxes and contributions[3]	269	4,014	4,267	316	3,892	369	....	....	....
13	Unemployment insurance	2,698	11,312	13,850	4,936	7,800	6,727	722	1,662	174
14	Other net receipts[4]	1,259	5,162	5,668	2,711	2,831	2,917	488	499	483
15	Excise taxes	4,473	17,548	18,376	9,284	8,835	9,879	1,635	1,712	1,597
16	Customs deposits	1,212	5,150	6,573	2,848	3,320	3,748	621	646	594
17	Estate and gift taxes	1,455	7,327	5,285	2,837	2,587	2,691	477	460	386
18	Miscellaneous receipts[5]	1,612	6,536	7,413	3,292	3,667	4,260	602	829	732
	Outlays[8]									
19	**All types**[1]	**94,742**	**402,803**	**450,758**	**216,781**	**222,518**	**238,150**	**42,691**	**39,134**	**41,392**
20	National defense	22,307	97,501	105,192	50,873	52,979	55,129	9,197	9,239	9,450
21	International affairs	2,180	4,831	6,083	2,896	2,904	2,221	324	−47	339
22	General science, space, and technology	1,161	4,677	4,721	2,318	2,395	2,362	367	412	407
23	Energy	794	4,172	6,045	....	2,487	4,461	821	792	747
24	Natural resources and environment	2,532	10,000	11,022	....	4,959	6,119	878	889	1,125
25	Agriculture	584	5,526	7,618	5,477	2,353	4,854	949	1,372	1,681
26	Commerce and housing credit	1,391	−31	3,340	....	−946	3,291	2,124	41	309
27	Transportation	3,306	14,636	15,461	....	7,723	8,758	1,695	1,414	1,374
28	Community and regional development	1,340	6,283	11,255	4,924	5,928	6,108	929	910	753
29	Education, training, employment, and social services	5,162	20,985	25,889	10,800	12,792	13,676	2,144	2,244	2,210
30	Health	8,720	38,785	44,529	19,422	21,391	23,942	4,037	3,957	4,717
31	Income security[1]	32,795	137,905	145,640	71,081	75,201	73,305	11,815	12,358	12,469
32	Veterans benefits and services	3,962	18,038	18,987	9,864	9,603	9,545	1,647	1,667	2,650
33	Administration of justice	859	3,600	3,786	1,723	1,946	1,973	328	392	309
34	General government	878	3,357	3,544	1,749	1,803	2,111	785	196	269
35	General-purpose fiscal assistance	2,092	9,499	9,377	4,926	4,665	4,385	2,019	160	79
36	Interest[6]	7,246	38,092	44,040	19,962	22,280	24,110	3,030	3,850	7,372
37	Undistributed offsetting receipts[6,7]	−2,567	−15,053	−15,772	−8,506	−7,945	−8,200	−397	−713	−4,870

1 Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.

2 Old-age, disability and hospital insurance, and railroad retirement accounts.

3 Old-age, disability, and hospital insurance.

4 Supplementary medical insurance premiums, federal employee retirement contributions, and Civil Service retirement and disability fund.

5 Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

6 Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. government accounts from an accrual basis to a cash basis.

7 Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. government contributions for employee retirement.

8 For some types of outlays the categories are new or represent regroupings; data for these categories are from the *Budget of the United States Government, Fiscal Year 1979;* data are not available for half-years or for months prior to February 1978.

Two categories have been renamed: "Law enforcement and justice" has become "Administration of justice" and "Revenue sharing and general purpose fiscal assistance" has become "General purpose fiscal assistance."

In addition, for some categories the table includes revisions in figures published earlier.

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1976			1977			1978		
	June 30	Sept. 30	Dec. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**631.9**	[2] **646.4**	**665.5**	**685.2**	**709.1**	**729.2**	**747.8**	**758.8**	**780.4**
2 *Public debt securities*	*620.4*	*634.7*	*653.5*	*674.4*	*698.8*	*718.9*	*738.0*	*749.0*	*771.5*
3 Held by public	470.8	488.6	506.4	523.2	543.4	564.1	585.2	587.9	603.6
4 Held by agencies	149.6	146.1	147.1	151.2	155.5	154.8	152.7	161.1	168.0
5 *Agency securities*	*11.5*	*11.6*	*12.0*	*10.8*	*10.3*	*10.2*	*9.9*	*9.8*	*8.9*
6 Held by public	9.5	[2] 9.7	10.0	9.0	8.5	8.4	8.1	8.0	7.4
7 Held by agencies	2.0	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.5
8 **Debt subject to statutory limit**	**621.6**	**635.8**	**654.7**	**675.6**	**700.0**	**720.1**	**739.1**	**750.2**	**772.7**
9 Public debt securities	619.8	634.1	652.9	673.8	698.2	718.3	737.3	748.4	770.9
10 Other debt[1]	1.7	1.7	1.7	1.7	1.7	1.7	1.8	1.8	1.8
11 MEMO: Statutory debt limit	636.0	636.0	682.0	700.0	700.0	752.0	752.0	752.0	798.0

1 Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

2 Gross federal debt and agency debt held by the public increased $0.5 billion due to a retroactive reclassification of the Export-Import Bank certificates of beneficial interest from loan asset sales to debt, effective July 1, 1975.

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

1.42 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1974	1975	1976	1977	1978				1979
					Sept.	Oct.	Nov.	Dec.	Jan.
1 **Total gross public debt**	**492.7**	**576.6**	**653.5**	**718.9**	**771.5**	**776.4**	**783.0**	**789.2**	**790.5**
By type:									
2 **Interest-bearing debt**	**491.6**	**575.7**	**652.5**	**715.2**	**767.0**	**775.5**	**782.0**	**782.4**	**789.5**
3 *Marketable*	*282.9*	*363.2*	*421.3*	*459.9*	*485.2*	*491.7*	*493.3*	*487.5*	*496.5*
4 Bills	119.7	157.5	164.0	161.1	160.9	161.2	161.5	161.7	162.3
5 Notes	129.8	167.1	216.7	251.8	267.9	272.6	271.7	265.8	272.8
6 Bonds	33.4	38.6	40.6	47.0	56.4	57.8	60.1	60.0	61.4
7 *Nonmarketable*[1]	*208.7*	*212.5*	*231.2*	*255.3*	*281.8*	*283.8*	*288.7*	*294.8*	*293.0*
8 Convertible bonds[2]	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2
9 State and local government series	.6	1.2	4.5	13.9	24.2	24.1	24.1	24.3	24.2
10 Foreign issues[3]	22.8	21.6	22.3	22.2	21.7	24.0	26.6	28.0	27.5
11 Savings bonds and notes	63.8	67.9	72.3	77.0	80.2	80.5	80.7	80.9	80.8
12 Government account series[4]	119.1	119.4	129.7	139.8	153.3	152.7	154.8	157.5	155.2
13 Non-interest-bearing debt	1.1	1.0	1.1	3.7	4.6	.9	1.0	6.8	1.0
By holder:[5]									
14 U.S. government agencies and trust funds	138.2	139.1	147.1	154.8	168.0	166.3	167.4		
15 Federal Reserve Banks	80.5	89.8	97.0	102.5	114.8	115.3	113.3		
16 **Private investors**	**271.0**	**349.4**	**409.5**	**461.3**	**488.3**	**494.7**	**502.3**		
17 Commercial banks	55.6	85.1	103.8	101.4	95.3	94.3	93.5		
18 Mutual savings banks	2.5	4.5	5.9	5.9	5.4	5.4	5.3		
19 Insurance companies	6.2	9.5	12.7	15.1	15.1	15.3	15.1		
20 Other corporations	11.0	20.2	27.7	22.7	21.5	21.0	20.9	n.a.	n.a.
21 State and local governments	29.2	34.2	41.6	55.2	67.8	67.1	69.1		
Individuals:									
22 Savings bonds	63.4	67.3	72.0	76.7	79.8	80.2	80.5		
23 Other securities	21.5	24.0	28.8	28.6	29.4	29.6	29.8		
24 Foreign and international[6]	58.8	66.5	78.1	109.6	121.0	122.5	132.4		
25 Other miscellaneous investors[7]	22.8	38.0	38.9	46.1	52.9	54.3	55.8		

1 Includes (not shown separately): Securities issued to the Rural Electrification Administration and to state and local governments, depositary bonds, retirement plan bonds, and individual retirement bonds.

2 These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category above.

3 Nonmarketable foreign government dollar-denominated and foreign currency denominated series.

4 Held almost entirely by U.S. government agencies and trust funds.

5 Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

6 Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.

7 Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

1.43 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1976	1977	1978		1976	1977	1978	
			Oct.	Nov.			Oct.	Nov.
	All maturities				1 to 5 years			
1 **All holders**	**421,276**	**459,927**	**491,651**	**493,337**	**141,132**	**151,264**	**171,802**	**168,795**
2 U.S. government agencies and trust funds	16,485	14,420	13,885	12,776	6,141	4,788	3,705	3,310
3 Federal Reserve Banks	96,971	101,191	115,322	113,305	31,249	27,012	32,033	31,608
4 *Private investors*	*307,820*	*344,315*	*362,443*	*367,256*	*103,742*	*119,464*	*136,064*	*133,876*
5 Commercial banks	78,262	75,363	69,906	69,332	40,005	38,691	40,841	40,042
6 Mutual savings banks	4,072	4,379	3,744	3,642	2,010	2,112	2,080	1,997
7 Insurance companies	10,284	12,378	11,994	11,732	3,885	4,729	4,981	4,806
8 Nonfinancial corporations	14,193	9,474	8,791	8,731	2,618	3,183	4,522	3,523
9 Savings and loan associations	4,576	4,817	4,312	4,173	2,360	2,368	2,546	2,464
10 State and local governments	12,252	15,495	17,594	19,146	2,543	3,875	4,316	4,281
11 All others	184,182	222,409	246,102	250,500	50,321	64,505	76,777	76,763
	Total, within 1 year				5 to 10 years			
12 **All holders**	**211,035**	**230,691**	**227,101**	**228,284**	**43,045**	**45,328**	**49,271**	**50,402**
13 U.S. government agencies and trust funds	2,012	1,906	2,281	1,488	2,879	2,129	1,987	1,989
14 Federal Reserve Banks	51,569	56,702	59,483	56,304	9,148	10,404	13,807	14,717
15 *Private investors*	*157,454*	*172,084*	*165,337*	*170,492*	*31,018*	*32,795*	*33,476*	*33,695*
16 Commercial banks	31,213	29,477	19,116	19,342	6,278	6,162	7,354	7,408
17 Mutual savings banks	1,214	1,400	845	863	567	584	543	507
18 Insurance companies	2,191	2,398	1,788	1,799	2,546	3,204	2,970	2,894
19 Nonfinancial corporations	11,009	5,770	3,725	4,686	370	307	361	292
20 Savings and loan associations	1,984	2,236	1,563	1,540	155	143	131	90
21 State and local governments	6,622	7,917	7,202	8,366	1,465	1,283	1,595	1,557
22 All others	103,220	122,885	131,097	133,895	19,637	21,112	20,521	20,946
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**163,992**	**161,081**	**161,227**	**161,548**	**11,865**	**12,906**	**18,052**	**19,912**
24 U.S. government agencies and trust funds	449	32	2	2	3,102	3,102	3,273	3,957
25 Federal Reserve Banks	41,279	42,004	48,450	45,985	1,363	1,510	2,033	2,077
26 *Private investors*	*122,264*	*119,035*	*112,775*	*115,561*	*7,400*	*8,295*	*12,746*	*13,879*
27 Commercial banks	17,303	11,996	4,545	4,431	339	456	1,212	1,067
28 Mutual savings banks	454	484	195	161	139	137	151	143
29 Insurance companies	1,463	1,187	818	766	1,114	1,245	1,354	1,463
30 Nonfinancial corporations	9,939	4,329	1,358	2,083	142	133	132	70
31 Savings and loan associations	1,266	806	290	278	64	54	55	60
32 State and local governments	5,556	6,092	4,774	5,876	718	890	1,133	1,365
33 All others	86,282	94,152	100,796	101,966	4,884	5,380	8,702	9,710
	Other, within 1 year				Over 20 years			
34 **All holders**	**47,043**	**69,610**	**65,874**	**66,736**	**14,200**	**19,738**	**25,425**	**25,944**
35 U.S. government agencies and trust funds	1,563	1,874	2,279	1,487	2,350	2,495	2,639	2,032
36 Federal Reserve Banks	10,290	14,698	11,033	10,319	3,642	5,564	7,966	8,599
37 *Private investors*	*35,190*	*53,039*	*52,561*	*54,931*	*8,208*	*11,679*	*14,820*	*15,314*
38 Commercial banks	13,910	15,482	14,571	14,911	427	578	1,383	1,473
39 Mutual savings banks	760	916	650	702	143	146	118	131
40 Insurance companies	728	1,211	970	1,033	548	802	900	770
41 Nonfinancial corporations	1,070	1,441	2,368	2,603	55	81	51	159
42 Savings and loan associations	718	1,430	1,273	1,262	13	16	17	17
43 State and local governments	1,066	r1,825	2,428	2,490	904	1,530	3,347	3,577
44 All others	16,938	28,733	30,301	31,929	6,120	8,526	9,003	9,186

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of Nov. 31, 1978: (1) 5,464 commercial banks 464 mutual savings banks, and 727 insurance companies, each about 80 percent; (2) 435 nonfinancial corporations and 485 savings and loan associations, each about 50 percent; and (3) 493 state and local governments, about 40 percent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

Item	1975	1976	1977	1978			1978, week ending Wednesday—					
				Oct.	Nov.	Dec.	Nov. 8	Nov. 15	Nov. 22	Nov. 29	Dec. 6	Dec. 13
1 **U.S. government securities**	**6,027**	**10,449**	**10,838**	**9,817**	**11,844**	**8,837**	**12,871**	**13,354**	**10,326**	**9,824**	**8,079**	**9,083**
By maturity:												
2 Bills	3,889	6,676	6,746	6,289	6,573	5,336	6,075	7,661	6,155	5,972	4,977	5,723
3 Other within 1 year	223	210	237	420	449	400	333	577	487	392	285	459
4 1–5 years	1,414	2,317	2,320	1,520	2,301	1,676	2,508	2,081	1,933	1,973	1,347	1,157
5 5–10 years	363	1,019	1,148	691	1,207	738	1,709	1,518	877	816	705	888
6 Over 10 years	138	229	388	897	1,314	687	2,246	1,517	875	670	766	856
By type of customer:												
7 U.S. government securities dealers	885	1,360	1,267	983	908	954	949	1,045	937	664	666	923
8 U.S. government securities brokers	1,750	3,407	3,709	4,052	5,321	3,303	5,927	5,754	4,850	4,124	3,547	3,648
9 Commercial banks	1,451	2,426	2,295	1,404	1,834	1,514	1,920	2,115	1,502	1,630	1,255	1,437
10 All others[1]	1,941	3,257	3,568	3,377	3,780	3,066	4,075	4,440	3,038	3,406	2,612	3,075
11 **Federal agency securities**	**1,043**	**1,548**	**1,729**	**2,029**	**2,208**	**2,325**	**2,123**	**2,514**	**2,060**	**1,979**	**2,300**	**2,313**

1 Includes, among others, all other dealers and brokers in commodities and securities, foreign banking agencies, and the Federal Reserve System.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, or purchases or sales of securities under repurchase, reverse repurchase (resale), or similar contracts.

1.45 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

Par value; averages of daily figures, in millions of dollars

Item	1975	1976	1977	1978			1978, week ending Wednesday—					
				Oct.	Nov.	Dec.	Oct. 18	Oct. 25	Nov. 1	Nov. 8	Nov. 15	Nov. 22
	Positions[2]											
1 **U.S. government securities**	**5,884**	**7,592**	**5,172**	**1,424**	**2,417**	**2,134**	**1,232**	**[r]1,177**	**2,018**	**2,904**	**2,548**	**1,894**
2 Bills	4,297	6,290	4,772	1,739	1,958	1,922	1,759	[r]1,493	2,007	1,869	1,880	1,690
3 Other within 1 year	265	188	99	462	60	97	518	540	364	389	181	−110
4 1–5 years	886	515	60	−593	−228	−73	−888	−660	94	−35	−491	−326
5 5–10 years	300	402	92	−207	413	211	−195	−247	−279	536	673	393
6 Over 10 years	136	198	149	23	213	−24	38	[r]52	−167	144	305	247
7 **Federal agency securities**	**939**	**729**	**693**	**234**	**217**	**370**	**204**	**[r]69**	**97**	**169**	**139**	**325**
	Sources of financing[3]											
8 **All sources**	**6,666**	**8,715**	**9,877**	**10,430**	**11,396**	**11,918**	**10,426**	**10,275**	**11,071**	**11,811**	**10,881**	**11,355**
Commercial banks:												
9 New York City	1,621	1,896	1,313	385	347	638	234	460	139	825	348	304
10 Outside New York City	1,466	1,660	1,987	2,105	2,032	2,210	2,278	1,811	2,244	1,896	1,930	2,134
11 Corporations[1]	842	1,479	2,423	2,396	3,007	2,890	2,530	2,632	2,503	2,890	3,051	3,000
12 All others	2,738	3,681	4,155	5,543	6,010	6,179	5,384	5,371	6,184	6,201	5,553	5,916

1 All business corporations except commercial banks and insurance companies.

2 New amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreements to resell.

3 Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. government and federal agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreement to resell are excluded where the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

NOTE. Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1975	1976	1977	1978 June	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.
1 **Federal and federally sponsored agencies**	**97,680**	**103,325**	**r109,924**	**r120,387**	**r122,638**	**r123,297**	**r125,397**	**r127,468**	**129,139**
2 *Federal agencies*	*19,046*	*21,896*	*r22,760*	*r23,131*	*r23,286*	*r22,505*	*r23,139*	*r23,279*	*23,073*
3 Defense Department[1]	1,220	1,113	983	926	916	906	897	897	876
4 Export-Import Bank[2,3]	7,188	7,801	r8,671	r8,603	r8,596	r8,274	r8,709	r8,704	8,392
5 Federal Housing Administration[4]	564	575	581	606	603	603	601	598	594
6 Government National Mortgage Association participation certificates[5]	4,200	4,120	3,743	3,701	3,666	3,166	3,166	3,166	3,166
7 Postal Service[6]	1,750	2,998	2,431	2,364	2,364	2,364	2,364	2,364	2,364
8 Tennessee Valley Authority	3,915	5,185	6,015	6,575	6,785	6,835	7,045	7,195	7,325
9 United States Railway Association[6]	209	104	336	356	356	357	357	355	356
10 *Federally sponsored agencies*	*78,634*	*81,429*	*87,164*	*97,256*	*99,352*	*100,792*	*102,258*	*104,189*	*106,066*
11 Federal Home Loan Banks	18,900	16,811	18,345	22,306	23,430	24,360	25,025	25,395	26,777
12 Federal Home Loan Mortgage Corporation	1,550	1,690	1,686	1,937	1,937	1,937	2,063	2,063	2,062
13 Federal National Mortgage Association	29,963	30,565	31,890	36,404	36,900	37,518	38,353	39,776	39,814
14 Federal Land Banks	15,000	17,127	19,118	19,686	20,198	20,198	20,198	20,360	20,360
15 Federal Intermediate Credit Banks	9,254	10,494	11,174	11,257	11,392	11,482	11,555	11,554	11,548
16 Banks for Cooperatives	3,655	4,330	4,434	4,974	4,788	4,570	4,317	4,264	4,668
17 Student Loan Marketing Association[7]	310	410	515	690	705	725	745	775	835
18 Other	2	2	2	2	2	2	2	2	2
MEMO ITEMS:									
19 **Federal Financing Bank debt[6,8]**	**17,154**	**28,711**	**38,580**	**44,504**	**45,550**	**46,668**	**48,078**	**49,212**	**49,645**
Lending to federal and federally sponsored agencies:									
20 Export-Import Bank[3]	4,595	5,208	5,834	6,132	6,132	6,132	6,568	6,568	6,568
21 Postal Service[6]	1,500	2,748	2,181	2,114	2,114	2,114	2,114	2,114	2,114
22 Student Loan Marketing Association[7]	310	410	515	690	705	725	745	775	835
23 Tennessee Valley Authority	1,840	3,110	4,190	4,750	4,960	5,010	5,220	5,370	5,500
24 United States Railway Association[6]	209	104	336	356	356	357	357	355	356
Other lending:[9]									
25 Farmers Home Administration	7,000	10,750	16,095	20,910	21,580	22,275	22,275	23,050	23,050
26 Rural Electrification Administration	566	1,415	2,647	3,602	3,684	3,919	4,192	4,407	4,489
27 Other	1,134	4,966	6,782	5,950	6,019	6,136	6,607	6,573	6,733

1 Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2 Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3 Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

4 Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5 Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

6 Off-budget.

7 Unlike other federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.

8 The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

9 Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1976	1977	1978	1978					
				July r	Aug. r	Sept. r	Oct. r	Nov. r	Dec.
1 **All issues, new and refunding** [1]	**35,313**	**46,769**	**48,607**	**3,923**	**6,416**	**2,330**	**3,244**	**4,328**	**3,694**
By type of issue:									
2 General obligation	18,040	18,042	17,854	1,065	2,161	703	1,148	1,168	1,698
3 Revenue	17,140	28,655	30,658	2,855	4,246	1,620	2,083	3,152	1,992
4 Housing Assistance Administration [2]	......	......	......	......	......	......	......	......	......
5 U.S. Government loans	133	72	95	3	9	7	13	8	4
By type of issuer:									
6 State	7,054	6,354	6,632	650	919	85	552	343	497
7 Special district and statutory authority	15,304	21,717	24,156	2,171	3,120	1,599	1,616	2,848	2,148
8 Municipalities, counties, townships, school districts	12,845	18,623	17,718	1,098	2,369	639	1,061	1,129	1,043
9 **Issues for new capital, total**	**32,108**	**36,189**	**37,629**	**3,497**	**3,365**	**2,266**	**3,160**	**4,216**	**3,379**
By use of proceeds:									
10 Education	4,900	5,076	5,003	499	277	397	314	463	319
11 Transportation	2,586	2,951	3,460	292	632	302	422	259	337
12 Utilities and conservation	9,594	8,119	9,026	941	689	695	831	1,241	705
13 Social welfare	6,566	8,274	10,494	1,241	967	526	1,169	817	1,126
14 Industrial aid	483	4,676	3,526	244	344	105	249	323	276
15 Other purposes	7,979	7,093	6,120	280	456	241	175	1,113	616

1 Par amounts of long-term issues based on date of sale.
2 Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

SOURCE. Public Securities Association.

1.48 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1975	1976	1977	1978					
				April	May	June	July	Aug.	Sept.
1 **All issues** [1]	**53,619**	**53,488**	**54,205**	**3,285**	**4,035**	**5,215**	**4,226**	**3,311**	**3,832**
2 **Bonds**	**42,756**	**42,380**	**42,193**	**2,811**	**2,996**	**3,810**	**3,718**	**2,529**	**2,905**
By type of offering:									
3 Public	32,583	26,453	24,186	1,958	1,719	1,744	2,177	1,497	1,610
4 Private placement	10,172	15,927	18,007	853	1,277	2,066	1,541	1,032	1,295
By industry group:									
5 Manufacturing	16,980	13,264	12,510	534	837	1,105	675	485	823
6 Commercial and miscellaneous	2,750	4,372	5,887	421	314	562	417	414	454
7 Transportation	3,439	4,387	2,033	291	244	225	235	115	135
8 Public utility	9,658	8,297	8,261	505	885	815	768	521	912
9 Communication	3,464	2,787	3,059	35	......	344	326	546	205
10 Real estate and financial	6,469	9,274	10,438	1,027	714	761	1,296	448	375
11 **Stocks**	**10,863**	**11,108**	**12,013**	**474**	**1,039**	**1,405**	**508**	**782**	**927**
By type:									
12 Preferred	3,458	2,803	3,878	235	390	586	57	157	127
13 Common	7,405	8,305	8,135	239	649	819	451	625	800
By industry group:									
14 Manufacturing	1,670	2,237	1,265	15	41	366	167	236	148
15 Commercial and miscellaneous	1,470	1,183	1,838	183	90	245	167	110	168
16 Transportation	1	24	418	28	20	38	40	......	12
17 Public utility	6,235	6,121	6,058	238	800	429	31	354	426
18 Communication	1,002	776	1,379	......	......	5	27	6	10
19 Real estate and financial	488	771	1,054	10	88	320	76	75	164

1 Figures, which represent gross proceeds of issues maturing in more than 1 year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCE. Securities and Exchange Commission.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1977	1978	1978 June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.
INVESTMENT COMPANIES excluding money market funds									
1 Sales of own shares[1]	6,401	6,645	487	474	638	519	463	587	602
2 Redemptions of own shares[2]	6,027	7,231	757	645	882	673	607	439	545
3 Net sales	357	−586	−270	−181	−244	−154	−144	148	57
4 Assets[3]	45,049	45,184	46,106	47,975	49,299	48,151	43,462	44,242	45,184
5 Cash position[4]	3,274	4,522	4,493	4,285	3,948	3,703	3,793	4,299	4,522
6 Other	41,775	40,662	41,613	43,690	45,351	44,448	39,669	39,943	40,662

1 Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.

2 Excludes share redemption resulting from conversions from one fund to another in the same group.

3 Market value at end of period, less current liabilities.

4 Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1975	1976	1977	1977 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1	1978 Q2	1978 Q3
1 Profits before tax	**120.4**	**155.9**	**173.9**	**164.8**	**175.1**	**177.5**	**178.3**	**172.1**	**205.5**	**205.4**
2 Profits tax liability	49.8	64.3	71.8	68.3	72.3	72.8	73.9	70.0	85.0	86.2
3 Profits after tax	70.6	91.6	102.1	96.5	102.8	104.7	104.4	102.1	120.5	119.2
4 Dividends	31.9	37.9	43.7	41.5	42.7	44.1	46.3	47.0	48.1	50.1
5 Undistributed profits	38.7	53.7	58.4	55.0	60.1	60.6	58.1	55.1	72.4	69.1
6 Capital consumption allowances	89.2	97.1	106.0	102.0	105.0	107.6	109.3	111.3	113.3	115.4
7 Net cash flow	127.9	150.8	164.4	157.0	165.1	168.2	167.4	166.4	185.7	184.5

SOURCE. *Survey of Current Business* (U.S. Department of Commerce.)

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1974	1975	1976	1977				1978		
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 **Current assets**	**734.6**	**756.3**	**823.1**	**842.0**	**856.4**	**880.3**	**900.1**	**924.2**	**953.5**	**992.4**
2 Cash	73.0	80.0	86.8	80.8	83.1	83.4	94.2	88.5	90.9	91.4
3 U.S. government securities	11.3	19.6	26.0	26.8	22.1	21.5	20.9	20.9	19.7	18.6
4 Notes and accounts receivable	265.5	272.1	292.4	304.1	312.8	326.9	325.7	338.3	356.8	377.8
5 Inventories	318.9	314.7	341.4	352.1	358.8	367.5	375.0	389.7	399.1	415.5
6 Other	65.9	69.9	76.4	78.3	79.6	81.0	84.3	86.8	87.0	89.0
7 **Current liabilities**	**451.8**	**446.9**	**487.5**	**502.6**	**509.5**	**528.9**	**543.2**	**570.4**	**590.8**	**624.5**
8 Notes and accounts payable	272.3	261.2	273.2	280.2	286.8	297.8	306.8	317.2	331.3	349.9
9 Other	179.5	185.7	214.2	222.4	222.7	231.1	236.3	253.2	259.4	274.6
10 **Net working capital**	**282.8**	**309.5**	**335.6**	**339.5**	**346.9**	**351.4**	**357.0**	**353.8**	**362.7**	**367.9**
11 MEMO: Current ratio[1]	1.626	1.693	1.688	1.675	1.681	1.664	1.657	1.620	1.614	1.589

1 Ratio of total current assets to total current liabilities.

NOTE. For a description of this series see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

SOURCE. Federal Trade Commission.

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1977	1978[2]	1977				1978			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 **All industries**	**135.72**	**152.28**	**130.16**	**134.24**	**140.38**	**138.11**	**144.25**	**150.76**	**155.13**	**158.98**
Manufacturing										
2 Durable goods industries	27.75	31.53	26.30	27.26	29.23	28.19	28.72	31.40	32.11	33.89
3 Nondurable goods industries	32.33	36.23	30.13	32.19	33.79	33.22	32.86	35.80	36.54	39.72
Nonmanufacturing										
4 Mining	4.49	4.78	4.24	4.49	4.74	4.50	4.45	4.81	4.80	5.07
Transportation:										
5 Railroad	2.52	3.28	2.71	2.57	3.20	2.80	3.35	3.09	3.64	3.05
6 Air	1.63	2.45	1.62	1.43	1.69	1.76	2.67	2.08	2.97	2.08
7 Other	2.55	2.27	2.96	2.96	1.96	2.32	2.44	2.23	2.37	2.05
Public utilities:										
8 Electric	21.57	24.49	21.19	21.14	21.90	22.05	23.15	23.83	25.04	25.94
9 Gas and other	4.21	4.48	4.16	4.16	4.32	4.18	4.78	4.62	4.22	4.28
10 Communication	15.43	....	14.19	15.32	16.40	15.82	17.07	18.18	43.44	42.90
11 Commercial and other[1]	22.95	....	22.67	22.73	23.14	23.27	24.76	24.71		

1 Includes trade, service, construction, finance, and insurance.
2 Anticipated by business.

NOTE. Estimates for corporate and noncorporate business, excluding agriculture; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

1.521 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1972	1973	1974	1975	1976	1977 Q3	1977 Q4	1978 Q1	1978 Q2	1978 Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	31.9	35.4	36.1	36.0	38.6	42.3	44.0	44.5	47.1	49.7
2 Business	27.4	32.3	37.2	39.3	44.7	50.6	55.2	57.6	59.5	58.3
3 *Total*	*59.3*	*67.7*	*73.3*	*75.3*	*83.4*	*92.9*	*99.2*	*102.1*	*106.6*	*108.0*
4 LESS: Reserves for unearned income and losses	7.4	8.4	9.0	9.4	10.5	11.7	12.7	12.8	14.1	14.3
5 Accounts receivable, net	51.9	59.3	64.2	65.9	72.9	81.2	86.5	89.3	92.6	93.7
6 Cash and bank deposits	2.8	2.6	3.0	2.9	2.6	2.5	2.6	2.2	2.9	2.7
7 Securities	.9	.8	.4	1.0	1.1	1.8	.9	1.2	1.3	1.8
8 All other	10.0	10.6	12.0	11.8	12.6	14.2	14.3	15.0	16.2	17.1
9 Total assets	**65.6**	**73.2**	**79.6**	**81.6**	**89.2**	**99.6**	**104.3**	**107.7**	**112.9**	**115.3**
LIABILITIES										
10 Bank loans	5.6	7.2	9.7	8.0	6.3	5.4	5.9	5.8	5.4	5.4
11 Commercial paper	17.3	19.7	20.7	22.2	23.7	25.7	29.6	29.9	31.3	29.3
Debt:										
12 Short-term, n.e.c.	4.3	4.6	4.9	4.5	5.4	5.4	6.2	5.3	6.6	6.8
13 Long-term, n.e.c.	22.7	24.6	26.5	27.6	32.3	34.8	36.0	38.0	40.1	41.3
14 Other	4.8	5.6	5.5	6.8	8.1	13.7	11.5	12.9	13.6	15.2
15 Capital, surplus, and undivided profits	10.9	11.5	12.4	12.5	13.4	14.6	15.1	15.7	16.0	17.3
16 Total liabilities and capital	**65.6**	**73.2**	**79.6**	**81.6**	**89.2**	**99.6**	**104.3**	**107.7**	**112.9**	**115.3**

NOTE. Components may not add to totals due to rounding.

1.522 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Nov. 30, 1978[1]	Changes in accounts receivable during— 1978 Sept.	Oct.	Nov.	Extensions 1978 Sept.	Oct.	Nov.	Repayments 1978 Sept.	Oct.	Nov.
1 Total	**61,699**	**−234**	**704**	**1,210**	**15,530**	**15,078**	**16,293**	**15,764**	**14,374**	**15,083**
2 Retail automotive (commercial vehicles)	14,261	209	214	229	1,202	1,237	1,260	993	1,023	1,031
3 Wholesale automotive	11,914	−506	103	591	6,119	6,171	6,946	6,625	6,068	6,355
4 Retail paper on business, industrial, and farm equipment	16,551	−154	160	226	1,198	1,041	1,159	1,352	881	933
5 Loans on commercial accounts receivable	4,048	150	−202	−49	3,454	3,233	3,310	3,304	3,435	3,359
6 Factored commercial accounts receivable	2,629	83	291	209	1,584	1,543	1,776	1,501	1,252	1,567
7 All other business credit	12,296	−16	138	4	1,973	1,853	1,842	1,989	1,715	1,838

1 Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

	Item	1976	1977	1978	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.
		Terms and yields in primary and secondary markets								
	PRIMARY MARKETS									
	Conventional mortgages on new homes									
	Terms:[1]									
1	Purchase price (thous. dollars)	48.4	54.3	62.6	61.9	63.6	64.6	66.8	65.1	68.1
2	Amount of loan (thous. dollars)	35.9	40.5	45.9	45.3	46.4	46.7	48.6	47.5	49.6
3	Loan/price ratio (percent)	74.2	76.3	75.3	75.3	75.3	74.1	74.4	74.4	75.1
4	Maturity (years)	27.2	27.9	28.0	28.2	28.0	27.8	28.0	27.9	28.1
5	Fees and charges (percent of loan amount)[2]	1.44	1.33	1.39	1.40	1.43	1.36	1.37	1.40	1.49
6	Contract rate (percent per annum)	8.76	8.80	9.30	9.34	9.45	9.50	9.60	9.63	9.76
	Yield (percent per annum):									
7	FHLBB series[3]	8.99	9.01	9.54	9.57	9.70	9.73	9.83	9.87	10.02
8	HUD series[4]	8.99	8.95	9.68	9.80	9.80	9.80	9.95	10.10	10.30
	SECONDARY MARKETS									
	Yields (percent per annum):									
9	FHA mortgages (HUD series)[5]	8.82	7.96	8.08	9.92	9.78	9.78	9.93	9.99	10.16
10	GNMA securities[6]	8.17	8.04	8.98	9.16	8.95	r9.04	r9.25	r9.39	9.54
	FNMA auctions:[7]									
11	Government-underwritten loans	8.99	8.73	9.77	10.01	9.81	9.78	10.03	10.30	10.50
12	Conventional loans	9.11	8.98	10.01	10.19	10.11	10.02	10.19	10.56	10.85
		Activity in secondary markets								
	FEDERAL NATIONAL MORTGAGE ASSOCIATION									
	Mortgage holdings (end of period)									
13	**Total**	**32,904**	**34,370**	**43,311**	**39,409**	**40,325**	**41,189**	**41,957**	**42,590**	**43,311**
14	FHA-insured	18,916	18,457	21,243	19,763	20,034	20,325	20,625	20,929	21,243
15	VA-guaranteed	9,212	9,315	10,544	10,457	10,535	10,575	10,565	10,535	10,544
16	Conventional	4,776	6,597	11,524	9,189	9,752	10,289	10,767	11,126	11,524
	Mortgage transactions (during period)									
17	Purchases	3,606	r4,780	12,303	945	1,230	1,132	1,053	920	974
18	Sales	86	r67	5	....	....	....	....	....	n.a.
	Mortgage commitments:[8]									
19	Contracted (during period)	6,247	1,333	n.a.	927	527	882	1,900	1,275	n.a.
20	Outstanding (end of period)	3,398	4,698	n.a.	10,171	9,419	9,068	9,547	9,525	n.a.
	Auction of 4-month commitments to buy—									
	Government-underwritten loans:									
21	Offered[9]	4,929.8	r7,974.1	12,978	756.7	499.1	717.9	1,964.8	788.0	627.0
22	Accepted	2,787.2	r4,846.2	6,747.2	471.5	277.2	335.9	832.4	321.8	319.6
	Conventional loans:									
23	Offered[9]	2,595.7	r5,675.2	9,933.0	316.0	224.7	484.7	1,156.8	861.4	417.4
24	Accepted	1,879.2	r3,917.8	5,110.9	178.9	128.5	283.7	495.6	386.8	220.9
	FEDERAL HOME LOAN MORTGAGE CORPORATION									
	Mortgage holdings (end of period)[10]									
25	**Total**	**4,269**	**3,276**	**3,064**	**2,024**	**2,448**	**2,486**	**2,867**	**3,022**	**3,064**
26	FHA/VA	1,618	1,395	1,243	1,321	1,304	1,287	1,594	1,257	1,243
27	Conventional	2,651	1,881	1,822	702	1,144	1,199	1,273	1,766	1,822
	Mortgage transactions (during period)									
28	Purchases	1,175	r3,900	6,524	520	742	670	791	763	596
29	Sales	1,396	r4,131	6,211	725	299	594	369	581	540
	Mortgage commitments:[11]									
30	Contracted (during period)	1,477	r5,546	7,451	737	838	760	547	706	455
31	Outstanding (end of period)	333	1,063	1,410	2,055	2,142	2,130	1,716	1,617	1,410

1 Weighted averages based on sample surveys of mortgages originated by major institutional lender groups. Compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.

2 Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) in order to obtain a loan.

3 Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.

4 Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Dept. of Housing and Urban Development.

5 Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.

6 Average net yields to investors on Government National Mortgage Association-guaranteed, mortgage-backed, fully-modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.

7 Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.

8 Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.

9 Mortgage amounts offered by bidders are total bids received.

10 Includes participations as well as whole loans.

11 Includes conventional and government-underwritten loans.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

	Type of holder, and type of property	1973	1974	1975	1976	1977	1978		
						Q4	Q1	Q2	Q3[p]
1	**All holders**	**682,321**	**742,512**	**801,537**	**889,327**	**1,023,417**	**1,052,307**	**1,090,234**	**1,128,398**
2	1- to 4-family	416,211	449,371	490,761	556,557	656,116	675,514	701,392	727,096
3	Multifamily	93,132	99,976	100,601	104,516	111,804	114,202	116,793	119,422
4	Commercial	131,725	146,877	159,298	171,223	189,829	194,545	201,054	208,017
5	Farm	41,253	46,288	50,877	57,031	65,668	68,046	71,004	73,863
6	**Major financial institutions**	**505,400**	**542,560**	**581,193**	**647,650**	**745,011**	**764,614**	**792,762**	**819,264**
7	*Commercial banks*[1]	*119,068*	*132,105*	*136,186*	*151,326*	*178,979*	*184,423*	*193,223*	*202,423*
8	1- to 4-family	67,998	74,758	77,018	86,234	105,115	108,699	113,886	119,308
9	Multifamily	6,932	7,619	5,915	8,082	9,215	9,387	9,816	10,283
10	Commercial	38,696	43,679	46,882	50,289	56,898	58,407	61,194	64,107
11	Farm	5,442	6,049	6,371	6,721	7,751	7,930	8,327	8,725
12	*Mutual savings banks*	*73,230*	*74,920*	*77,249*	*81,639*	*88,104*	*89,800*	*91,535*	*93,511*
13	1- to 4-family	48,811	49,213	50,025	53,089	57,637	58,747	59,882	61,175
14	Multifamily	12,343	12,923	13,792	14,177	15,304	15,398	15,900	16,243
15	Commercial	12,012	12,722	13,373	14,313	15,110	15,401	15,698	16,037
16	Farm	64	62	59	60	53	54	55	56
17	*Savings and loan associations*	*231,733*	*249,301*	*278,590*	*323,130*	*381,163*	*392,479*	*407,964*	*420,947*
18	1- to 4-family	187,078	200,987	223,903	260,895	310,686	319,910	332,532	343,114
19	Multifamily	22,779	23,808	25,547	28,436	32,513	33,478	34,779	35,907
20	Commercial	21,876	24,506	29,140	33,799	37,964	39,091	40,633	41,926
21	*Life insurance companies*	*81,369*	*86,234*	*89,168*	*91,555*	*96,765*	*97,963*	*100,040*	*102,383*
22	1- to 4-family	20,426	19,026	17,590	16,088	14,727	14,476	14,129	13,929
23	Multifamily	18,451	19,625	19,629	19,178	18,807	18,851	18,745	18,945
24	Commercial	36,496	41,256	45,196	48,864	54,388	55,426	57,463	59,309
25	Farm	5,996	6,327	6,753	7,425	8,843	9,210	9,703	10,200
26	**Federal and related agencies**	**46,721**	**58,320**	**66,891**	**66,753**	**70,006**	**72,014**	**73,991**	**77,919**
27	*Government National Mortgage Assn.*	*4,029*	*4,846*	*7,438*	*4,241*	*3,660*	*3,291*	*3,283*	*3,523*
28	1- to 4-family	1,455	2,248	4,728	1,970	1,548	948	922	989
29	Multifamily	2,574	2,598	2,710	2,271	2,112	2,343	2,361	2,534
30	*Farmers Home Admin.*	*1,366*	*1,432*	*1,109*	*1,064*	*1,353*	*1,179*	*618*	*668*
31	1- to 4-family	743	759	208	454	626	202	124	135
32	Multifamily	29	167	215	218	275	408	102	110
33	Commercial	218	156	190	72	149	218	104	112
34	Farm	376	350	496	320	303	351	288	311
35	*Federal Housing and Veterans Admin.*	*3,476*	*4,015*	*4,970*	*5,150*	*5,212*	*5,219*	*5,225*	*5,295*
36	1- to 4-family	2,013	2,009	1,990	1,676	1,627	1,585	1,543	1,565
37	Multifamily	1,463	2,006	2,980	3,474	3,585	3,634	3,682	3,730
38	*Federal National Mortgage Assn.*	*24,175*	*29,578*	*31,824*	*32,904*	*34,369*	*36,029*	*38,753*	*41,189*
39	1- to 4-family	20,370	23,778	25,813	26,934	28,504	30,208	32,974	35,437
40	Multifamily	3,805	5,800	6,011	5,970	5,865	5,821	5,779	5,752
41	*Federal Land Banks*	*11,071*	*13,863*	*16,563*	*19,125*	*22,136*	*22,925*	*23,857*	*24,758*
42	1- to 4-family	123	406	549	601	670	691	727	819
43	Farm	10,948	13,457	16,014	18,524	21,466	22,234	23,130	23,939
44	*Federal Home Loan Mortgage Corp.*	*2,604*	*4,586*	*4,987*	*4,269*	*3,276*	*3,371*	*2,255*	*2,486*
45	1- to 4-family	2,446	4,217	4,588	3,889	2,738	2,785	1,856	1,994
46	Multifamily	158	369	399	380	538	586	399	492
47	**Mortgage pools or trusts**[2]	**18,040**	**23,799**	**34,138**	**49,801**	**70,289**	**74,080**	**78,602**	**82,325**
48	*Government National Mortgage Assn.*	*7,890*	*11,769*	*18,257*	*30,572*	*44,896*	*46,357*	*48,032*	*50,844*
49	1- to 4-family	7,561	11,249	17,538	29,583	43,555	44,906	46,515	49,276
50	Multifamily	329	520	719	989	1,341	1,451	1,517	1,568
51	*Federal Home Loan Mortgage Corp.*	*766*	*757*	*1,598*	*2,671*	*6,610*	*7,471*	*9,423*	*9,934*
52	1- to 4-family	617	608	1,349	2,282	5,621	6,286	7,797	8,358
53	Multifamily	149	149	249	389	989	1,185	1,626	1,576
54	*Farmers Home Admin.*	*9,384*	*11,273*	*14,283*	*16,558*	*18,783*	*20,252*	*21,147*	*21,547*
55	1- to 4-family	5,458	6,782	9,194	10,219	11,379	12,235	12,742	12,943
56	Multifamily	138	116	295	532	759	732	1,128	1,154
57	Commercial	1,124	1,473	1,948	2,440	2,945	3,528	3,301	3,380
58	Farm	2,664	2,902	2,846	3,367	3,682	3,757	3,976	4,070
59	**Individuals and others**[3]	**112,160**	**117,833**	**119,315**	**125,123**	**138,111**	**141,599**	**144,888**	**148,890**
60	1- to 4-family	51,112	53,331	56,268	62,643	71,665	73,878	75,763	78,054
61	Multifamily	23,982	24,276	22,140	20,420	20,501	20,732	20,939	21,128
62	Commercial	21,303	23,085	22,569	21,446	22,375	22,479	22,661	23,146
63	Farm	15,763	17,141	18,338	20,614	23,570	24,510	25,525	26,562

1 Includes loans held by nondeposit trust companies but not bank trust departments.

2 Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.

3 Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or separate data are not readily available.

NOTE. Based on data from various institutional and government sources, with some quarters estimated in part by Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations where required, are estimated mainly by Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change▲

Millions of dollars

	Holder, and type of credit	1976	1977	1978	1978 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
					Amounts outstanding (end of period)						
1	**Total**	**193,977**	**230,829**	**275,640**	**249,865**	**253,897**	**259,614**	**263,387**	**265,821**	**269,445**	**275,640**
	By major holder:										
2	Commercial banks	93,728	112,373	136,189	124,080	126,619	129,622	131,403	132,702	133,908	136,189
3	Finance companies	38,919	44,868	54,309	48,637	49,502	50,558	51,280	51,984	53,099	54,309
4	Credit unions	31,169	37,605	45,939	41,936	42,355	43,499	44,325	44,635	45,305	45,939
5	Retailers[2]	19,260	23,490	24,876	21,813	21,828	22,093	22,302	22,464	23,006	24,876
6	Savings and loans	6,246	7,354	8,394	7,764	7,793	7,947	8,055	8,177	8,291	8,394
7	Gasoline companies	2,830	2,963	3,240	3,185	3,309	3,354	3,416	3,276	3,173	3,240
8	Mutual savings banks	1,825	2,176	2,693	2,450	2,491	2,541	2,606	2,583	2,663	2,693
	By major type of credit:										
9	*Automobile*	*67,707*	*82,911*	*102,468*	*93,261*	*95,289*	*97,687*	*99,062*	*100,159*	*101,565*	*102,468*
10	Commercial banks	39,621	49,577	60,564	55,754	57,071	58,453	59,085	59,778	60,347	60,564
11	Indirect paper	22,072	27,379	33,850	31,128	31,907	32,667	33,067	33,415	33,709	33,850
12	Direct loans	17,549	22,198	26,714	24,626	25,164	25,786	26,018	26,363	26,638	26,714
13	Credit unions	15,238	18,099	21,976	20,054	20,254	20,801	21,196	21,344	21,664	21,967
14	Finance companies	12,848	15,235	19,937	17,453	17,964	18,433	18,781	19,037	19,554	19,937
15	*Revolving*	*17,189*	*39,274*	*47,051*	*40,001*	*40,553*	*41,629*	*42,420*	*42,579*	*43,523*	*47,051*
16	Commercial banks	14,359	18,374	24,434	20,135	20,566	21,314	21,935	22,165	22,724	24,434
17	Retailers	....	17,937	19,377	16,681	16,678	16,961	17,069	17,138	17,626	19,377
18	Gasoline companies	2,830	2,963	3,240	3,185	3,309	3,354	3,416	3,276	3,173	3,240
19	*Mobile home*	*14,573*	*15,141*	16,042	*15,532*	*15,663*	*15,799*	*15,910*	*15,925*	*16,017*	*16,042*
20	Commercial banks	8,737	9,124	9,553	9,386	9,483	9,539	9,591	9,548	9,572	9,553
21	Finance companies	3,263	3,077	3,152	3,065	3,085	3,101	3,114	3,127	3,150	3,152
22	Savings and loans	2,241	2,538	2,848	2,634	2,644	2,696	2,733	2,775	2,813	2,848
23	Credit unions	332	402	489	447	451	463	472	475	482	489
24	*Other*	*94,508*	*93,503*	*110,079*	*101,071*	*102,392*	*104,499*	*105,995*	*107,158*	*108,340*	*110,079*
25	Commercial banks	31,011	35,298	41,638	38,805	39,499	40,316	40,792	41,211	41,265	41,638
26	Finance companies	22,808	26,556	31,220	28,119	28,453	29,024	29,385	29,820	30,395	31,220
27	Credit unions	15,599	19,104	23,483	21,435	21,650	22,235	22,657	22,816	23,159	23,483
28	Retailers	19,260	5,553	5,499	5,132	5,150	5,132	5,233	5,326	5,380	5,499
29	Savings and loans	4,005	4,816	5,546	5,130	5,149	5,251	5,322	5,402	5,478	5,546
30	Mutual savings banks	1,825	2,176	2,693	2,450	2,491	2,541	2,606	2,583	2,663	2,693
					Net change (during period)[3]						
31	**Total**	**21,647**	**35,278**	**45,066**	**4,207**	**3,466**	**3,632**	**3,680**	**3,374**	**4,099**	**4,400**
	By major holder:										
32	Commercial banks	10,792	18,645	24,058	2,387	2,100	1,785	1,714	1,617	1,925	2,080
33	Finance companies	2,946	5,948	9,441	624	671	736	847	863	1,018	1,098
34	Credit unions	5,503	6,436	8,334	797	513	613	639	644	779	773
35	Retailers[1]	1,059	2,654	1,386	234	144	342	328	115	186	196
36	Savings and loans	1,085	1,111	1,041	57	10	107	94	127	88	115
37	Gasoline companies	124	132	276	20	−19	−1	9	16	−1	96
38	Mutual savings banks	138	352	530	88	47	50	49	−8	104	42
	By major type of credit:										
39	*Automobile*	*10,465*	*15,204*	*19,557*	*1,642*	*1,711*	*1,604*	*1,532*	*1,375*	*1,755*	*1,780*
40	Commercial banks	6,334	9,956	10,987	1,029	1,041	957	848	759	839	845
41	Indirect paper	2,742	5,307	6,471	587	626	515	517	354	440	530
42	Direct loans	3,592	4,649	4,516	442	415	442	331	405	399	315
43	Credit unions	2,497	2,861	3,868	349	275	287	313	301	364	391
44	Finance companies	1,634	2,387	4,702	264	395	360	371	315	552	544
45	*Revolving*	*2,170*	*6,248*	*7,776*	*955*	*600*	*737*	*622*	*346*	*665*	*869*
46	Commercial banks	2,046	4,015	6,060	601	498	358	380	337	556	610
47	Retailers	....	2,101	1,440	334	121	380	233	−7	110	163
48	Gasoline companies	124	132	276	20	−19	−1	9	16	−1	96
49	*Mobile home*	*140*	*565*	*897*	*70*	*83*	*79*	*72*	*25*	*75*	*71*
50	Commercial banks	70	387	426	50	65	20	31	−25	19	21
51	Finance companies	−182	−189	74	1	11	7	6	−2	15	11
52	Savings and loans	192	297	310	12	2	46	27	46	34	30
53	Credit unions	60	70	87	7	5	6	8	6	7	9
54	*Other*	*8,872*	*13,261*	*16,836*	*1,540*	*1,072*	*1,212*	*1,454*	*1,628*	*1,604*	*1,680*
55	Commercial banks	2,342	4,287	6,585	707	496	450	455	546	511	604
56	Finance companies	1,494	3,750	4,665	359	265	369	470	550	451	543
57	Credit unions	2,946	3,505	4,379	441	233	320	318	337	408	373
58	Retailers	1,059	553	−54	−100	23	−38	95	122	76	33
59	Savings and loans	893	814	731	45	8	61	67	81	54	85
60	Mutual savings banks	138	352	530	88	47	50	49	−8	104	42

1 The board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repaying in two or more installments).

2 Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

3 Net change equals extensions minus liquidations (repayments, charge-offs, and other credits); figures for all months are seasonally adjusted.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $64.3 billion at the end of 1978, $58.6 billion at the end of 1977, $54.8 billion at the end of 1976, and $50.9 billion at the end of 1975. Comparable data for Dec. 31, 1979 will be published in the February 1980 BULLETIN.

▲ Consumer installment credit series have been revised from 1943, effective Dec. 7, 1978. Information is available from Mortgage and Consumer Finance Section, Division of Research and Statistics.

1.56 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations▲

Millions of dollars

	Holder, and type of credit	1976	1977	1978	1978 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
		Extensions[2]									
1	**Total**	**211,028**	**254,071**	**298,574**	**25,565**	**25,022**	**25,669**	**25,536**	**25,785**	**26,214**	**26,500**
	By major holder:										
2	Commercial banks	97,397	117,896	142,965	12,382	12,187	12,255	12,123	12,182	12,476	12,521
3	Finance companies	36,129	41,989	50,483	4,223	4,261	4,348	4,372	4,605	4,512	4,679
4	Credit unions	29,259	34,028	40,023	3,445	3,271	3,379	3,360	3,401	3,530	3,526
5	Retailers[1]	29,447	39,133	41,619	3,552	3,477	3,725	3,718	3,518	3,571	3,612
6	Savings and loans	3,898	4,485	5,050	379	327	435	403	566	489	516
7	Gasoline companies	13,387	14,617	16,125	1,351	1,299	1,317	1,346	1,335	1,376	1,451
8	Mutual savings banks	1,511	1,923	2,309	233	200	210	215	151	260	195
	By major type of credit:										
9	*Automobile*	*63,743*	*75,641*	*88,986*	*7,595*	*7,652*	*7,744*	*7,542*	*7,501*	*7,787*	*7,833*
10	Commercial banks	37,886	46,363	53,028	4,541	4,639	4,660	4,479	4,345	4,503	4,443
11	Indirect paper	20,576	25,149	29,336	2,505	2,554	2,562	2,519	2,384	2,422	2,451
12	Direct loans	17,310	21,214	23,692	2,036	2,085	2,098	1,960	1,961	2,081	1,992
13	Credit unions	14,688	16,616	19,486	1,667	1,629	1,632	1,641	1,643	1,718	1,738
14	Finance companies	11,169	12,662	16,472	1,387	1,384	1,452	1,422	1,513	1,566	1,652
15	*Revolving*	*43,934*	*86,756*	*104,587*	*9,062*	*8,700*	*9,028*	*9,006*	*8,846*	*9,176*	*9,424*
16	Commercial banks	30,547	38,256	51,531	4,451	4,320	4,346	4,457	4,475	4,702	4,814
17	Retailers	....	33,883	36,931	3,260	3,081	3,365	3,203	3,036	3,098	3,159
18	Gasoline companies	13,387	14,617	16,125	1,351	1,299	1,317	1,346	1,335	1,376	1,451
19	*Mobile home*	*4,859*	*5,425*	*6,067*	*510*	*509*	*531*	*494*	*604*	*486*	*502*
20	Commercial banks	3,064	3,466	3,704	327	335	310	297	352	280	295
21	Finance companies	702	643	886	73	78	75	77	73	77	74
22	Savings and loans	929	1,120	1,239	90	78	127	100	154	108	111
23	Credit unions	164	196	238	20	18	19	20	25	21	22
24	*Other*	*98,492*	*86,249*	*98,934*	*8,398*	*8,161*	*8,366*	*8,495*	*8,807*	*8,765*	*8,741*
25	Commercial banks	25,900	29,811	34,702	3,063	2,893	2,939	2,890	3,010	2,991	2,969
26	Finance companies	24,258	28,684	33,125	2,763	2,799	2,821	2,873	3,019	2,869	2,953
27	Credit unions	14,407	17,216	20,299	1,758	1,624	1,728	1,699	1,733	1,791	1,766
28	Retailers	29,447	5,250	4,688	292	396	360	515	482	473	453
29	Savings and loans	2,969	3,365	3,811	289	249	308	303	412	381	405
30	Mutual savings banks	1,511	1,923	2,309	233	200	210	215	151	260	195
		Liquidations[2]									
31	**Total**	**189,381**	**218,793**	**253,508**	**21,358**	**21,556**	**22,037**	**21,857**	**22,384**	**22,115**	**22,100**
	By major holder:										
32	Commercial banks	86,605	99,251	118,907	9,995	10,087	10,470	10,409	10,565	10,551	10,441
33	Finance companies	33,183	36,041	41,042	3,599	3,590	3,612	3,525	3,742	3,494	3,581
34	Credit unions	23,756	27,592	31,689	2,648	2,758	2,766	2,721	2,757	2,751	2,753
35	Retailers[1]	28,388	36,479	40,233	3,318	3,333	3,383	3,390	3,403	3,385	3,416
36	Savings and loans	2,813	3,374	4,009	322	317	328	309	439	401	401
37	Gasoline companies	13,263	14,485	15,849	1,331	1,318	1,318	1,337	1,319	1,377	1,355
38	Mutual savings banks	1,373	1,571	1,779	145	153	160	166	159	156	153
	By major type of credit:										
39	*Automobile*	*53,278*	*60,437*	*69,429*	*5,953*	*5,941*	*6,140*	*6,010*	*6,126*	*6,032*	*6,053*
40	Commercial banks	31,552	36,407	42,041	3,512	3,598	3,703	3,631	3,586	3,664	3,598
41	Indirect paper	17,834	19,842	22,865	1,918	1,928	2,047	2,002	2,030	1,982	1,921
42	Direct loans	13,718	16,565	19,176	1,594	1,670	1,656	1,629	1,556	1,682	1,677
43	Credit unions	12,191	13,755	15,618	1,318	1,354	1,345	1,328	1,342	1,354	1,347
44	Finance companies	9,535	10,275	11,770	1,123	989	1,092	1,051	1,198	1,014	1,108
45	*Revolving*	*41,764*	*80,508*	*96,811*	*8,107*	*8,100*	*8,291*	*8,384*	*8,500*	*8,511*	*8,555*
46	Commercial banks	28,501	34,241	45,471	3,850	3,822	3,988	4,077	4,138	4,146	4,204
47	Retailers	....	31,782	35,491	2,926	2,960	2,985	2,970	3,043	2,988	2,996
48	Gasoline companies	13,263	14,485	15,849	1,331	1,318	1,318	1,337	1,319	1,377	1,355
49	*Mobile home*	*4,719*	*4,860*	*5,170*	*440*	*426*	*452*	*422*	*579*	*411*	*431*
50	Commercial banks	2,994	3,079	3,278	277	270	290	266	377	261	274
51	Finance companies	884	832	812	72	67	68	71	75	62	63
52	Savings and loans	737	823	929	78	76	81	73	108	74	81
53	Credit unions	104	126	151	13	13	13	12	19	14	13
54	*Other*	*89,620*	*72,988*	*82,098*	*6,858*	*7,089*	*7,154*	*7,041*	*7,179*	*7,161*	*7,061*
55	Commercial banks	23,558	25,524	28,117	2,356	2,397	2,489	2,435	2,464	2,480	2,365
56	Finance companies	22,764	24,934	28,460	2,404	2,534	2,452	2,403	2,469	2,418	2,410
57	Credit unions	11,461	13,711	15,920	1,317	1,391	1,408	1,381	1,396	1,383	1,393
58	Retailers	28,388	4,697	4,742	392	373	398	420	360	397	420
59	Savings and loans	2,076	2,551	3,080	244	241	247	236	331	327	320
60	Mutual savings banks	1,373	1,571	1,779	145	153	160	166	159	156	153

1 Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.
2 Monthly figures are seasonally adjusted.

▲ Consumer installment credit series have been revised from 1943, effective Dec. 7, 1978. Information is available from Mortgage and Consumer Finance Section, Division of Research and Statistics.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Transaction category, or sector	1973	1974	1975	1976	1977	1975 H1	1975 H2	1976 H1	1976 H2	1977 H1	1977 H2	1978 H1
	Nonfinancial sectors											
1 **Total funds raised**	**203.8**	**188.8**	**208.1**	**272.5**	**340.5**	**177.5**	**238.9**	**259.6**	**285.6**	**302.2**	**378.9**	**371.4**
2 *Excluding equities*	*196.1*	*184.9*	*198.0*	*261.7*	*337.4*	*167.0*	*229.2*	*245.9*	*277.5*	*301.0*	*373.8*	*371.3*
By sector and instrument:												
3 **U.S. government**	**8.3**	**11.8**	**85.4**	**69.0**	**56.8**	**78.3**	**92.5**	**73.5**	**64.5**	**42.6**	**71.0**	**58.8**
4 Public debt securities	7.9	12.0	85.8	69.1	57.6	79.1	92.6	73.4	64.9	43.1	72.2	59.7
5 Agency issues and mortgages	.4	−.2	−.4	−.1	−.9	−.8	−.1	.1	−.3	−.6	−1.2	−.9
6 **All other nonfinancial sectors**	**195.5**	**177.0**	**122.7**	**203.5**	**283.8**	**99.2**	**146.4**	**186.0**	**221.0**	**259.6**	**307.9**	**312.6**
7 Corporate equities	7.7	3.8	10.1	10.8	3.1	10.5	9.7	13.6	8.1	1.2	5.1	.1
8 Debt instruments	187.9	173.1	112.6	192.6	280.6	88.7	136.6	172.4	213.0	258.5	302.8	312.5
9 **Private domestic nonfinancial sectors**	**189.3**	**161.6**	**109.5**	**182.8**	**271.4**	**89.1**	**130.0**	**168.5**	**197.2**	**252.1**	**290.7**	**298.8**
10 Corporate equities	7.9	4.1	9.9	10.5	2.7	10.3	9.5	13.3	7.7	.5	4.9	.9
11 *Debt instruments*	*181.4*	*157.5*	*99.6*	*172.3*	*268.7*	*78.8*	*120.5*	*155.2*	*189.5*	*251.6*	*285.8*	*297.9*
12 *Debt capital instruments*	*105.0*	*98.0*	*97.8*	*126.8*	*181.1*	*93.7*	*101.9*	*117.8*	*135.9*	*163.4*	*198.9*	*182.7*
13 State and local obligations	14.7	16.5	15.6	19.0	29.2	11.1	20.0	19.3	18.7	29.3	29.0	29.0
14 Corporate bonds	9.2	19.7	27.2	22.8	21.0	34.5	19.9	22.2	23.5	16.0	26.0	18.4
Mortgages:												
15 Home	46.4	34.8	39.5	63.7	96.4	33.9	45.1	56.9	70.5	88.5	104.2	91.4
16 Multifamily residential	10.4	6.9	*	1.8	7.4	.1	−.1	.6	3.1	6.4	8.4	9.7
17 Commercial	18.9	15.1	11.0	13.4	18.4	9.1	12.9	13.8	12.9	14.2	22.6	24.5
18 Farm	5.5	5.0	4.6	6.1	8.8	5.1	4.1	4.9	7.3	8.9	8.7	9.8
19 *Other debt instruments*	*76.4*	*59.6*	*1.8*	*45.5*	*87.6*	*−14.9*	*18.6*	*37.4*	*53.6*	*88.2*	*86.9*	*115.2*
20 Consumer credit	23.8	10.2	9.4	23.6	35.0	2.2	16.6	22.9	24.3	35.7	34.4	44.8
21 Bank loans n.e.c.	39.8	29.0	−14.0	3.5	30.6	−23.7	−4.3	−2.7	9.6	34.0	27.2	47.1
22 Open market paper	2.5	6.6	−2.6	4.0	2.9	−1.9	−3.2	5.6	2.4	3.5	2.4	5.2
23 Other	10.3	13.7	9.0	14.4	19.0	8.5	9.5	11.6	17.3	15.0	23.0	18.1
24 *By borrowing sector*	*189.3*	*161.6*	*109.5*	*182.8*	*271.4*	*89.1*	*130.0*	*168.5*	*197.2*	*252.1*	*290.7*	*298.8*
25 State and local governments	13.2	15.5	13.2	18.5	25.9	8.8	17.5	17.6	19.5	22.7	29.0	22.1
26 Households	80.9	49.2	48.6	89.9	139.6	37.1	60.2	82.7	97.1	131.2	148.0	147.7
27 Farm	9.7	7.9	8.7	11.0	14.7	8.5	9.0	9.9	12.1	15.5	13.8	15.8
28 Nonfarm noncorporate	12.8	7.4	2.0	5.2	12.6	−1.0	5.1	4.0	6.4	12.8	12.3	20.7
29 Corporate	72.7	81.8	37.0	58.2	78.7	35.8	38.2	54.3	62.2	69.8	87.6	92.5
30 **Foreign**	**6.2**	**15.3**	**13.2**	**20.7**	**12.3**	**10.0**	**16.4**	**17.5**	**23.8**	**7.5**	**17.2**	**13.8**
31 Corporate equities	−.2	−.2	.2	.3	.4	.1	.2	.3	.3	.6	.2	−.8
32 *Debt instruments*	*6.4*	*15.6*	*13.0*	*20.4*	*11.9*	*9.9*	*16.2*	*17.2*	*23.5*	*6.9*	*17.0*	*14.6*
33 Bonds	1.0	2.1	6.2	8.5	5.0	5.7	6.8	7.4	9.7	4.4	5.6	4.9
34 Bank loans n.e.c.	2.8	4.7	3.7	6.6	1.6	1.6	5.9	5.4	7.9	−3.2	6.4	2.9
35 Open market paper	.9	7.3	.3	1.9	2.4	−.8	1.4	1.5	2.4	2.7	2.2	3.6
36 U.S. government loans	1.7	1.5	2.8	3.3	3.0	3.4	2.2	2.9	3.6	3.1	2.9	3.2
	Financial sectors											
37 **Total funds raised**	**57.6**	**36.4**	**11.7**	**29.2**	**58.8**	**12.4**	**10.9**	**27.9**	**30.5**	**61.5**	**56.2**	**101.5**
By instrument:												
38 *U.S. government related*	*19.9*	*23.1*	*13.5*	*18.6*	*26.3*	*14.2*	*12.9*	*18.2*	*19.0*	*25.0*	*27.5*	*40.1*
39 Sponsored credit agency securities	16.3	16.6	2.3	3.3	7.0	1.6	3.1	4.1	2.6	9.5	4.4	24.1
40 Mortgage pool securities	3.6	5.8	10.3	15.7	20.5	11.5	9.2	14.2	17.2	17.9	23.1	16.0
41 Loans from U.S. government	......	.7	.9	−.4	−1.2	1.1	.6	*	−.7	−2.3	......	......
42 *Private financial sectors*	*37.7*	*13.3*	*−1.9*	*10.6*	*32.6*	*−1.8*	*−2.0*	*9.7*	*11.5*	*36.5*	*28.7*	*61.4*
43 Corporate equities	1.5	.3	.6	1.0	.6	.6	.6	−.2	2.3	.5	.7	1.1
44 *Debt instruments*	*36.2*	*13.0*	*−2.5*	*9.6*	*32.0*	*−2.4*	*−2.6*	*10.0*	*9.2*	*36.0*	*28.0*	*60.3*
45 Corporate bonds	3.5	2.1	2.9	5.8	10.1	1.9	4.0	6.4	5.2	10.1	10.1	8.5
46 Mortgages	−1.2	−1.3	2.3	2.1	3.1	1.4	3.1	1.5	2.7	3.3	2.9	2.4
47 Bank loans n.e.c.	8.9	4.6	−3.6	−3.7	*	−4.3	−2.9	−2.6	−4.8	−2.3	2.3	.4
48 Open market paper and RPs	17.8	.9	−.1	7.3	14.4	5.1	−5.4	6.2	8.5	21.4	7.4	35.0
49 Loans from FHLBs	7.2	6.7	−4.0	−2.0	4.3	−6.5	−1.4	−1.5	−2.5	3.4	5.2	14.1
By sector:	57.6	36.4	11.7	29.2	58.8	12.4	10.9	27.9	30.5	61.5	56.2	101.5
50 Sponsored credit agencies	16.3	17.3	3.2	2.9	5.8	2.7	3.8	4.0	1.8	7.1	4.4	24.1
51 Mortgage pools	3.6	5.8	10.3	15.7	20.5	11.5	9.2	14.2	17.2	17.9	23.1	16.0
52 *Private financial sectors*	*37.7*	*13.3*	*−1.9*	*10.6*	*32.6*	*−1.8*	*−2.0*	*9.7*	*11.5*	*36.5*	*28.7*	*61.4*
53 Commercial banks	14.1	−5.6	−1.4	7.5	4.8	3.9	−6.7	9.0	6.0	10.0	−.4	12.2
54 Bank affiliates	2.2	3.5	.3	−.8	1.3	.9	−.3	−1.3	−.3	1.3	1.2	5.8
55 Savings and loan associations	6.0	6.3	−2.2	*	11.9	−7.2	2.7	.1	−.1	10.6	13.1	19.6
56 Other insurance companies	.5	.9	1.0	.9	.9	.9	1.0	.9	.9	.9	1.0	1.0
57 Finance companies	9.4	6.0	.6	6.4	16.9	−2.2	3.4	6.0	6.9	17.4	16.4	18.7
58 REITs	6.5	.6	−1.4	−2.4	−2.4	−1.5	−1.2	−2.1	−2.7	−2.5	−2.2	−1.2
59 Open-end investment companies	−1.2	−.7	−.1	−1.0	−1.0	.8	−1.0	−2.4	.4	−.8	−1.2	−.6
60 Money market funds	......	2.4	1.3	*	.2	2.6	.1	−.5	.5	−.5	.9	5.9
	All sectors											
61 **Total funds raised, by instrument**	**261.4**	**225.1**	**219.8**	**301.7**	**399.4**	**189.8**	**249.8**	**287.5**	**316.0**	**363.7**	**435.0**	**472.9**
62 Investment company shares	−1.2	−.7	−.1	−1.0	−1.0	.8	−1.0	−2.4	.4	−.8	−1.2	−.6
63 Other corporate equities	10.4	4.8	10.8	12.9	4.8	10.3	11.3	15.8	9.9	2.5	7.0	1.7
64 *Debt instruments*	*252.3*	*221.0*	*209.1*	*289.8*	*395.6*	*178.8*	*239.5*	*274.1*	*305.7*	*362.0*	*429.2*	*471.7*
65 U.S. government securities	28.3	34.3	98.2	88.1	84.3	91.5	104.9	91.9	84.3	70.0	98.6	99.0
66 State and local obligations	14.7	16.5	15.6	19.0	29.2	11.1	20.0	19.3	18.7	29.3	29.0	29.0
67 Corporate and foreign bonds	13.6	23.9	36.4	37.2	36.1	42.1	30.7	36.1	38.4	30.5	41.7	31.8
68 Mortgages	79.9	60.5	57.2	87.1	134.0	49.4	65.0	77.7	96.4	121.2	146.7	137.6
69 Consumer credit	23.8	10.2	9.4	23.6	35.0	2.2	16.6	22.9	24.3	35.7	34.4	44.8
70 Bank loans n.e.c.	51.6	38.3	−13.9	6.4	32.2	−26.4	−1.3	.1	12.6	28.4	35.9	50.4
71 Open market paper and RPs	21.2	14.8	−2.4	13.3	19.8	2.4	−7.3	13.3	13.3	27.6	11.9	43.7
72 Other loans	19.1	22.6	8.7	15.3	25.1	6.5	10.9	12.9	17.7	19.2	31.0	35.4

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data are at seasonally adjusted annual rates.

Transaction category, or sector	1973	1974	1975	1976	1977	1975		1976		1977		1978
						H1	H2	H1	H2	H1	H2	H1
1 **Total funds advanced in credit markets to nonfinancial sectors**	**196.1**	**184.9**	**198.0**	**261.7**	**337.4**	**167.0**	**229.2**	**245.9**	**277.5**	**301.0**	**373.8**	**371.3**
By public agencies and foreign:												
2 *Total net advances*	*34.1*	*52.6*	*44.3*	*54.5*	*85.4*	*51.9*	*36.7*	*49.7*	*59.3*	*69.3*	*101.6*	*102.9*
3 U.S. government securities	9.5	11.9	22.5	26.8	40.2	31.2	13.7	24.4	29.3	27.2	53.2	42.6
4 Residential mortgages	8.2	14.7	16.2	12.8	20.4	16.8	15.7	11.8	13.7	20.0	20.9	22.9
5 FHLB advances to S&Ls	7.2	6.7	−4.0	−2.0	4.3	−6.5	−1.4	−1.5	−2.5	3.4	5.2	14.1
6 Other loans and securities	9.2	19.4	9.5	16.9	20.5	10.4	8.7	15.0	18.8	18.6	22.4	23.4
Totals advanced, by sector												
7 U.S. government	2.8	9.7	15.1	8.9	11.8	15.8	14.3	6.3	11.5	6.1	17.6	19.2
8 Sponsored credit agencies	21.4	25.6	14.5	20.6	26.9	16.0	13.1	20.0	21.2	26.7	27.2	44.3
9 Monetary authorities	9.2	6.2	8.5	9.8	7.1	7.0	10.1	13.7	6.0	10.2	4.1	12.9
10 Foreign	.6	11.2	6.1	15.2	39.5	13.0	−.8	9.7	20.6	26.4	52.7	26.5
11 Agency borrowing not included in line 1	19.9	23.1	13.5	18.6	26.3	14.2	12.9	18.2	19.0	25.0	27.5	40.1
Private domestic funds advanced												
12 *Total net advances*	*182.0*	*155.3*	*167.3*	*225.7*	*278.2*	*129.3*	*205.4*	*214.4*	*237.1*	*256.8*	*299.7*	*308.5*
13 U.S. government securities	18.8	22.4	75.7	61.3	44.1	60.2	91.2	67.5	55.1	42.8	45.4	56.4
14 State and local obligations	14.7	16.5	15.6	19.0	29.2	11.1	20.0	19.3	18.7	29.3	29.0	29.0
15 Corporate and foreign bonds	10.0	20.9	32.8	30.5	22.3	40.0	25.6	28.6	32.3	17.2	27.3	21.7
16 Residential mortgages	48.4	26.9	23.2	52.7	83.2	17.1	29.2	45.6	59.7	74.9	91.6	78.0
17 Other mortgages and loans	97.2	75.4	16.1	60.4	103.7	−5.7	37.9	51.9	68.9	96.0	111.5	137.4
18 LESS: FHLB advances	7.2	6.7	−4.0	−2.0	4.3	−6.5	−1.4	−1.5	−2.5	3.4	5.2	14.1
Private financial intermediation												
19 *Credit market funds advanced by private financial institutions*	*165.4*	*126.2*	*119.9*	*191.2*	*249.6*	*101.2*	*138.7*	*174.4*	*207.9*	*241.1*	*258.0*	*279.8*
20 Commercial banking	86.5	64.5	27.6	58.0	85.8	14.8	40.5	46.6	69.4	81.1	90.5	115.8
21 Savings institutions	36.9	26.9	52.0	71.4	84.8	49.3	54.6	70.5	72.4	85.3	84.3	77.1
22 Insurance and pension funds	23.9	30.0	41.5	51.7	62.0	38.1	44.9	53.2	50.2	60.3	63.7	69.3
23 Other finance	18.0	4.7	−1.1	10.1	16.9	−.9	−1.3	4.2	15.9	14.5	19.4	17.7
24 *Sources of funds*	*165.4*	*126.2*	*119.9*	*191.2*	*249.6*	*101.2*	*138.7*	*174.4*	*207.9*	*241.1*	*258.0*	*279.8*
25 Private domestic deposits	86.6	69.4	90.6	121.5	136.0	89.9	91.3	108.3	134.6	127.0	145.0	119.4
26 Credit market borrowing	36.2	13.0	−2.5	9.6	32.0	−2.4	−2.6	10.0	9.2	36.0	28.0	60.3
27 *Other sources*	*42.5*	*43.8*	*31.9*	*60.1*	*81.6*	*13.7*	*50.0*	*56.1*	*64.1*	*78.2*	*85.1*	*100.1*
28 Foreign funds	5.8	16.8	.9	5.1	11.6	−.5	2.4	.7	9.5	.7	22.4	2.1
29 Treasury balances	−1.0	−5.1	−1.7	−.1	4.3	−3.8	.4	2.3	−2.5	−1.8	10.4	−.8
30 Insurance and pension reserves	18.4	26.0	29.6	34.8	48.0	27.4	31.7	35.8	33.8	45.5	50.4	55.4
31 Other, net	19.4	6.0	3.1	20.3	17.8	−9.4	15.6	17.2	23.4	33.7	1.9	43.4
Private domestic nonfinancial investors												
32 *Direct lending in credit markets*	*52.8*	*42.2*	*44.9*	*44.1*	*60.6*	*25.7*	*64.1*	*50.0*	*38.4*	*51.6*	*69.6*	*89.0*
33 U.S. government securities	19.2	17.5	23.0	19.6	24.6	6.0	39.9	25.0	14.1	14.1	35.2	35.8
34 State and local obligations	5.4	9.3	8.3	6.8	9.1	5.8	10.8	7.6	6.0	8.2	10.1	11.6
35 Corporate and foreign bonds	1.3	4.7	8.0	2.1	1.1	10.7	5.3	2.9	1.3	.4	1.8	−2.5
36 Commercial paper	18.3	2.4	−.8	4.1	9.5	−1.8	.2	4.8	3.4	13.0	6.0	28.6
37 Other	8.6	8.2	6.4	11.5	16.2	4.9	7.8	9.7	13.5	15.9	16.5	17.6
38 *Deposits and currency*	*90.6*	*75.7*	*96.8*	*128.8*	*144.3*	*96.4*	*97.2*	*114.3*	*143.3*	*132.6*	*156.0*	*129.5*
39 *Time and savings accounts*	*76.1*	*66.7*	*84.8*	*112.2*	*120.1*	*75.6*	*93.9*	*99.5*	*125.0*	*110.5*	*129.7*	*110.9*
40 Large negotiable CDs	18.1	18.8	−14.1	−14.4	9.3	−27.8	−.3	−19.8	−9.1	−4.4	22.9	11.5
41 Other at commercial banks	29.6	26.1	39.4	58.1	41.7	40.5	38.2	52.0	64.3	45.3	38.2	44.5
42 At savings institutions	28.5	21.8	59.4	68.5	69.1	62.9	56.0	67.3	69.8	69.6	68.7	54.9
43 *Money*	*14.4*	*8.9*	*12.0*	*16.6*	*24.2*	*20.8*	*3.3*	*14.8*	*18.3*	*22.1*	*26.3*	*18.6*
44 Demand deposits	10.5	2.6	5.8	9.3	15.9	14.3	−2.6	8.9	9.6	16.5	15.3	8.5
45 Currency	3.9	6.3	6.2	7.3	8.3	6.5	5.9	6.0	8.6	5.6	11.0	10.1
46 **Total of credit market instruments, deposits and currency**	**143.4**	**117.8**	**141.6**	**172.9**	**204.9**	**122.1**	**161.3**	**164.3**	**181.6**	**184.2**	**225.6**	**218.5**
47 Public support rate (in per cent)	17.4	28.5	22.4	20.8	25.3	31.1	16.0	20.2	21.4	23.0	27.2	27.7
48 Private financial intermediation (in per cent)	90.9	81.3	71.7	84.7	89.7	78.3	67.5	81.3	87.7	93.9	86.1	90.7
49 Total foreign funds	6.4	28.0	7.1	20.3	51.1	12.5	1.6	10.4	30.1	27.1	75.1	28.5
MEMO: Corporate equities not included above												
50 **Total net issues**	**9.2**	**4.1**	**10.7**	**11.9**	**3.8**	**11.1**	**10.3**	**13.4**	**10.4**	**1.7**	**5.8**	**1.1**
51 Mutual fund shares	−1.2	−.7	−.1	−1.0	−1.0	.8	−1.0	−2.4	.4	−.8	−1.2	−.6
52 Other equities	10.4	4.8	10.8	12.9	4.8	10.3	11.3	15.8	9.9	2.5	7.0	1.7
53 Acquisitions by financial institutions	13.3	5.8	9.7	12.5	6.2	11.5	7.8	13.1	12.0	6.1	6.3	1.6
54 Other net purchases	−4.1	−1.6	1.0	−.7	−2.4	−.4	2.5	.3	−1.6	−4.4	−.5	−.5

NOTES BY LINE NUMBER.
1. Line 2 of p. A-44.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities. Included below in lines 3, 13, and 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, and 44.
17. Includes farm and commercial mortgages.
25. Sum of lines 39 and 44.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33–37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages.
45. Mainly an offset to line 9.
46. Lines 32 plus 38, or line 12 less line 27 plus line 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Sum of lines 10 and 28.
50, 52. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1976	1977	1978[p]	1978 June	July	Aug.	Sept.	Oct.[r]	Nov.[p]	Dec.[p]	1979 Jan.[e]
1 **Industrial production**	**129.8**	**137.1**	**145.1**	**144.9**	**146.1**	**147.1**	**147.8**	**148.7**	**149.5**	**150.5**	**150.7**
Market groupings:											
2 *Products, total*	*129.3*	*137.1*	*144.3*	*144.0*	*145.0*	*146.2*	*146.5*	*147.0*	*147.6*	*148.7*	*149.0*
3 Final, total	127.2	134.9	141.3	141.1	142.2	143.3	143.7	144.1	144.6	145.5	145.7
4 Consumer goods	136.2	143.4	147.4	147.0	147.7	148.4	149.0	149.2	149.8	150.7	150.8
5 Equipment	114.6	123.2	133.0	133.0	134.7	136.3	136.4	137.0	137.3	138.3	138.5
6 Intermediate	137.2	145.1	155.1	154.7	155.6	156.4	157.0	158.0	159.0	160.7	161.4
7 Materials	130.6	136.9	146.4	146.4	147.9	148.6	149.7	151.4	152.6	153.3	153.3
Industry groupings:											
8 Manufacturing	129.5	137.1	145.6	145.5	146.7	147.6	148.7	149.5	150.4	151.5	151.6
Capacity utilization (percent)[1]											
9 Manufacturing	80.2	82.4	84.2	84.3	84.7	85.0	85.3	85.5	85.8	86.1	85.9
10 Industrial materials industries	80.4	81.9	84.9	85.1	85.7	85.9	86.3	87.1	87.6	87.8	87.5
11 Construction contracts[2]	190.2	253.2	286.0	249.0	286.0	289.0	300.0	319.0	285.0	303.0	n.a.
12 **Nonagricultural employment, total**[3]	**120.7**	**125.0**	**130.3**	**130.7**	**130.8**	**130.9**	**131.0**	**131.6**	**132.3**	**132.6**	**133.1**
13 Goods-producing, total	r100.2	104.2	108.9	109.3	109.4	109.2	109.3	110.1	111.0	111.7	112.0
14 Manufacturing, total	97.7	101.0	104.5	104.5	104.4	104.3	104.3	105.1	105.9	106.6	106.9
15 Manufacturing, production-worker	95.3	98.6	102.1	102.0	101.8	101.6	101.6	102.4	103.5	104.2	104.7
16 Service-producing	131.9	136.4	142.1	142.5	142.5	142.8	142.9	143.4	144.0	144.1	144.7
17 **Personal income, total**[4]	**220.4**	**244.0**	**272.5**	**270.6**	**274.4**	**276.3**	**278.4**	**282.2**	**285.0**	**288.0**	**n.a.**
18 Wages and salary disbursements	r189.3	230.1	257.5	256.9	259.2	260.0	262.0	266.1	268.8	271.1	n.a.
19 Manufacturing	177.1	198.6	223.5	222.3	224.9	224.5	226.4	230.3	234.5	236.8	n.a.
20 Disposable personal income	r217.5	r239.3	266.5	......	......	r269.7	......	......	277.6	......	......
21 Retail sales[5]	203.5	224.4	247.9	246.3	244.9	251.7	253.5	257.5	262.0	265.3	266.3
Prices:[6]											
22 Consumer[7]	170.5	181.5	n.a.	195.3	196.7	197.8	199.3	200.9	202.0	202.9	n.a.
23 Producer finished goods[8]	170.3	180.6	n.a.	194.5	r196.0	195.3	196.9	199.7	200.6	202.4	n.a.

1 Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.

2 Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Informations Systems Company, F. W. Dodge Division.

3 The establishment survey data in this table have been revised to conform to the industry definitions of the 1972 Standard Industrial Classification (SIC) Manual and to reflect employment benchmark levels for March 1977. In addition, seasonal factors for these data have been revised, based on experience through May 1978. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

4 Based on data in *Survey of Current Business* U.S. Department of Commerce). Series for disposable income is quarterly.

5 Based on Bureau of Census data published in *Survey of Current Business* (U.S. Department of Commerce).

6 Data without seasonal adjustment, as published in *Monthly Labor Review* (U.S. Department of Labor). Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

7 Beginning Jan. 1978, based on new index for all urban consumers.

8 Beginning with the November 1978 BULLETIN, producer price data in this table have been changed to the BLS series for producer finished goods. The previous data were producer prices for all commodities.

NOTE. Basic data (not index numbers) for series mentioned in notes 3, 4, and 5, and indexes for series mentioned in notes 2 and 6 may also be found in the *Survey of Current Business* (U.S. Department of Commerce).

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	Output (1967 = 100) 1978 Q1	Q2	Q3	Q4[r]	Capacity (percent of 1967 output) 1978 Q1	Q2	Q3	Q4	Utilization rate (percent) 1978 Q1	Q2	Q3	Q4[r]
1 **Manufacturing**	**139.8**	**144.4**	**147.7**	**150.5**	**170.3**	**172.0**	**173.7**	**175.4**	**82.1**	**84.0**	**85.0**	**85.8**
2 Primary processing	148.2	154.1	158.2	161.6	176.8	178.5	180.2	181.9	83.8	86.3	87.8	88.8
3 Advanced processing	135.4	139.3	142.1	144.5	166.9	168.5	170.2	171.8	81.1	82.7	83.5	84.1
4 **Materials**	**139.2**	**145.1**	**148.7**	**152.4**	**170.4**	**171.7**	**173.0**	**174.2**	**81.7**	**84.5**	**86.0**	**87.5**
5 Durable goods	137.9	144.0	150.4	155.2	174.0	175.2	176.3	177.4	79.3	82.2	85.3	87.5
6 Basic metal	110.5	117.5	124.6	129.5	145.8	146.1	146.5	146.8	75.8	80.4	85.1	88.2
7 Nondurable goods	158.0	163.2	163.2	166.6	182.3	184.4	186.5	188.5	86.7	88.5	87.5	88.4
8 Textile, paper, and chemical	163.1	167.7	168.4	171.7	190.8	193.1	195.4	197.5	85.5	86.8	86.2	86.9
9 Textile	115.3	117.1	117.3	119.1	143.5	144.1	144.7	145.2	80.3	81.2	81.0	82.0
10 Paper	136.5	139.7	134.8	136.9	153.6	154.8	155.8	156.9	88.9	90.3	86.5	87.2
11 Chemical	194.9	201.4	204.4	208.8	226.6	230.1	233.5	236.8	86.0	87.5	87.5	88.2
12 Energy	119.1	125.5	127.0	128.4	147.2	147.8	148.4	148.9	80.9	84.9	85.6	86.2

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1976	1977	1978	1978						1979
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Household survey data									
1 **Noninstitutional population**[1]	**156,048**	**158,559**	**161,058**	**161,148**	**161,348**	**161,570**	**161,829**	**162,033**	**162,250**	**162,448**
2 **Labor force (including Armed Forces)**[1]	**96,917**	**99,534**	**102,537**	**r102,738**	**r102,785**	**r103,097**	**r103,199**	**r103,745**	**103,975**	**104,277**
3 Civilian labor force	94,773	97,401	100,420	r100,622	r100,663	r100,974	r101,077	r101,628	r101,867	102,183
Employment:										
4 Nonagricultural industries[2]	84,188	87,302	91,031	r91,069	r91,372	r91,604	r91,867	r92,476	92,468	93,068
5 Agriculture	3,297	3,244	3,342	r3,377	r3,351	r3,406	r3,374	r3,275	3,387	3,232
Unemployment:										
6 Number	7,288	6,855	6,047	r6,176	r5,940	r5,964	r5,836	r5,877	6,012	5,883
7 *Rate (percent of civilian labor force)*	*7.7*	*7.0*	*6.0*	*6.1*	*5.9*	*r5.9*	*5.8*	*5.8*	*5.9*	*5.8*
8 **Not in labor force**	**59,130**	**59,025**	**58,521**	**r58,410**	**r58,563**	**r58,473**	**r58,630**	**r58,288**	**58,275**	**58,170**
	Establishment survey data[4]									
9 **Nonagricultural payroll employment**[3]	**79,382**	**82,256**	**p85,760**	**86,033**	**86,149**	**86,163**	**86,573**	**r87,036**	**87,248**	**p87,573**
10 Manufacturing	18,997	19,647	p20,331	20,302	20,278	20,286	20,436	r20,601	20,723	p20,790
11 Mining	779	809	p837	882	887	887	893	r903	905	p909
12 Contract construction	3,576	3,833	p4,213	4,317	4,298	4,298	4,341	4,368	4,395	p4,418
13 Transportation and public utilities	4,582	4,696	p4,858	4,827	4,846	4,855	4,922	r4,947	4,963	p4,978
14 Trade	17,755	18,492	p19,392	19,469	19,523	19,546	19,632	r19,701	19,680	p19,826
15 Finance	4,271	4,452	p4,676	4,690	4,707	4,719	4,737	r4,774	4,792	p4,816
16 Service	14,551	15,249	p15,976	15,989	16,074	16,127	16,169	r16,270	16,312	p16,350
17 Government	14,871	15,079	p15,478	15,557	15,536	15,445	15,443	15,472	15,478	p15,491

1 Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

2 Includes self-employed, unpaid family, and domestic service workers.

3 Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the February 1977 benchmark. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

4 The establishment survey data in this table have been revised to conform to the industry definitions of the 1972 Standard Industrial Classification (SIC) Manual and to reflect employment benchmark levels for March 1977. In addition, seasonal factors for these data have been revised, based on experience through May 1978.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

	Grouping	1967 proportion	1978 average[p]	1977 Nov.	1977 Dec.	1978 Jan.	1978 June	1978 July	1978 Aug.	1978 Sept.	1978 Oct.[r]	1978 Nov.	1978 Dec.[p]	1979 Jan.[e]
		Index (1967 = 100)												
	MAJOR MARKET													
1	**Total index**	100.00	145.1	139.3	139.7	138.8	144.9	146.1	147.1	147.8	148.7	149.5	150.5	150.7
2	**Products**	60.71	144.3	139.5	140.3	138.5	144.0	145.0	146.2	146.5	147.0	147.6	148.7	149.0
3	*Final products*	47.82	141.3	137.0	137.6	134.9	141.1	142.2	143.3	143.7	144.1	144.6	145.5	145.7
4	Consumer goods	27.68	147.4	145.2	145.8	141.8	147.0	147.7	148.4	149.0	149.2	149.8	150.7	150.8
5	Equipment	20.14	133.0	125.8	126.2	125.4	133.0	134.7	136.3	136.4	137.0	137.3	138.3	138.5
6	Intermediate products	12.89	155.1	148.4	150.4	151.6	154.7	155.6	156.4	157.0	158.0	159.0	160.7	161.4
7	**Materials**	39.29	146.4	139.0	138.8	139.2	146.4	147.9	148.6	149.7	151.4	152.6	153.3	153.3
	Consumer goods													
8	*Durable consumer goods*	7.89	158.8	155.2	155.8	146.5	160.6	160.9	161.5	160.3	161.6	162.0	161.9	161.1
9	Automotive products	2.83	178.5	173.6	172.4	157.5	179.9	182.2	182.1	178.3	185.6	189.4	185.1	181.1
10	Autos and utility vehicles	2.03	172.5	167.6	165.5	145.5	173.4	176.7	175.6	170.0	180.5	185.7	179.5	173.7
11	Autos	1.90	148.5	147.5	143.6	127.4	149.8	152.7	151.1	144.4	154.2	159.7	151.8	145.9
12	Auto parts and allied goods	.80	193.7	188.9	190.4	187.8	193.9	196.1	198.0	199.8	199.1	198.5	199.0	200.1
13	Home goods	5.06	147.8	145.0	146.6	140.3	149.7	148.9	150.0	150.2	148.2	146.8	148.8	149.7
14	Appliances, A/C, and TV	1.40	132.5	131.4	132.8	116.1	139.0	133.7	133.9	134.4	128.7	124.3	129.8	131.4
15	Appliances and TV	1.33	134.5	133.0	134.6	117.4	141.0	136.8	135.6	136.9	129.9	125.4	130.3	......
16	Carpeting and furniture	1.07	164.3	160.0	161.5	159.1	166.0	168.5	167.9	169.0	168.0	164.9	166.3	......
17	Miscellaneous home goods	2.59	149.3	146.3	147.7	145.9	148.8	149.1	151.3	150.8	150.6	151.3	151.9	152.8
18	*Nondurable consumer goods*	19.79	142.8	141.2	141.8	139.9	141.6	142.4	143.1	144.4	144.3	144.9	146.2	146.7
19	Clothing	4.29	......	126.4	126.9	118.3	124.8	125.1	126.6	128.9	128.3	......	......	......
20	Consumer staples	15.50	147.6	145.3	145.9	145.9	146.3	147.3	147.8	148.8	148.8	149.2	150.7	151.4
21	Consumer foods and tobacco	8.33	140.1	136.7	137.9	136.5	139.0	140.2	140.8	141.2	140.4	141.0	142.6	......
22	Nonfood staples	7.17	156.3	155.1	155.2	156.6	154.8	155.5	155.9	157.4	158.5	159.0	160.0	160.7
23	Consumer chemical products	2.63	187.1	186.9	186.5	187.4	185.5	186.7	188.0	190.1	191.9	191.8	193.0	......
24	Consumer paper products	1.92	118.1	118.5	119.8	121.4	118.0	117.5	117.3	118.2	116.7	117.5	117.7	......
25	Consumer energy products	2.62	153.4	149.9	149.7	151.5	150.8	151.9	152.0	153.3	155.4	156.6	157.7	......
26	Residential utilities	1.45	......	155.6	158.5	161.7	159.0	159.9	160.1	160.9	162.8	......	......	......
	Equipment													
27	*Business equipment*	12.63	161.9	153.5	154.0	152.6	161.8	163.8	165.4	165.8	166.9	167.2	168.4	168.5
28	Industrial equipment	6.77	149.9	142.6	143.0	144.3	150.9	151.9	152.8	152.7	152.9	151.9	152.2	153.1
29	Building and mining equipment	1.44	223.5	206.7	208.3	211.1	227.3	228.9	228.1	226.3	226.5	223.8	223.0	223.2
30	Manufacturing equipment	3.85	121.9	118.7	118.2	118.8	122.8	122.6	123.9	124.4	125.0	124.2	124.7	125.6
31	Power equipment	1.47	151.0	142.1	143.7	146.1	149.2	152.8	154.6	154.8	154.0	153.4	155.1	156.2
32	Commercial transit, farm equipment	5.86	175.8	165.9	166.9	162.2	174.4	177.5	179.9	180.8	182.9	185.1	187.0	186.2
33	Commercial equipment	3.26	208.4	197.4	198.8	198.5	206.9	210.6	212.2	214.1	215.1	215.3	216.0	217.4
34	Transit equipment	1.93	133.6	118.9	121.1	111.1	132.3	134.9	138.5	138.6	142.6	147.5	151.2	146.2
35	Farm equipment	.67	138.7	147.8	144.5	131.4	137.3	138.5	141.3	142.0	143.2	145.8	149.0	......
36	*Defense and space equipment*	7.51	84.5	79.3	79.5	79.7	84.6	85.9	87.1	87.1	86.7	87.2	87.6	88.4
	Intermediate products													
37	Construction supplies	6.42	153.1	146.5	148.3	149.2	152.1	153.5	154.7	155.6	157.0	158.1	160.3	161.2
38	Business supplies	6.47	157.1	150.1	152.6	153.8	157.0	157.6	158.2	158.4	159.2	159.8	161.1	......
39	Commercial energy products	1.14	166.2	160.9	165.6	165.5	163.0	164.1	167.4	169.9	168.8	168.6	169.0	......
	Materials													
40	*Durable goods materials*	20.35	146.9	137.2	138.7	138.2	145.4	148.7	150.4	152.1	154.0	154.9	156.7	156.9
41	Durable consumer parts	4.58	140.3	136.5	135.7	133.0	138.7	142.0	142.2	144.8	147.3	147.4	148.5	147.5
42	Equipment parts	5.44	159.0	147.2	149.2	148.7	157.4	161.7	162.9	164.6	166.0	167.6	170.1	171.6
43	Durable materials n.e.c.	10.34	143.4	132.3	134.3	134.9	141.8	144.7	147.6	148.7	150.5	151.6	153.4	153.3
44	Basic metal materials	5.57	120.4	107.9	110.3	110.2	118.2	121.7	125.4	126.7	128.2	129.1	131.2	......
45	*Nondurable goods materials*	10.47	162.8	155.4	155.3	155.0	164.1	162.5	162.7	164.4	165.7	167.3	166.7	167.3
46	Textile, paper, and chemical materials	7.62	167.8	159.3	159.3	160.7	168.8	168.3	167.0	170.0	171.0	172.4	171.7	172.5
47	Textile materials	1.85	117.1	117.8	117.3	114.9	118.0	117.1	116.0	118.7	118.7	119.4	119.3	......
48	Paper materials	1.62	136.9	132.2	130.2	135.0	139.9	135.1	131.5	137.7	137.3	137.6	135.7	......
49	Chemical materials	4.15	202.5	188.6	189.5	191.4	202.9	204.0	203.7	205.5	207.6	209.8	209.1	......
50	Containers, nondurable	1.70	160.6	156.7	154.4	150.4	162.8	155.4	161.8	161.1	163.4	165.6	165.9	......
51	Nondurable materials n.e.c.	1.14	132.8	128.5	129.9	123.6	135.0	135.7	134.8	131.8	134.5	135.5	134.1	......
52	Energy materials	8.48	125.0	123.0	118.7	122.2	127.5	127.9	127.0	126.0	128.0	128.5	128.6	127.7
53	Primary energy	4.65	112.6	111.6	103.0	105.2	116.1	116.7	115.4	111.8	115.9	117.3	116.8	......
54	Converted fuel materials	3.82	140.2	136.9	137.7	142.8	141.4	141.6	141.3	143.4	142.7	142.1	142.9	......
	Supplementary groups													
55	Home goods and clothing	9.35	137.5	136.5	137.5	130.2	138.3	138.0	139.2	140.3	139.1	138.6	140.2	140.6
56	Energy, total	12.23	134.9	132.3	129.7	132.5	135.9	136.4	136.1	135.9	137.6	138.2	138.7	138.0
57	Products	3.76	157.2	153.2	154.5	155.8	154.6	155.6	156.7	158.3	159.3	160.2	161.1	......
58	Materials	8.48	125.0	123.0	118.7	122.2	127.5	127.9	127.0	126.0	128.0	128.5	128.6	127.7

For NOTE see opposite page.

2.13 Continued

	Grouping	SIC code	1967 proportion	1978 average[p]	1977 Nov.	1977 Dec.	1978 Jan.	1978 June	1978 July	1978 Aug.	1978 Sept.	1978 Oct.[r]	1978 Nov.	1978 Dec.[p]	1979 Jan.[e]
			Index (1967 = 100)												
	MAJOR INDUSTRY														
1	*Mining and utilities*	......	*12.05*	*141.4*	*135.5*	*133.9*	*137.4*	*142.5*	*142.6*	*142.5*	*142.1*	*144.1*	*144.0*	*144.2*	*143.4*
2	Mining	......	6.36	124.1	118.8	113.4	115.0	128.0	127.1	126.0	124.1	127.6	127.3	127.0	124.0
3	Utilities	......	5.69	160.8	154.2	156.7	162.3	158.6	159.9	160.8	162.3	162.4	162.7	163.4	165.0
4	Electric	......	3.88	......	173.3	175.9	183.6	180.1	182.1	183.2	184.4	184.1	......	......	......
5	*Manufacturing*	......	*87.95*	*145.6*	*139.9*	*140.5*	*138.7*	*145.5*	*146.7*	*147.6*	*148.7*	*149.5*	*150.4*	*151.5*	*151.6*
6	Nondurable	......	35.97	154.7	150.1	150.9	149.8	154.9	155.0	155.6	157.1	157.4	158.4	158.9	159.7
7	Durable	......	51.98	139.3	132.7	133.4	131.1	139.0	141.1	142.2	142.8	144.0	144.9	146.4	146.2
	Mining														
8	Metal mining	10	.51	121.0	84.8	104.3	121.4	121.1	117.0	117.9	115.6	122.1	125.3	123.9	......
9	Coal	11, 12	.69	115.8	140.6	74.6	54.8	136.4	131.7	124.9	114.7	144.0	145.1	146.8	117.2
10	Oil and gas extraction	13	4.40	124.5	117.8	118.4	121.1	127.1	126.8	126.2	124.9	124.5	123.8	123.2	123.0
11	Stone and earth minerals	14	.75	131.0	127.2	126.5	130.0	130.7	131.3	131.6	133.8	134.0	132.9	133.6	......
	Nondurable manufactures														
12	Foods	20	8.75	142.8	139.4	140.4	139.3	141.8	142.9	144.0	144.4	143.2	144.2	145.1	......
13	Tobacco products	21	.67	......	117.5	120.6	113.4	122.7	120.8	118.6	120.6	119.0	121.5	......	......
14	Textile mill products	22	2.68	140.0	141.6	143.7	137.1	140.4	141.0	139.5	142.2	142.1	144.1	144.7	......
15	Apparel products	23	3.31	......	125.1	125.8	118.6	126.8	124.5	127.2	130.9	130.6	......	......	......
16	Paper and products	26	3.21	144.5	137.8	138.6	139.9	148.0	140.5	141.9	142.3	145.8	145.3	147.1	146.0
17	Printing and publishing	27	4.72	129.9	126.2	127.5	129.9	128.7	130.3	129.5	131.0	130.5	132.1	133.3	134.2
18	Chemicals and products	28	7.74	190.6	183.1	183.0	184.4	191.1	192.3	192.2	194.2	195.9	197.8	196.9	......
19	Petroleum products	29	1.79	144.1	140.5	139.3	139.7	142.8	144.3	144.1	147.1	147.9	148.2	149.7	148.5
20	Rubber & plastic products	30	2.24	254.2	238.5	240.1	238.7	255.5	259.1	261.1	263.1	264.1	262.2	261.6	......
21	Leather and products	31	.86	74.1	78.1	77.3	74.5	75.1	74.5	74.0	74.1	73.8	74.0	73.5	......
	Durable manufactures														
22	Ordnance, private & government	19, 91	3.64	73.7	74.1	73.8	72.3	74.7	75.2	75.2	74.3	73.9	73.6	74.2	74.6
23	Lumber and products	24	1.64	138.8	137.5	138.1	138.5	138.7	138.1	136.9	139.2	141.2	142.5	145.3	......
24	Furniture and fixtures	25	1.37	154.7	146.0	146.6	146.4	156.2	158.1	159.0	160.7	160.9	157.6	156.6	......
25	Clay, glass, stone products	32	2.74	159.2	152.8	152.1	152.2	159.8	158.8	159.5	160.9	162.1	166.3	168.0	......
26	Primary metals	33	6.57	119.1	111.2	111.0	107.4	117.5	123.0	126.0	127.9	128.6	128.9	131.8	128.9
27	Iron and steel	331, 2	4.21	113.2	104.3	103.8	99.5	114.5	119.0	120.9	123.2	123.8	123.8	126.7	......
28	Fabricated metal products	34	5.93	142.6	135.8	136.4	136.9	142.3	144.0	145.8	146.3	146.0	146.9	148.1	148.7
29	Nonelectrical machinery	35	9.15	155.6	149.7	151.7	150.1	154.6	156.1	157.3	158.7	160.3	160.6	161.4	162.5
30	Electrical machinery	36	8.05	154.2	146.0	147.3	144.0	154.1	157.9	156.9	158.3	157.9	159.1	161.8	162.9
31	Transportation equipment	37	9.27	130.5	122.0	122.2	116.2	130.4	132.1	133.4	132.8	137.0	139.3	139.3	137.1
32	Motor vehicles & parts	371	4.50	168.2	163.0	161.8	146.6	167.7	169.7	171.0	168.9	176.8	181.4	179.3	173.5
33	Aerospace & misc. trans. eq.	372–9	4.77	94.9	83.3	84.9	87.6	95.0	96.5	98.3	98.9	99.6	99.7	101.7	103.0
34	Instruments	38	2.11	171.6	163.1	164.7	163.4	170.9	172.2	175.4	174.6	175.3	176.2	178.9	180.3
35	Miscellaneous mfrs.	39	1.51	153.2	151.8	152.5	153.0	153.5	153.2	153.8	154.1	153.9	152.1	153.2	155.3
			Gross value (billions of 1972 dollars, annual rates)												
	MAJOR MARKET														
36	**Products, total**	......	**[1]507.4**	**609.3**	**591.3**	**594.7**	**582.0**	**608.9**	**610.3**	**613.3**	**613.6**	**621.3**	**625.9**	**628.9**	**630.6**
37	*Final products*	......	*[1]390.9*	*469.1*	*457.3*	*458.7*	*445.1*	*468.9*	*469.6*	*472.2*	*471.8*	*478.8*	*482.2*	*483.8*	*484.6*
38	Consumer goods	......	[1]277.5	324.0	320.0	320.4	311.2	323.0	323.4	324.7	324.4	328.1	331.0	331.8	332.1
39	Equipment	......	[1]113.4	145.1	137.3	138.2	133.9	146.0	146.4	147.5	147.7	150.6	151.2	151.8	152.3
40	Intermediate products	......	[1]116.6	140.3	134.1	135.9	136.7	140.3	140.7	141.4	141.9	142.6	143.8	145.3	146.3

[1] 1972 dollars.

NOTE. Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System: Washington, D.C.), Dec. 1977.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1976	1977	1978	1978 June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.
	Private residential real estate activity (thousands of units)									
NEW UNITS										
1 *Permits authorized*	*1,296*	*18,133*	*1,658*	*1,821*	*1,632*	*1,563*	*1,731*	*1,719*	*1,724*	*1,680*
2 1-family	894	12,265	1,078	1,123	1,035	1,020	1,092	1,127	1,114	1,158
3 2-or-more-family	402	5,861	581	698	597	543	639	592	610	522
4 *Started*	*1,538*	*1,986*	*2,019*	*2,124*	*2,119*	*2,025*	*2,075*	*2,095*	*2,155*	*2,125*
5 1-family	1,163	1,451	1,433	1,441	1,453	1,440	1,463	1,459	1,558	1,533
6 2-or-more-family	377	535	586	693	666	585	612	636	597	592
7 *Under construction, end of period* [1]	*1,147*	*1,442*	n.a.	*1,296*	*1,298*	*1,298*	[r]*1,305*	[r]*1,322*	*1,305*	n.a.
8 1-family	655	829	n.a.	774	779	786	[r]782	[r]780	782	n.a.
9 2-or-more-family	492	613	n.a.	522	520	513	[r]542	[r]523	523	n.a.
10 *Completed*	*1,362*	*1,652*	n.a.	*1,890*	*1,943*	*1,967*	*1,971*	*1,842*	*1,812*	n.a.
11 1-family	1,026	1,254	n.a.	1,344	1,289	1,364	1,447	1,397	1,324	n.a.
12 2-or-more-family	336	398	n.a.	546	654	603	524	445	488	n.a.
13 Mobile homes shipped	246	277	276	263	232	283	272	300	312	308
Merchant builder activity in 1-family units:										
14 Number sold	639	819	817	831	789	785	793	975	803	819
15 Number for sale, end of period [1]	433	407	423	418	418	419	420	411	416	420
Price (thous. of dollars) [2]										
Median:										
16 Units sold	44.2	48.9	55.9	56.7	54.8	56.1	[r]57.3	[r]58.3	58.7	61.1
17 Units for sale	41.6	48.2	n.a.	....	....	....	....	....	n.a.	n.a.
Average:										
13 Units sold	48.1	54.4	62.7	63.2	62.9	63.0	[r]64.4	[r]65.8	66.3	67.6
EXISTING UNITS (1-family)										
19 Number sold	3,002	3,572	3,905	3,780	3,890	4,080	3,950	4,290	4,350	4,160
Price of units sold (thous. of dollars): [2]										
20 Median	38.1	42.9	48.7	48.4	49.4	50.3	50.2	50.1	50.7	50.9
21 Average	42.2	47.9	55.1	55.1	56.5	57.5	57.7	57.3	57.4	58.1
	Value of new construction [4] (millions of dollars)									
CONSTRUCTION										
22 **Total put in place**	**148,778**	**172,552**	**201,538**	**206,314**	**210,192**	**208,724**	**209,227**	[r]**209,815**	**212,788**	**215,037**
23 *Private*	*110,416*	*134,723*	*156,801*	*161,064*	*161,804*	*160,562*	*161,258*	[r]*161,909*	*164,875*	*168,001*
24 Residential	60,519	80,957	92,658	95,357	95,888	95,011	94,249	[r]93,568	95,401	96,819
25 Nonresidential, total	49,897	53,766	64,143	65,707	65,916	65,551	67,009	68,341	69,474	71,182
Buildings:										
26 Industrial	7,182	7,713	10,763	11,335	11,170	12,043	12,634	12,627	12,529	13,286
27 Commercial	12,757	14,789	18,308	19,246	19,463	18,835	18,926	19,410	20,294	20,777
28 Other	6,155	6,200	6,661	6,761	7,036	6,721	6,686	6,667	6,877	6,952
29 Public utilities and other	23,803	25,064	28,411	28,365	28,247	27,952	28,763	29,637	29,774	30,167
30 *Public*	*38,312*	*37,828*	*44,737*	*45,249*	*48,388*	*43,162*	*47,970*	[r]*47,970*	*47,913*	*47,036*
31 Military	1,521	1,517	2,181	1,358	1,493	1,520	1,615	[r]1,426	1,431	1,458
32 Highway	9,439	9,280	8,627	10,338	9,833	11,427	10,862	11,428	n.a.	n.a.
33 Conservation and development	3,751	3,882	3,697	3,508	4,989	5,231	5,660	3,851	n.a.	n.a.
34 Other [3]	23,601	23,149	23,503	30,045	32,073	29,984	29,833	31,211	n.a.	n.a.

1 Not at annual rates.
2 Not seasonally adjusted.
3 Beginning Jan. 1977 Highway imputations are included in Other.
4 Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are for 14,000 jurisdictions reporting to the Census Bureau.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted.

Item	12 months to—		3 months (at annual rate) to—				1 month to—					Index level Dec. 1978 (1967 = 100)[2]
	1977 Dec.	1978 Dec.	1978				1978					
			Mar.	June	Sept.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	
	Consumer prices[3]											
1 **All items**	**6.8**	**9.0**	**9.3**	**11.4**	**7.8**	**7.9**	**.6**	**.8**	**.8**	**.5**	**.6**	**202.9**
2 *Commodities*	*6.1*	*8.9*	*9.3*	*11.2*	*6.3*	*9.1*	*.4*	*.7*	*.7*	*.6*	*.8*	*194.2*
3 Food	8.0	11.8	16.4	20.4	3.0	7.8	.3	.5	.8	.3	.8	219.4
4 Commodities less food	4.9	7.7	6.1	7.2	7.8	10.1	.5	.9	.7	.8	.9	181.3
5 Durable	4.7	9.2	8.7	9.0	8.3	11.1	.5	.9	.8	.8	1.0	181.2
6 Nondurable	4.9	5.7	3.1	5.5	7.3	7.0	.5	.8	.5	.6	.7	180.0
7 *Services*	*7.9*	*9.3*	*9.1*	*11.8*	*10.3*	*5.7*	*.8*	*.8*	*.8*	*.4*	*.2*	*219.2*
8 Rent	6.5	7.3	6.2	8.5	7.5	7.1	.5	.8	.6	.7	.5	169.5
9 Services less rent	8.1	9.6	9.6	12.2	10.8	5.4	.9	.9	.8	.3	.2	228.2
Other groupings:												
10 All items less food	6.3	8.5	8.1	9.3	9.1	7.8	.7	.8	.8	.6	.6	198.6
11 All items less food and energy	6.4	8.5	8.0	9.9	8.3	7.7	.6	.7	.8	.6	.5	196.0
12 Homeownership	9.2	12.4	12.2	14.5	14.7	8.8	1.0	1.3	1.2	.7	.3	239.5
	Producer prices, formerly Wholesale prices[4]											
13 Finished goods	6.6	9.1	8.7	10.3	7.4	10.1	.3	.8	.9	.8	.8	202.4
14 Consumer	6.4	9.5	9.5	10.6	7.5	10.8	.2	.9	1.0	.7	.9	200.4
15 Foods	6.6	11.9	16.8	11.4	4.9	15.3	−.4	1.5	1.9	.7	1.0	215.8
16 Excluding foods	6.1	8.3	5.3	10.5	8.8	8.4	.5	.5	.5	.7	.8	190.8
17 Capital equipment	7.2	8.0	7.1	9.1	7.0	8.8	.4	.5	.5	.9	.7	206.9
18 Materials	5.4	10.1	11.0	9.5	7.3	13.2	.5	.9	1.5	.8	.7	228.0
19 Intermediate[1]	6.4	8.2	8.1	7.2	6.9	10.8	.7	.6	1.0	.9	.7	223.5
Crude:												
20 Nonfood	6.8	15.5	10.7	14.9	16.9	19.6	.1	1.6	2.1	1.2	1.2	304.6
21 Food	1.4	18.3	25.1	26.6	2.8	21.0	.0	1.8	3.9	.9	.1	224.7

1 Excludes intermediate materials for food manufacturing and manufactured animal feeds.
2 Not seasonally adjusted.
3 Beginning Jan. 1978 figures for consumer prices are those for all urban consumers.
4 The Producer Price Index has been revised back to 1974.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

	Account	1976	1977	1978p	1977		1978			
					Q3	Q4	Q1	Q2	Q3	Q4p
		Gross national product								
1	**Total**	**1,700.1**	**1,887.2**	**2,106.6**	**1,916.8**	**1,958.1**	**1,992.0**	**2,087.5**	**2,136.1**	**2,210.8**
	By source:									
2	*Personal consumption expenditures*	*1,090.2*	*1,206.5*	*1,339.7*	*1,214.5*	*1,255.2*	*1,276.7*	*1,322.9*	*1,356.9*	*1,402.2*
3	Durable goods	156.6	178.4	197.6	177.4	187.2	183.5	197.8	199.5	209.6
4	Nondurable goods	442.6	479.0	525.8	479.7	496.9	501.4	519.3	531.7	550.8
5	Services	491.0	549.2	616.3	557.5	571.1	591.8	605.8	625.8	641.8
6	*Gross private domestic investment*	*243.0*	*297.8*	*344.5*	*309.7*	*313.5*	*322.7*	*345.4*	*350.1*	*359.9*
7	Fixed investment	232.8	282.3	328.8	287.8	300.5	306.0	325.3	336.5	347.4
8	*Nonresidential*	*164.6*	*190.4*	*222.0*	*193.5*	*200.3*	*205.6*	*220.1*	*227.5*	*235.0*
9	Structures	57.3	63.9	77.5	65.4	67.4	68.5	76.6	80.9	84.0
10	Producers' durable equipment	107.3	126.5	144.5	128.1	132.8	137.1	143.5	146.6	151.0
11	Residential structures	68.2	91.9	106.8	94.3	100.2	100.3	105.3	109.0	112.5
12	Nonfarm	65.8	88.9	103.6	91.2	97.5	97.3	102.1	105.7	109.3
13	Change in business inventories	10.2	15.6	15.7	21.9	13.1	16.7	20.1	13.6	12.4
14	Nonfarm	12.2	15.0	16.7	22.0	10.4	16.9	22.1	14.6	13.1
15	*Net exports of goods and services*	*7.4*	*−11.1*	*−11.8*	*−7.0*	*−23.2*	*−24.1*	*−5.5*	*−10.7*	*−6.9*
16	Exports	163.2	175.5	205.2	180.8	172.1	181.7	205.4	210.1	223.5
17	Imports	155.7	186.6	217.0	187.8	195.2	205.8	210.9	220.8	230.4
18	*Government purchases of goods and services*	*359.5*	*394.0*	*434.2*	*399.5*	*412.5*	*416.7*	*424.7*	*439.8*	*455.6*
19	Federal	129.9	145.1	154.0	146.8	152.2	151.5	147.2	154.0	163.4
20	State and local	229.6	248.9	280.2	252.7	260.3	265.2	277.6	285.8	292.2
	By major type of product:									
21	Final sales, total	1,689.9	1,871.6	2,090.9	1,894.9	1,945.0	1,975.3	2,067.4	2,122.5	2,198.4
22	*Goods*	*760.3*	*832.6*	*917.5*	*844.7*	*859.6*	*861.8*	*912.2*	*927.3*	*968.6*
23	Durable	304.6	341.3	376.3	346.5	347.4	351.2	375.8	380.1	398.0
24	Nondurable	455.7	491.3	541.2	498.2	512.2	510.6	536.4	547.2	570.6
25	Services	778.0	862.8	962.9	875.3	893.6	926.4	952.0	973.7	999.4
26	Structures	161.9	191.8	226.2	196.8	204.9	203.8	223.4	235.0	242.8
27	Change in business inventories	10.2	15.6	15.7	21.9	13.1	16.7	20.1	13.6	12.4
28	Durable goods	5.3	8.4	11.5	11.9	6.3	14.8	10.8	10.2	10.1
29	Nondurable goods	4.9	7.2	4.2	10.0	6.8	1.9	9.3	3.4	2.4
30	MEMO: **Total GNP in 1972 dollars**	**1,271.0**	**1,332.7**	**1,385.1**	**1,343.9**	**1,354.5**	**1,354.2**	**1,382.6**	**1,391.4**	**1,412.2**
		National income								
31	**Total**	**1,359.2**	**1,515.3**	**1,703.6**	**1,537.6**	**1,576.9**	**1,603.1**	**1,688.1**	**1,728.4**	....
32	Compensation of employees	1,036.8	1,153.4	1,301.2	1,165.8	1,199.7	1,241.0	1,287.8	1,317.1	1,358.9
33	*Wages and salaries*	*890.1*	*983.6*	*1,100.7*	*993.6*	*1,021.2*	*1,050.8*	*1,090.2*	*1,113.4*	*1,148.5*
34	Government and government enterprises	187.6	200.8	216.1	201.7	208.1	211.4	213.9	216.8	222.2
35	Other	702.5	782.9	884.6	791.9	813.1	839.3	876.3	896.6	926.3
36	*Supplement to wages and salaries*	*146.7*	*169.8*	*200.5*	*172.2*	*178.4*	*190.2*	*197.6*	*203.6*	*210.4*
37	Employer contributions for social insurance	69.7	79.4	94.5	79.9	82.4	90.2	93.6	95.7	98.7
38	Other labor income	77.0	90.4	105.9	92.2	96.1	100.0	104.0	107.9	111.8
39	*Proprietors' income*[1]	*88.6*	*99.8*	*112.9*	*97.2*	*107.3*	*105.0*	*110.1*	*114.5*	*121.9*
40	Business and professional[1]	70.2	79.5	87.8	80.8	82.3	83.1	86.1	89.6	92.4
41	Farm[1]	18.4	20.3	25.1	16.5	25.1	21.9	24.0	25.0	29.5
42	Rental income of persons[2]	22.5	22.5	23.4	22.4	22.7	22.8	22.2	24.3	24.4
43	Corporate profits[1]	127.0	144.2	160.0	154.8	148.2	132.6	163.4	165.2	....
44	Profits before tax[3]	155.9	173.9	202.4	177.5	178.3	172.1	205.5	205.4	....
45	Inventory valuation adjustment	−14.5	−14.8	−24.3	−7.7	−14.8	−23.5	−24.9	−20.9	−27.8
46	Capital consumption adjustment	−14.4	−14.9	−18.1	−15.0	−15.3	−16.1	−17.2	−19.3	−19.9
47	Net interest	84.3	95.4	106.1	97.3	99.0	101.7	104.6	107.4	110.8

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustments.
3. For after-tax profits, dividends, etc., see Table 1.50.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1976	1977	1978p	1977		1978			
				Q3	Q4	Q1	Q2	Q3	Q4p
	Personal income and saving								
1 **Total personal income**	**1,380.9**	**1,529.0**	**1,707.3**	**1,543.7**	**1,593.0**	**1,628.9**	**1,682.4**	**1,731.7**	**1,786.4**
2 *Wage and salary disbursements*	*890.1*	*983.6*	*1,100.7*	*993.6*	*1,021.2*	*1,050.8*	*1,090.2*	*1,113.2*	*1,148.5*
3 Commodity-producing industries	307.5	343.7	390.1	348.3	357.1	365.9	387.0	396.4	410.8
4 Manufacturing	237.5	266.3	299.7	269.3	277.3	286.9	296.1	302.0	313.6
5 Distributive industries	216.4	239.1	268.7	241.2	247.5	257.0	266.4	271.6	279.9
6 Service industries	178.6	200.1	225.8	202.3	208.5	216.5	222.8	228.5	235.6
7 Government and government enterprises	187.6	200.8	216.1	201.7	208.1	211.4	213.9	216.7	222.2
8 Other labor income	77.0	90.4	105.9	92.2	96.1	100.0	104.0	107.9	111.8
9 *Proprietors' income*[1]	*88.6*	*99.8*	*112.9*	*97.2*	*107.3*	*105.0*	*110.1*	*114.5*	*121.9*
10 Business and professional[1]	70.2	79.5	87.8	80.8	82.3	83.1	86.1	89.6	92.4
11 Farm[1]	18.4	20.3	25.1	16.5	25.1	21.9	24.0	25.0	29.5
12 Rental income of persons[2]	22.5	22.5	23.4	22.4	22.7	22.8	22.2	24.3	24.4
13 Dividends	37.9	43.7	49.3	44.1	46.3	47.0	48.1	50.1	51.9
14 Personal interest income	126.3	141.2	158.9	143.6	146.0	151.4	156.3	161.7	166.3
15 Transfer payments	193.9	208.8	226.0	211.9	215.9	219.2	220.6	230.4	233.6
16 Old-age survivors, disability, and health insurance benefits	92.9	105.0	117.3	108.5	110.1	112.1	113.7	121.1	122.4
17 LESS: Personal contributions for social insurance	55.5	61.0	69.7	61.4	62.6	67.2	69.2	70.5	72.0
18 EQUALS: Personal income	1,380.9	1,529.0	1,707.3	1,543.7	1,593.0	1,628.9	1,682.4	1,731.7	1,786.4
19 LESS: Personal tax and nontax payments	196.5	226.0	256.2	224.6	233.3	237.3	249.1	263.2	275.0
20 EQUALS: Disposable personal income	1,184.4	1,303.0	1,451.2	1,319.1	1,359.6	1,391.6	1,433.3	1,468.4	1,511.4
21 LESS: Personal outlays	1,116.3	1,236.1	1,374.4	1,244.8	1,285.9	1,309.2	1,357.0	1,392.5	1,439.2
22 EQUALS: Personal saving	68.0	66.9	76.7	74.3	73.7	82.4	76.3	76.0	72.3
MEMO ITEMS: Per capita (1972 dollars):									
23 Gross national product	5,906	6,144	6,336	6,191	6,226	6,215	6,334	6,360	6,440
24 Personal consumption expenditures	3,808	3,954	4,077	3,953	4,030	4,009	4,060	4,092	4,150
25 Disposable personal income	4,136	4,271	4,418	4,293	4,365	4,370	4,399	4,428	4,474
26 Saving rate (per cent)	5.7	5.1	5.3	5.6	5.4	5.9	5.3	5.2	4.8
	Gross saving								
27 **Gross private saving**	**270.7**	**290.8**	**320.4**	**310.7**	**304.3**	**305.4**	**319.9**	**325.7**	....
28 Personal saving	68.0	66.9	76.7	74.3	73.7	82.4	76.3	76.0	72.3
29 Undistributed corporate profits[1]	24.8	28.7	26.7	38.0	28.0	15.6	30.3	29.0	....
30 Corporate inventory valuation adjustment	−14.5	−14.8	−24.3	−7.7	−14.8	−23.5	−24.9	−20.9	−27.8
Capital consumption allowances:									
31 Corporate	111.5	120.9	132.5	122.6	124.6	127.4	130.5	134.7	137.4
32 Noncorporate	66.3	74.3	84.4	75.9	77.9	79.9	82.8	86.1	89.0
33 Wage accruals less disbursements	....	....	....	....	....	....	....	....	....
34 *Government surplus, or deficit (−), national income and product accounts*	*−33.2*	*−18.6*	*−1.5*	*−25.2*	*−29.6*	*−21.1*	*6.2*	*.6*	....
35 Federal	−53.8	−48.1	−29.4	−56.4	−58.6	−52.6	−23.6	−22.8	....
36 State and local	20.7	29.6	27.8	31.2	29.0	31.5	29.8	23.4	....
37 Capital grants received by the United States, net	....	....	....	....	....	....	....	....	....
38 *Investment*	*241.7*	*276.9*	*319.7*	*292.6*	*279.5*	*286.4*	*326.6*	*326.6*	*339.1*
39 Gross private domestic	243.0	297.8	344.5	309.7	313.5	322.7	345.4	350.1	359.9
40 Net foreign	−1.2	−20.9	−24.8	−17.1	−34.1	−36.3	−18.9	−23.5	−20.7
41 Statistical discrepancy	4.2	4.7	.9	7.1	4.8	2.2	.5	.4	....

1 With inventory valuation and capital consumption adjustments.
2 With capital consumption adjustment.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1975	1976	1977	1977		1978		
				Q3	Q4	Q1	Q2	Q3
1 Merchandise exports	107,088	114,694	120,576	31,009	29,461	30,664	35,067	36,930
2 Merchandise imports	98,041	124,047	151,706	38,277	39,664	41,865	42,869	44,975
3 Merchandise trade balance[2]	9,047	−9,353	−31,130	−7,268	−10,203	−11,201	−7,802	−8,045
4 Military transactions, net	−876	312	1,334	467	5	210	592	177
5 Investment income, net[3]	12,795	15,933	17,507	4,609	3,813	4,877	4,583	4,550
6 Other service transactions, net	2,095	2,469	1,705	583	482	538	842	761
7 **Balance on goods and services[3,4]**	**23,060**	**9,361**	**−10,585**	**−1,609**	**−5,903**	**−5,576**	**−1,785**	**−2,557**
8 Remittances, pensions, and other transfers	−1,721	−1,878	−1,932	−490	−473	−504	−536	−493
9 U.S. government grants (excluding military)	−2,894	−3,145	−2,776	−787	−591	−778	−781	−774
10 **Balance on current account[3]**	**18,445**	**4,339**	**−15,292**	**−2,886**	**−6,967**	**−6,858**	**−3,102**	**−3,824**
11 *Not seasonally adjusted[3]*	...	...	...	*−5,196*	*−5,245*	*−6,382*	*−2,656*	*−6,341*
12 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−3,470	−4,213	−3,679	−1,098	−838	−896	−1,176	−1,494
13 *Change in U.S. official reserve assets (increase, −)*	*−607*	*−2,530*	*−231*	*151*	...	*246*	*329*	*180*
14 Gold	...	...	−118	...	−60	...	...	...
15 Special Drawing Rights (SDRs)	−66	−78	−121	−9	−29	−16	−104	−43
16 Reserve position in International Monetary Fund (IMF)	−466	−2,212	−294	133	42	324	437	165
17 Foreign currencies	−75	−240	302	27	47	−62	−4	58
18 **Change in U.S. private assets abroad (increase, −)[3]**	**−35,368**	**−43,865**	**−30,740**	**−5,668**	**−13,862**	**−14,386**	**−5,287**	**−9,692**
19 Bank-reported claims	−13,532	−21,368	−11,427	−1,779	−8,750	−6,270	−503	−7,137
20 *Nonbank-reported claims*	*−1,357*	*−2,030*	*−1,700*	*1,389*	*−1,184*	*−2,222*	*267*	*275*
21 Long-term	−366	5	25	205	−279	−57	80	−11
22 Short-term	−991	−2,035	−1,725	1,184	−905	−2,165	187	286
23 U.S. purchase of foreign securities, net	−6,235	−8,852	−5,398	−2,165	−731	−949	−1,103	−467
24 U.S. direct investments abroad, net[3]	−14,244	−11,614	−12,215	−3,113	−3,197	−4,945	−3,948	−2,363
25 *Change in foreign official assets in the United States (increase, +)*	*6,907*	*18,073*	*37,124*	*8,246*	*15,543*	*15,760*	*−5,685*	*4,904*
26 U.S. Treasury securities	4,408	9,333	30,294	6,948	12,900	12,965	−5,728	3,146
27 Other U.S. government obligations	905	573	2,308	627	973	117	211	443
28 Other U.S. government liabilities[5]	1,647	4,993	1,644	332	390	804	−312	350
29 Other U.S. liabilities reported by U.S. banks	−2,158	969	773	−163	909	1,456	−493	881
30 Other foreign official assets[6]	2,104	2,205	2,105	502	371	418	637	84
31 **Change in foreign private assets in the United States (increase, +)[3]**	**8,643**	**18,897**	**13,746**	**6,005**	**4,522**	**2,336**	**6,090**	**9,708**
32 U.S. bank-reported liabilities	628	10,990	6,719	2,640	3,143	−314	1,836	8,044
33 *U.S. nonbank-reported liabilities*	*319*	*−507*	*257*	*590*	*425*	*495*	*248*	*482*
34 Long-term	406	−958	−620	18	−242	38	−68	91
35 Short-term	−87	451	877	572	667	457	316	391
36 Foreign private purchases of U.S. Treasury securities, net	2,590	2,783	563	1,251	−299	881	847	−1,053
37 Foreign purchases of other U.S. securities, net	2,503	1,284	2,869	513	803	462	1,308	442
38 Foreign direct investments in the United States, net[3]	2,603	4,347	3,338	1,012	450	812	1,852	1,793
39 Allocation of SDRs	...	...	...	...	...	...	...	...
40 *Discrepancy*	*5,449*	*9,300*	*−927*	*−4,751*	*1,602*	*3,798*	*8,830*	*218*
41 Owing to seasonal adjustments	...	...	...	−2,229	2,276	160	−1	−2,411
42 Statistical discrepancy in recorded data before seasonal adjustment	5,449	9,300	−927	−2,522	−674	3,638	8,831	2,629
MEMO ITEMS:								
Changes in official assets:								
43 U.S. official reserve assets (increase, −)	−607	−2,530	−231	151	...	246	329	180
44 Foreign official assets in the United States (increase, +)	5,259	13,080	35,480	7,914	15,153	14,956	−5,373	4,554
45 Changes in Organization of Petroleum Exporting Countries (OPEC) official assets in the Unites States (part of line 25 above)	7,092	9,581	6,733	1,438	1,024	1,963	−2,838	−1,593
46 Transfers under military grant programs (excluded from lines 1, 4, and 9 above)	2,207	373	194	31	71	75	57	69

1 Seasonal factors are no longer calculated for lines 13 through 46.

2 Data are on an international accounts (IA) basis. Differs from the Census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of line 4.

3 Includes reinvested earnings of incorporated affiliates.

4 Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition excludes certain military sales to Israel from exports and excludes U.S. government interest payments from imports.

5 Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

6 Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1976	1977	1978	1978 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	115,156	r121,150	143,575	12,126	11,793	12,469	13,429	13,011	13,262	13,148
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	121,009	147,685	172,026	13,723	14,779	14,090	15,120	15,138	15,207	15,189
3 Trade balance	−5,853	r−26,535	28,451	−1,597	−2,987	−1,621	−1,691	−2,127	−1,946	−2,040

NOTE. Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Effective January 1978, major changes were made in coverage, reporting, and compiling procedures. The international-accounts-basis data adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account"). On the *import side*, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE. FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Dept. of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1975	1976	1977	1978 July	Aug.	Sept.	Oct.	Nov.	Dec.	1979 Jan.p
1 Total	**16,226**	**18,747**	**19,312**	**18,832**	**18,783**	**18,850**	**18,935**	**17,967**	[3] **18,650**	[3] **20,468**
2 Gold stock, including Exchange Stabilization Fund[1]	11,599	11,598	11,719	11,693	11,679	11,668	11,655	11,642	11,671	11,592
3 Special Drawing Rights[2]	2,335	2,395	2,629	2,860	2,885	2,942	3,097	1,522	[3] 1,558	[3] 2,661
4 Reserve position in International Monetary Fund	2,212	4,434	4,946	4,177	4,196	4,214	4,147	1,099	[3] 1,047	[3] 1,017
5 Convertible foreign currencies[4]	80	320	18	102	23	26	36	3,704	4,374	5,198

1 Gold held under earmark at F.R. Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.24.

2 Includes allocations by the International Monetary Fund (IMF) of SDR's as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; and $710 million on Jan. 1, 1972; plus net transactions in SDRs.

3 Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

4 Beginning November 1978, valued at current market exchange rates.

3.13 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

	Asset account	1975	1976	1977	1978						
					May[2]	June	July	Aug.	Sept.	Oct.	Nov.[p]
		All foreign countries									
1	**Total, all currencies**	**176,493**	**219,420**	**258,897**	**259,442**	**271,696**	**269,542**	**[r]274,937**	**287,369**	**292,304**	**295,984**
2	*Claims on United States*	*6,743*	*7,889*	*11,623*	*8,727*	*10,891*	*9,254*	*[r]10,026*	*14,976*	*12,172*	*13,375*
3	Parent bank	3,665	4,323	7,806	4,863	6,750	5,096	5,820	10,693	7,879	9,017
4	Other	3,078	3,566	3,817	3,864	4,141	4,158	[r]4,206	[r]4,283	4,293	4,358
5	*Claims on foreigners*	*163,391*	*204,486*	*238,848*	*241,774*	*251,783*	*250,700*	*254,779*	*262,063*	*269,110*	*271,446*
6	Other branches of parent bank	34,508	45,955	55,772	52,713	55,357	55,236	58,746	63,493	67,648	68,803
7	Banks	69,206	83,765	91,883	91,912	96,638	94,659	[r]92,803	95,222	98,195	101,100
8	Public borrowers[1]	5,792	10,613	14,634	21,139	22,654	[r]23,288	[r]23,362	[r]23,896	23,937	22,696
9	Nonbank foreigners	53,886	64,153	76,560	76,010	77,134	[r]77,517	79,868	[r]79,452	79,330	78,847
10	Other assets	6,359	7,045	8,425	8,941	9,022	9,588	10,132	10,330	11,022	11,163
11	**Total payable in U.S. dollars**	**132,901**	**167,695**	**193,764**	**192,466**	**202,792**	**198,205**	**[r]200,787**	**212,063**	**210,938**	**218,266**
12	*Claims on United States*	*6,408*	*7,595*	*11,049*	*8,035*	*10,107*	*8,473*	*[r]9,221*	*14,168*	*11,331*	*12,471*
13	Parent bank	3,628	4,264	7,692	4,712	6,580	4,906	[r]5,630	10,535	7,688	8,840
14	Other	2,780	3,332	3,357	3,323	3,527	3,567	3,591	3,633	3,643	3,631
15	*Claims on foreigners*	*123,496*	*156,896*	*178,896*	*180,331*	*188,590*	*185,425*	*187,038*	*193,457*	*194,877*	*200,788*
16	Other branches of parent bank	28,478	37,909	44,256	41,209	43,544	43,447	46,326	50,880	52,887	54,986
17	Banks	55,319	66,331	70,786	70,124	74,842	71,592	[r]69,552	71,892	72,641	76,429
18	Public borrowers[1]	4,864	9,022	12,632	18,275	19,674	[r]20,291	[r]20,263	[r]20,505	20,290	19,367
19	Nonbank foreigners	34,835	43,634	51,222	50,723	50,530	[r]50,095	50,897	[r]50,180	49,059	50,006
20	Other assets	2,997	3,204	3,820	4,100	4,095	4,307	4,528	4,438	4,730	5,007
		United Kingdom									
21	**Total, all currencies**	**74,883**	**81,466**	**90,933**	**89,645**	**93,538**	**92,989**	**93,341**	**99,084**	**101,887**	**102,032**
22	*Claims on United States*	*2,392*	*3,354*	*4,341*	*2,333*	*3,142*	*2,615*	*2,626*	*2,940*	*3,119*	*3,706*
23	Parent bank	1,449	2,376	3,518	1,476	2,279	1,515	1,597	2,014	2,230	2,779
24	Other	943	978	823	857	863	1,100	1,029	926	889	927
25	*Claims on foreigners*	*70,331*	*75,859*	*84,016*	*84,700*	*87,808*	*87,479*	*87,769*	*93,364*	*95,774*	*95,220*
26	Other branches of parent bank	17,557	19,753	22,017	19,550	19,944	20,438	21,661	24,691	26,422	26,077
27	Banks	35,904	38,089	39,899	40,807	43,044	42,462	[r]40,350	42,677	44,020	44,287
28	Public borrowers[1]	881	1,274	2,206	4,150	4,559	[r]4,637	[r]4,583	[r]4,549	4,695	4,237
29	Nonbank foreigners	15,990	16,743	19,895	20,193	20,261	[r]19,942	21,175	[r]21,447	20,637	20,619
30	Other assets	2,159	2,253	2,576	2,612	2,588	2,895	2,946	2,780	2,994	3,106
31	**Total payable in U.S. dollars**	**57,361**	**61,587**	**66,635**	**63,565**	**67,016**	**65,452**	**64,457**	**70,008**	**70,209**	**71,761**
32	*Claims on United States*	*2,273*	*3,275*	*4,100*	*2,163*	*2,870*	*2,321*	*2,337*	*2,598*	*2,877*	*3,475*
33	Parent bank	1,445	2,374	3,431	1,452	2,178	1,386	1,483	1,895	2,187	2,727
34	Other	828	902	669	711	692	935	854	703	690	748
35	*Claims on foreigners*	*54,121*	*57,488*	*61,408*	*60,277*	*63,043*	*61,938*	*60,907*	*66,242*	*66,132*	*67,031*
36	Other branches of parent bank	15,645	17,249	18,947	16,406	17,025	17,438	18,305	20,934	21,377	21,491
37	Banks	28,224	28,983	28,530	28,324	30,686	29,455	[r]27,268	29,859	29,680	30,480
38	Public borrowers[1]	648	846	1,669	3,254	3,525	[r]3,660	[r]3,544	[r]3,471	3,586	3,227
39	Nonbank foreigners	9,604	10,410	12,263	12,293	11,807	[r]11,385	11,790	[r]11,978	11,489	11,833
40	Other assets	967	824	1,126	1,125	1,103	1,193	1,213	1,168	1,200	1,255
		Bahamas and Caymans									
41	**Total, all currencies**	**45,203**	**66,774**	**79,052**	**82,083**	**84,692**	**82,145**	**85,654**	**88,755**	**86,290**	**89,560**
42	*Claims on United States*	*3,229*	*3,508*	*5,782*	*5,237*	*6,441*	*5,132*	*5,620*	*10,053*	*7,250*	*7,461*
43	Parent bank	1,477	1,141	3,051	2,502	3,449	2,381	2,751	7,090	4,255	4,399
44	Other	1,752	2,367	2,731	2,735	2,992	2,751	2,869	2,963	2,995	3,062
45	*Claims on foreigners*	*41,040*	*62,048*	*71,671*	*74,846*	*76,282*	*74,988*	*77,949*	*76,651*	*76,863*	*79,890*
46	Other branches of parent bank	5,411	8,144	11,120	10,580	10,803	10,292	12,134	12,348	12,618	13,433
47	Banks	16,298	25,354	27,939	29,045	30,307	29,302	29,749	29,472	30,314	33,025
48	Public borrowers[1]	3,576	7,105	9,109	11,424	12,394	12,599	12,461	12,362	12,092	11,534
49	Nonbank foreigners	15,756	21,445	23,503	23,797	22,778	22,795	23,605	22,469	21,839	21,898
50	Other assets	933	1,217	1,599	2,000	1,969	2,025	2,085	2,051	2,177	2,209
51	**Total payable in U.S. dollars**	**41,887**	**62,705**	**73,987**	**76,660**	**79,277**	**76,494**	**79,701**	**83,007**	**80,222**	**83,568**

For notes see opposite page.

3.13 Continued

	Liability account	1975	1976	1977	1978 May[2]	1978 June	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.p
					All foreign countries						
52	**Total, all currencies**	**176,493**	**219,420**	**258,897**	**259,442**	**271,696**	**269,542**	**r274,937**	**287,369**	**292,304**	**295,984**
53	*To United States*	*20,221*	*32,719*	*44,154*	*49,907*	*50,534*	*51,583*	*r52,437*	*r49,325*	*51,509*	*56,994*
54	Parent bank	12,165	19,773	24,542	28,422	25,199	27,722	r28,923	24,590	27,619	31,793
55	Other banks in United States	8,057	12,946	19,613	9,003	10,371	8,608	7,659	10,064	8,365	9,089
56	Nonbanks				12,482	14,964	15,253	15,855	r14,671	15,525	16,112
57	*To foreigners*	*149,815*	*179,954*	*206,579*	*202,232*	*213,670*	*209,810*	*213,978*	*r228,733*	*231,115*	*229,266*
58	Other branches of parent bank	34,111	44,370	53,244	50,368	53,547	53,788	56,955	61,599	65,104	65,802
59	Banks	72,259	83,880	94,140	87,567	93,413	88,364	89,234	r97,629	95,955	94,094
60	Official institutions	22,773	25,829	28,110	29,776	31,414	31,831	31,455	33,077	32,237	31,213
61	Nonbank foreigners	20,672	25,877	31,085	34,521	35,296	35,827	36,334	r36,428	37,819	38,157
62	Other liabilities	6,456	6,747	8,163	7,303	7,492	8,149	8,522	9,311	9,680	9,724
63	**Total payable in U.S. dollars**	**135,907**	**173,071**	**198,572**	**196,746**	**207,117**	**202,407**	**r204,946**	**215,496**	**215,517**	**222,887**
64	*To United States*	*19,503*	*31,932*	*42,881*	*48,278*	*48,820*	*49,668*	*r50,329*	*r47,171*	*49,276*	*55,083*
65	Parent bank	11,939	19,559	24,213	27,787	24,477	26,951	r28,031	23,640	26,684	30,964
66	Other banks in United States	7,564	12,373	18,669	8,704	10,078	8,286	7,286	9,724	8,011	8,818
67	Nonbanks				11,787	14,265	14,431	15,012	13,807	14,581	15,301
68	*To foreigners*	*112,879*	*137,612*	*151,363*	*144,758*	*154,513*	*148,630*	*150,474*	*r163,626*	*161,505*	*162,828*
69	Other branches of parent bank	28,217	37,098	43,268	40,099	42,682	42,852	45,620	49,978	52,052	53,370
70	Banks	51,583	60,619	64,872	57,871	62,434	56,273	55,285	r63,271	58,911	58,831
71	Official institutions	19,982	22,878	23,972	25,124	26,587	26,843	26,178	27,358	26,332	25,442
72	Nonbank foreigners	13,097	17,017	19,251	21,664	22,810	22,662	23,391	r23,019	24,210	25,185
73	Other liabilities	3,526	3,527	4,328	3,710	3,784	4,109	4,143	4,699	4,736	4,976
					United Kingdom						
74	**Total, all currencies**	**74,883**	**81,466**	**90,933**	**89,645**	**93,538**	**92,989**	**93,341**	**99,084**	**101,887**	**102,032**
75	*To United States*	*5,646*	*5,997*	*7,753*	*6,758*	*8,174*	*8,011*	*6,978*	*8,033*	*8,347*	*9,053*
76	Parent bank	2,122	1,198	1,451	1,636	1,822	1,959	1,905	1,872	2,176	2,367
77	Other banks in United States	3,523	4,798	6,302	2,346	3,273	2,987	2,290	3,150	2,949	3,234
78	Nonbanks				2,776	3,079	3,065	2,783	3,011	3,222	3,452
79	*To foreigners*	*67,240*	*73,228*	*80,736*	*80.108*	*82,703*	*81,847*	*82,991*	*87,678*	*89,942*	*89,347*
80	Other branches of parent bank	6,494	7,092	9,376	9,009	9,700	10,098	11,708	12,006	12,269	13,153
81	Banks	32,964	36,259	37,893	35,980	36,856	34,662	35,293	37,677	39,276	38,167
82	Official institutions	16,553	17,273	18,318	19,087	20,074	20,863	19,863	21,493	21,193	20,182
83	Nonbank foreigners	11,229	12,605	15,149	16,032	16,073	16,224	16,127	16,502	17,204	17,845
84	Other liabilities	1,997	2,241	2,445	2,779	2,661	3,131	3,372	3,373	3,598	3,632
85	**Total payable in U.S. dollars**	**57,820**	**63,174**	**67,573**	**64,025**	**67,936**	**65,671**	**64,926**	**70,227**	**71,158**	**72,812**
86	*To United States*	*5,415*	*5,849*	*7,480*	*6,446*	*7,852*	*7,652*	*6,606*	*7,650*	*7,985*	*8,666*
87	Parent bank	2,083	1,182	1,416	1,609	1,794	1,926	1,852	1,805	2,116	2,321
88	Other banks in United States	3,332	4,667	6,064	2,281	3,176	2,904	2,209	3,092	2,902	3,178
89	Nonbanks				2,556	2,882	2,822	2,545	2,753	2,967	3,167
90	*To foreigners*	*51,447*	*56,372*	*58,977*	*56,274*	*58,856*	*56,636*	*57,015*	*61,231*	*61,765*	*62,631*
91	Other branches of parent bank	5,442	5,874	7,505	6,696	7,259	7,696	9,163	9,317	9,301	10,302
92	Banks	23,330	25,527	25,608	22,554	23,472	20,527	20,601	22,936	23,259	23,044
93	Official institutions	14,498	15,423	15,482	15,908	16,866	17,397	16,113	17,659	17,106	16,317
94	Nonbank foreigners	8,176	9,547	10,382	11,116	11,259	11,016	11,138	11,319	12,099	12,968
95	Other liabilities	959	953	1,116	1,305	1,228	1,383	1,305	1,346	1,408	1,515
					Bahamas and Caymans						
96	**Total, all currencies**	**45,203**	**66,774**	**79,052**	**82,083**	**84,692**	**82,145**	**85,654**	**88,755**	**86,290**	**89,560**
97	*To United States*	*11,147*	*22,721*	*32,176*	*37,350*	*35,185*	*37,041*	*39,532*	*r34,378*	*35,679*	*40,561*
98	Parent bank	7,628	16,161	20,956	23,255	19,078	21,755	23,187	18,410	20,179	24,013
99	Other banks in United States	3,520	6,560	11,220	5,625	5,514	4,587	4,509	5,511	4,418	4,857
100	Nonbanks				8,470	10,593	10,699	11,836	r10,457	11,082	11,691
101	*To foreigners*	*32,949*	*42,899*	*45,292*	*43,394*	*48,088*	*43,649*	*44,597*	*r52,574*	*48,955*	*47,317*
102	Other branches of parent bank	10,569	13,801	12,816	11,250	11,657	11,165	11,436	14,762	15,635	14,715
103	Banks	16,825	21,760	24,717	21,452	25,752	21,951	21,884	r27,372	22,471	21,998
104	Official institutions	3,308	3,573	3,000	4,419	4,583	4,221	4,598	4,468	4,440	4,340
105	Nonbank foreigners	2,248	3,765	4,759	6,273	6,096	6,312	6,679	r5,972	6,409	6,264
106	Other liabilities	1,106	1,154	1,584	1,339	1,419	1,455	1,525	r1,803	1,656	1,682
107	**Total payable in U.S. dollars**	**42,197**	**63,417**	**74,463**	**78,254**	**80,650**	**78,131**	**81,314**	**84,317**	**81,323**	**84,878**

1 In May1978 a broader category of claims on foreign public borrowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

2 In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1975	1976	1977	1978 June	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.[p]	1978 Dec.[p]
A. By type										
1 **Total**[1]	**82,572**	**95,634**	**131,090**	**140,571**	**144,138**	**146,084**	**145,210**	**152,460**	**156,555**	**162,391**
2 Liabilities reported by banks in the United States[2]	16,262	17,231	18,003	18,808	19,445	20,049	19,752	22,300	21,694	22,957
3 U.S. Treasury bills and certificates[3]	34,199	37,725	47,820	55,594	56,842	56,299	55,014	57,976	62,943	67,906
U.S. Treasury bonds and notes:										
4 Marketable	6,671	11,788	32,157	32,836	34,149	34,860	35,564	36,141	36,209	35,838
5 Nonmarketable[4]	19,976	20,648	20,443	19,284	19,214	20,375	20,304	21,426	20,993	20,970
6 U.S. securities other than U.S. Treasury securities[5]	5,464	8,242	12,667	14,049	14,488	14,501	14,576	14,617	14,716	14,720
B. By area										
7 **Total**	**82,572**	**95,634**	**131,090**	**140,571**	**144,138**	**146,084**	**145,210**	**152,460**	**156,555**	**162,391**
8 Western Europe[1]	45,701	45,882	70,748	74,455	75,739	79,723	80,267	85,303	88,697	93,122
9 Canada	3,132	3,406	2,334	2,593	2,490	2,071	1,497	2,619	2,446	2,486
10 Latin America and Caribbean	4,461	4,926	4,649	4,668	4,629	4,621	3,898	4,611	4,496	4,993
11 Asia	24,411	37,767	50,693	56,199	58,081	56,848	56,808	57,011	57,830	58,613
12 Africa	2,983	1,893	1,742	1,689	2,220	2,036	2,006	2,184	2,301	2,443
13 Other countries[6]	1,884	1,760	924	967	979	785	734	732	785	734

1 Includes the Bank for International Settlements.

2 Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

3 Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.

4 Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.

5 Debt securities of U.S. govt. corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

6 Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Dept. data and on data reported to the Treasury Dept. by banks (including Federal Reserve Banks) and securities dealers in the United States.

For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.15 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars
Millions of dollars, end of period

Item	1975	1976	1977	1978						
				June	July	Aug.	Sept.	Oct.	Nov.p	Dec.p
	A. By holder and type of liability									
1 All foreigners	**95,590**	**110,657**	**126,168**	**135,926**	**137,293**	**140,532**	**144,084**	**150,584**	**158,421**	**166,242**
2 Banks' own liabilities	....	....	....	60,671	61,429	63,931	68,488	71,102	75,166	77,773
3 Demand deposits	13,564	16,803	18,996	17,189	17,953	16,104	17,204	17,557	18,264	19,202
4 Time deposits[1]	10,267	11,347	11,521	11,635	11,921	12,634	12,503	12,279	12,514	12,287
5 Other[2]	....	....	....	6,477	6,876	7,238	6,697	9,756	8,645	9,766
6 Own foreign offices[3]	....	....	....	25,369	24,679	27,955	32,085	31,511	35,744	36,518
7 Banks' custody liabilities[4]	....	....	....	75,255	75,864	76,601	75,596	79,482	83,255	88,469
8 U.S. Treasury bills and certificates[5]	37,414	40,744	48,906	57,126	57,629	57,264	56,665	59,077	63,434	68,434
9 Other negotiable and readily transferable instruments[6]	....	....	....	15,506	15,512	16,691	16,057	17,619	17,424	17,501
10 Other	....	....	....	2,623	2,722	2,646	2,874	2,786	2,397	2,535
11 Nonmonetary international and regional organizations[7]	**5,699**	**5,714**	**3,274**	**2,942**	**2,678**	**2,823**	**3,406**	**2,929**	**2,225**	**2,617**
12 Banks' own liabilities	....	....	....	480	1,017	808	767	336	417	916
13 Demand deposits	139	290	231	265	257	142	144	133	153	330
14 Time deposits[1]	148	205	139	119	116	97	99	116	102	94
15 Other[2]	....	....	....	97	644	569	523	87	161	492
16 Banks' custody liabilities[4]	....	....	....	2,462	1,662	2,014	2,639	2,593	1,809	1,701
17 U.S. Treasury bills and certificates	2,554	2,701	706	922	228	368	1,036	403	183	201
18 Other negotiable and readily transferable instruments[6]	....	....	....	1,537	1,432	1,645	1,603	2,189	1,625	1,499
19 Other	....	....	....	3	1	1	1	1	1	1
20 Official institutions[8]	**50,461**	**54,956**	**65,822**	**74,402**	**76,286**	**76,348**	**74,766**	**80,267**	**84,329**	**90,608**
21 Banks' own liabilities	....	....	....	8,453	9,422	9,085	9,455	11,474	10,820	11,683
22 Demand deposits	2,644	3,394	3,528	2,611	3,473	2,643	3,307	3,046	3,414	3,388
23 Time deposits[1]	3,423	2,321	1,797	1,981	2,277	2,595	2,563	2,399	2,345	2,331
24 Other[2]	....	....	....	3,862	3,673	3,848	3,585	6,030	5,060	5,963
25 Banks' custody liabilities[4]	....	....	....	65,949	66,864	67,263	65,311	68,793	73,510	78,925
26 U.S. Treasury bills and certificates[5]	34,199	37,725	47,820	55,594	56,842	56,299	55,014	57,967	62,635	67,650
27 Other negotiable and readily transferable instruments[6]	....	....	....	9,857	9,498	10,326	9,703	10,616	10,768	11,105
28 Other	....	....	....	498	524	638	594	210	107	170
29 Banks[9]	**29,330**	**37,174**	**42,335**	**43,363**	**42,921**	**45,532**	**50,410**	**51,379**	**55,241**	**56,962**
30 Banks' own liabilities	....	....	....	38,824	38,358	41,028	45,640	46,425	50,440	52,142
31 Unaffiliated foreign banks	....	....	....	13,454	13,680	13,073	13,555	14,914	14,696	15,624
32 Demand deposits	7,534	9,104	10,933	10,164	10,240	9,229	9,713	10,156	10,068	11,238
33 Time deposits[1]	1,873	2,297	2,040	1,255	1,321	1,390	1,618	1,552	1,735	1,481
34 Other[2]	....	....	....	2,035	2,119	2,454	2,223	3,206	2,893	2,904
35 Own foreign offices[3]	....	....	....	25,369	24,679	27,955	32,085	31,511	35,744	36,518
36 Banks' custody liabilities[4]	....	....	....	4,540	4,562	4,504	4,771	4,955	4,801	4,819
37 U.S. Treasury bills and certificates	335	119	141	300	269	296	307	381	371	300
38 Other negotiable and readily transferable instruments[6]	....	....	....	2,355	2,416	2,381	2,534	2,447	2,528	2,417
39 Other	....	....	....	1,885	1,877	1,828	1,930	2,126	1,902	2,103
40 Other foreigners	**10,100**	**12,814**	**14,736**	**15,218**	**15,407**	**15,829**	**15,502**	**16,008**	**16,625**	**16,056**
41 Banks' own liabilities	....	....	....	12,914	12,631	13,009	12,627	12,867	13,490	13,031
42 Demand deposits	3,248	4,015	4,304	4,149	3,983	4,090	4,039	4,222	4,628	4,246
43 Time deposits[1]	4,823	6,524	7,546	8,281	8,208	8,552	8,222	8,213	8,331	8,379
44 Other[2]	....	....	....	484	441	368	365	432	531	406
45 Banks' custody liabilities[4]	....	....	....	2,304	2,776	2,819	2,875	3,141	3,135	3,024
46 U.S. Treasury bills and certificates	325	198	240	310	290	301	308	326	245	282
47 Other negotiable and readily transferable instruments[6]	....	....	....	1,757	2,165	2,339	2,218	2,367	2,503	2,480
48 Other	....	....	....	237	320	179	349	448	387	262
49 MEMO: Negotiable time certificates of deposit held in custody for foreigners	....	....	....	9,428	9,385	9,964	9,822	10,977	10,803	10,895

1 Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2 Includes borrowings under repurchase agreements.
3 U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly-owned subsidiaries of head office or parent foreign bank.
4 Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5 Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
6 Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7 Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8 Foreign central banks and foreign central governments and the Bank for International Settlements.
9 Excludes central banks, which are included in "Official institutions."

NOTE. Data for time deposits prior to April 1978 represent short-term only.

For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.15 Continued

Item	1975	1976	1977	1978 June	July	Aug.	Sept.	Oct.	Nov.ᵖ	Dec.ᵖ
	B. By area and country									
1 **Total**	**95,590**	**110,657**	**126,168**	**135,926**	**137,293**	**140,532**	**144,084**	**150,584**	**158,421**	**166,242**
2 **Foreign countries**	**89,891**	**104,943**	**122,893**	**132,983**	**134,615**	**137,709**	**140,678**	**147,655**	**156,196**	**163,625**
3 *Europe*	*44,072*	*47,076*	*60,295*	*64,302*	*64,662*	*67,339*	*69,099*	*73,408*	*78,418*	*85,003*
4 Austria	759	346	318	351	372	424	431	473	514	506
5 Belgium-Luxembourg	2,893	2,187	2,531	2,756	2,277	2,174	2,368	2,464	2,471	2,557
6 Denmark	329	356	770	1,335	1,542	1,593	1,673	1,734	1,827	1,946
7 Finland	391	416	323	352	407	416	415	424	388	346
8 France	7,726	4,876	5,269	6,550	7,353	7,989	8,060	8,421	8,817	8,631
9 Germany	4,543	6,241	7,239	10,029	9,727	10,766	11,206	13,345	15,652	17,447
10 Greece	284	403	603	597	646	826	865	887	907	826
11 Italy	1,059	3,182	6,857	6,869	7,036	8,055	7,394	7,346	7,761	7,674
12 Netherlands	3,407	3,003	2,869	3,118	3,078	3,240	2,756	2,523	2,518	2,402
13 Norway	994	782	944	1,869	1,737	1,516	1,208	1,210	1,102	1,271
14 Portugal	193	239	273	191	227	324	521	386	379	330
15 Spain	423	559	619	688	709	752	765	702	885	780
16 Sweden	2,277	1,692	2,712	3,385	3,340	3,355	3,341	3,187	3,216	3,131
17 Switzerland	8,476	9,460	12,343	12,415	11,888	12,102	13,077	14,314	15,810	18,974
18 Turkey	118	166	130	110	147	137	226	164	163	156
19 United Kingdom	6,867	10,018	14,125	11,471	11,770	10,956	11,802	12,438	12,826	14,204
20 Yugoslavia	126	189	232	229	192	149	167	158	190	254
21 Other Western Europe[1]	2,970	2,673	1,804	1,666	1,935	2,311	2,497	2,887	2,719	3,159
22 U.S.S.R.	40	51	98	66	55	46	65	82	73	82
23 Other Eastern Europe[2]	197	236	236	255	222	210	262	262	198	325
24 *Canada*	*2,919*	*4,659*	*4,607*	*5,816*	*5,623*	*5,890*	*5,122*	*7,418*	*8,001*	*6,911*
25 *Latin America and Caribbean*	*15,028*	*19,132*	*23,670*	*25,425*	*24,831*	*27,259*	*29,284*	*28,470*	*31,111*	*31,434*
26 Argentina	1,146	1,534	1,416	1,692	1,550	1,453	1,393	1,650	1,504	1,498
27 Bahamas	1,874	2,770	3,596	3,954	3,629	4,601	7,249	4,880	6,309	6,605
28 Bermuda	184	218	321	396	383	372	409	387	425	438
29 Brazil	1,219	1,438	1,396	1,220	1,295	1,382	1,350	1,441	1,234	1,130
30 British West Indies	1,311	1,877	3,998	4,769	4,009	5,474	5,380	5,919	6,692	5,974
31 Chile	319	337	360	376	380	346	351	333	341	399
32 Colombia	417	1,021	1,221	1,424	1,429	1,486	1,431	1,483	1,612	1,758
33 Cuba	6	6	6	7	9	10	7	7	7	13
34 Ecuador	120	320	330	325	378	347	405	369	348	322
35 Guatemala[3]	....	....	....	448	415	419	347	368	357	416
36 Jamaica[3]	....	....	....	66	75	59	78	57	43	52
37 Mexico	2,070	2,870	2,876	2,776	2,921	3,171	3,112	3,101	3,413	3,359
38 Netherlands Antilles[4]	129	158	196	320	435	288	317	352	368	308
39 Panama	1,115	1,167	2,331	2,386	2,639	2,628	2,741	2,396	2,808	2,993
40 Peru	243	257	287	282	309	311	321	323	337	363
41 Uruguay	172	245	243	220	218	185	197	210	211	233
42 Venezuela	3,309	3,118	2,929	3,157	3,229	3,208	2,560	3,696	3,550	3,809
43 Other Latin America and Caribbean	1,393	1,797	2,167	1,606	1,530	1,517	1,637	1,496	1,553	1,762
44 *Asia*	*22,384*	*29,766*	*30,488*	*33,665*	*35,171*	*33,463*	*33,438*	*34,630*	*34,843*	*36,380*
45 China (Mainland)	123	48	53	53	47	44	46	49	57	67
46 China (Taiwan)	1,025	990	1,013	1,053	1,195	1,262	1,280	1,319	1,247	495
47 Hong Kong	605	894	1,094	1,085	1,191	1,211	1,230	1,368	1,189	1,256
48 India	115	638	961	899	798	762	833	899	843	790
49 Indonesia	369	340	410	330	597	309	348	575	439	447
50 Israel	387	392	559	476	519	440	432	453	469	674
51 Japan	10,207	14,363	14,616	19,020	20,374	19,755	19,890	19,937	21,355	21,956
52 Korea	390	438	602	748	714	736	776	790	750	795
53 Philippines	700	628	687	595	640	566	623	594	578	639
54 Thailand	252	277	264	297	320	296	290	352	279	427
55 Middle East oil-exporting countries[5]	7,355	9,360	8,979	7,894	7,267	6,719	6,350	6,911	6,381	7,410
56 Other Asia	856	1,398	1,250	1,213	1,510	1,364	1,341	1,384	1,256	1,425
57 *Africa*	*3,369*	*2,298*	*2,535*	*2,360*	*3,013*	*2,578*	*2,645*	*2,540*	*2,636*	*2,886*
58 Egypt	342	333	404	402	594	463	417	322	312	403
59 Morocco	68	87	66	28	28	67	74	84	30	32
60 South Africa	166	141	174	226	175	160	238	266	294	168
61 Zaire	62	36	39	44	73	52	45	39	43	43
62 Oil-exporting countries[6]	2,240	1,116	1,155	979	1,365	1,198	1,270	1,230	1,335	1,523
63 Other Africa	491	585	698	681	778	638	601	600	622	717
64 *Other countries*	*2,119*	*2,012*	*1,297*	*1,414*	*1,315*	*1,180*	*1,090*	*1,189*	*1,187*	*1,011*
65 Australia	2,006	1,905	1,140	1,211	1,158	1,051	899	975	950	772
66 All other	113	107	158	203	157	130	191	213	236	239
67 **Nonmonetary international and regional organizations**	**5,699**	**5,714**	**3,274**	**2,942**	**2,678**	**2,823**	**3,406**	**2,929**	**2,225**	**2,617**
68 International	5,415	5,157	2,752	2,311	2,027	2,157	2,339	1,789	1,033	1,485
69 Latin American regional	188	267	278	395	411	437	799	856	870	808
70 Other regional[7]	96	290	245	236	241	228	269	284	323	324

1 Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2 Beginning April 1978 comprises Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, and Romania.

3 Included in "Other Latin America and Caribbean" through March 1978.

4 Includes Surinam through December 1975.

5 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

6 Comprises Algeria, Gabon, Libya, and Nigeria.

7 Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.16 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1975	1976	1977	1978						
				June	July	Aug.	Sept.	Oct.	Nov.p	Dec.p
1 **Total**	**58,308**	**79,301**	**90,206**	**87,212**	**87,349**	**91,844**	**94,399**	**96,820**	**105,338**	**114,174**
2 **Foreign countries**	**58,275**	**79,261**	**90,163**	**87,180**	**87,313**	**91,806**	**94,360**	**96,779**	**105,292**	**114,118**
3 *Europe*	*11,109*	*14,776*	*18,114*	*16,249*	*15,762*	*16,829*	*18,301*	*19,327*	*20,504*	*24,105*
4 Austria	35	63	65	105	116	107	95	111	142	147
5 Belgium-Luxembourg	286	482	561	731	634	823	949	1,052	1,232	1,198
6 Denmark	104	133	173	145	129	146	147	160	193	242
7 Finland	180	199	172	182	190	216	221	232	260	305
8 France	1,565	1,549	2,082	1,891	1,813	2,523	2,786	2,752	2,716	3,690
9 Germany	380	509	644	787	689	632	742	808	838	900
10 Greece	290	279	206	204	190	125	126	161	134	164
11 Italy	443	993	1,334	965	1,078	1,027	1,016	1,355	1,453	1,506
12 Netherlands	305	315	338	383	436	405	379	494	602	675
13 Norway	131	136	162	217	210	163	263	238	282	299
14 Portugal	30	88	175	126	140	105	99	106	180	171
15 Spain	424	745	722	706	669	714	770	929	980	1,100
16 Sweden	198	206	218	219	244	290	325	348	465	537
17 Switzerland	199	379	564	685	631	1,013	871	781	1,045	1,282
18 Turkey	164	249	360	309	313	305	305	293	283	273
19 United Kingdom	5,170	7,033	8,964	7,270	6,961	6,933	7,827	8,065	8,356	10,080
20 Yugoslavia	210	234	311	320	300	280	306	293	302	363
21 Other Western Europe[1]	76	85	86	153	165	125	128	147	107	178
22 U.S.S.R.	406	485	413	319	305	343	370	387	321	364
23 Other Eastern Europe[2]	513	613	566	534	548	553	575	617	612	631
24 *Canada*	*2,834*	*3,319*	*3,355*	*2,493*	*3,116*	*3,343*	*3,448*	*3,586*	*4,552*	*5,140*
25 *Latin America and Caribbean*	*23,863*	*38,879*	*45,850*	*45,990*	*46,974*	*49,469*	*50,397*	*49,267*	*54,342*	*56,257*
26 Argentina	1,377	1,192	1,478	1,556	1,572	1,566	1,690	1,447	1,698	2,258
27 Bahamas	7,583	15,464	19,858	18,725	19,643	22,172	20,031	19,208	23,541	21,096
28 Bermuda	104	150	232	145	145	194	141	352	141	189
29 Brazil	3,385	4,901	4,629	4,659	4,599	4,858	5,252	5,596	6,137	6,147
30 British West Indies	1,464	5,082	6,481	7,412	6,872	6,885	8,397	7,170	6,432	9,160
31 Chile	494	597	675	745	745	809	742	832	862	962
32 Colombia	751	675	671	615	648	690	727	793	936	990
33 Cuba	14	13	10	1	1	1	1	*	4	2
34 Ecuador	252	375	517	562	546	560	646	621	681	694
35 Guatemala[3]	....	....	....	90	83	115	79	85	89	92
36 Jamaica[3]	....	....	....	53	49	44	46	45	49	42
37 Mexico	3,745	4,822	4,909	4,865	5,068	5,004	5,007	4,927	5,255	5,361
38 Netherlands Antilles[4]	72	140	224	212	206	198	230	212	242	270
39 Panama	1,138	1,372	1,410	1,901	2,278	1,625	2,280	2,480	2,531	3,060
40 Peru	805	933	962	930	918	928	966	945	931	887
41 Uruguay	57	42	80	53	52	56	51	63	58	58
42 Venezuela	1,319	1,828	2,318	2,240	2,337	2,515	2,745	3,105	3,367	3,449
43 Other Latin America and Caribbean	1,302	1,293	1,394	1,227	1,212	1,250	1,367	1,386	1,388	1,541
44 *Asia*	*17,706*	*19,204*	*19,236*	*19,317*	*18,326*	*18,918*	*18,994*	*21,358*	*22,691*	*25,408*
45 China (Mainland)	22	3	10	13	5	31	8	10	6	35
46 China (Taiwan)	1,053	1,344	1,719	1,343	1,193	1,177	1,241	1,285	1,356	1,421
47 Hong Kong	289	316	543	769	698	666	705	1,368	1,385	1,572
48 India	57	69	53	80	46	73	76	66	46	54
49 Indonesia	246	218	232	146	139	125	152	144	188	143
50 Israel	721	755	584	468	445	504	544	555	719	871
51 Japan	10,944	11,040	9,839	10,023	9,779	9,876	10,205	10,568	11,997	12,697
52 Korea	1,791	1,978	2,336	2,328	1,937	1,925	1,930	1,788	1,741	2,233
53 Philippines	534	719	594	680	641	743	730	732	717	677
54 Thailand	520	442	633	711	725	693	633	734	758	753
55 Middle East oil-exporting countries[5]	744	1,459	1,746	1,575	1,551	1,951	1,656	2,097	2,181	3,112
56 Other Asia	785	863	947	1,181	1,167	1,155	1,113	2,012	1,599	1,840
57 *Africa*	*1,933*	*2,311*	*2,518*	*2,136*	*2,133*	*2,267*	*2,158*	*2,219*	*2,163*	*2,234*
58 Egypt	123	126	119	70	79	62	67	56	68	107
59 Morocco	8	27	43	38	36	42	38	40	36	82
60 South Africa	657	957	1,066	1,054	1,036	1,058	1,022	990	906	860
61 Zaire	181	112	98	79	79	79	82	161	162	180
62 Oil-exporting countries[6]	382	524	510	383	340	459	406	438	439	449
63 Other	581	565	682	512	563	566	544	534	551	556
64 *Other countries*	*830*	*772*	*1,090*	*995*	*1,002*	*980*	*1,063*	*1,023*	*1,040*	*974*
65 Australia	700	597	905	828	836	835	894	879	894	872
66 All other	130	175	186	167	167	145	168	145	147	102
67 **Nonmonetary international and regional organizations**[7]	**33**	**40**	**43**	**31**	**36**	**38**	**39**	**41**	**45**	**56**

1 Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2 Beginning April 1978 comprises Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, and Romania.

3 Included in "Other Latin America and Caribbean" through March 1978.

4 Includes Surinam through December 1975.

5 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

6 Comprises Algeria, Gabon, Libya, and Nigeria.

7 Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners. For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.17 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States

Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1975	1976	1977	1978						
				June	July	Aug.	Sept.	Oct.	Nov.[p]	Dec.[p]
1 **Total**	**58,308**	**79,301**	**90,206**	**96,184**	....	....	**[r]103,515**	....	....	....
2 Banks' own claims on foreigners	....	....	....	87,212	87,349	91,844	94,399	96,820	105,338	114,174
3 Foreign public borrowers	....	....	....	6,036	6,858	7,292	7,708	8,051	9,197	10,024
4 Own foreign offices[1]	....	....	....	31,590	33,813	37,325	34,828	36,357	40,412	40,891
5 Unaffiliated foreign banks	....	....	....	30,166	27,499	27,400	31,467	31,080	33,464	39,940
6 Deposits	....	....	....	5,116	4,623	4,352	4,482	3,965	4,139	5,350
7 Other	....	....	....	25,050	22,876	23,049	26,985	27,115	29,325	34,591
8 All other foreigners	....	....	....	19,419	19,179	19,826	20,396	21,332	22,265	23,318
9 Claims of banks' domestic customers[2]	....	....	....	8,973	....	....	[r]9,116	....	....	....
10 Deposits	....	....	....	389	....	....	[r]500	....	....	....
11 Negotiable and readily transferable instruments[3]	....	....	....	3,694	....	....	[r]3,724	....	....	....
12 Outstanding collections and other claims[4]	5,467	5,756	6,176	4,889	....	....	[r]4,892	....	....	....
13 MEMO: Customer liability on acceptances	....	....	....	11,995	....	....	[r]12,747	....	....	....

1 U.S. banks: includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly-owned subsidiaries of head office or parent foreign bank.

2 Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

3 Principally negotiable time certificates of deposit and bankers acceptances.

4 Data for March 1978 and for period prior to that are outstanding collections only.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' domestic customers are available on a quarterly basis only.

For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.18 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1978	1979	1978 June[p]	1978 Sept.[p]	1978 Dec.	1979 Mar.	1979 June	1979 Sept.
1 Total			55,128	59,516				
By borrower:								
2 Maturity of 1 year or less[1]			43,682	46,684				
3 Foreign public borrowers			2,919	3,640				
4 All other foreigners			40,763	43,044				
5 Maturity of over 1 year[1]			11,445	12,832				
6 Foreign public borrowers			3,162	3,928				
7 All other foreigners			8,283	8,904				
By area:								
Maturity of 1 year or less[1]								
8 Europe			9,532	10,386				
9 Canada			1,615	1,943				
10 Latin America and Caribbean			17,036	18,518				
11 Asia			13,515	13,712				
12 Africa			1,461	1,535				
13 All other[2]			523	591				
Maturity of over 1 year[1]								
14 Europe			2,979	3,104				
15 Canada			330	793				
16 Latin America and Caribbean			5,979	6,843				
17 Asia			1,282	1,305				
18 Africa			629	577				
19 All other[2]			247	211				

1 Remaining time to maturity.
2 Includes nonmonetary international and regional organizations.

NOTE. The first available data are for June 1978. For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.19 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1974	1975	1976	1977	1978 Mar.	1978 June[p]	1978 Sept.[p]
1 Banks' own liabilities	766	560	781	925	986	1,704	1,981
2 Banks' own claims[1]	1,276	1,459	1,834	2,356	2,383	3,153	3,530
3 Deposits	669	656	1,103	941	948	1,290	1,386
4 Other claims	607	802	731	1,415	1,435	1,863	2,144
5 Claims of banks' domestic customers[2]						809	446

1 Includes claims of banks' domestic customers through March 1978.
2 Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.20 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1976	1977	1978 Jan.-Dec.p	1978 June	July	Aug.	Sept.	Oct.	Nov.p	Dec.p
	Holdings (end of period) [4]									
1 **Estimated total**[1]	**15,799**	**38,640**	....	**40,658**	**41,148**	**41,573**	**42,212**	**43,622**	**43,847**	**44,928**
2 **Foreign countries**[1]	**12,765**	**33,894**	....	**34,964**	**36,306**	**37,119**	**37,826**	**38,472**	**38,469**	**39,807**
3 *Europe*[1]	*2,330*	*13,936*	....	*13,106*	*14,226*	*14,154*	*14,689*	*15,260*	*15,654*	*17,072*
4 Belgium-Luxembourg	14	19	....	19	19	19	19	19	19	19
5 Germany[1]	764	3,168	....	4,361	5,531	5,761	6,157	6,645	7,102	8,705
6 Netherlands	288	911	....	1,113	1,113	1,278	1,306	1,356	1,351	1,358
7 Sweden	191	100	....	185	200	210	211	231	266	285
8 Switzerland	261	497	....	529	590	636	694	731	915	977
9 United Kingdom	485	8,888	....	6,527	6,403	5,862	5,909	5,915	5,674	5,373
10 Other Western Europe	323	349	....	371	370	387	393	365	327	354
11 Eastern Europe	4	4	....	....	....	....	....	....	....	....
12 Canada	256	288	....	264	275	276	276	151	151	152
13 Latin America and Caribbean	313	551	....	494	485	545	445	426	416	416
14 Venezuela	149	199	....	174	174	244	144	144	144	144
15 Other Latin American and Caribbean	47	183	....	158	149	139	139	119	109	110
16 Netherlands Antilles	118	170	....	162	162	162	162	162	162	162
17 Asia	9,323	18,745	....	20,605	20,831	21,647	21,919	21,938	21,560	21,478
18 Japan	2,687	6,860	....	9,616	9,927	10,791	11,096	11,560	11,483	11,528
19 Africa	543	362	....	491	491	491	491	691	691	691
20 All other	*	11	....	4	−3	7	5	6	−3	−3
21 **Nonmonetary international and regional organizations**	**3,034**	**4,746**	....	**5,694**	**4,842**	**4,454**	**4,386**	**5,150**	**5,378**	**5,121**
22 International	2,906	4,646	....	5,633	4,809	4,421	4,354	5,118	5,345	5,089
23 Latin American regional	128	100	....	61	33	33	33	33	33	33
	Transactions (net purchases, or sales (−), during period)									
24 **Total**[1]	**8,096**	**22,843**	**6,287**	**1,271**	**490**	**425**	**639**	**1,410**	**225**	**−1,081**
25 **Foreign countries**[1]	**5,393**	**21,130**	**5,912**	**599**	**1,342**	**813**	**706**	**646**	**−3**	**−1,338**
26 Official institutions	5,119	20,369	3,682	522	1,313	710	704	577	69	−371
27 Other foreign[1]	274	762	2,229	77	29	103	3	69	−72	1,708
28 **Nonmonetary international and regional organizations**	**2,704**	**1,713**	**376**	**671**	**−852**	**−387**	**−67**	**764**	**227**	**−256**
MEMO: Oil-exporting countries										
29 Middle East [2]	3,887	4,451	−1,790	−185	−85	−31	−31	−401	−241	−127
30 Africa [3]	221	−181	329	*	*	*	*	200	−1	*

1 Includes U.S. Treasury notes publicly issued to private foreign residents.
2 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3 Comprises Algeria, Gabon, Libya, and Nigeria.
4 Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

3.21 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1975	1976	1977	1978 July	Aug.	Sept.	Oct.	Nov.	Dec.	1979 Jan.p
1 Deposits	353	352	424	347	309	325	305	379	367	338
Assets held in custody:										
2 U.S. Treasury securities[1]	60,019	66,532	91,962	101,696	102,902	102,699	107,934	112,434	117,126	116,961
3 Earmarked gold[2]	16,745	16,414	15,988	15,594	15,572	15,553	15,548	15,525	15,463	15,448

1 Marketable U.S. Treasury bills, certificates of indebtedness, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and inforeign currencies.
2 The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.22 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

	Transactions, and area or country	1976	1977	1978 Jan.–Dec.p	1978 June	July	Aug.	Sept.	Oct.	Nov.p	Dec.p
		U.S. corporate securities									
	Stocks										
1	Foreign purchases	18.227	14,155	20,069	2,055	1,305	2,444	2,357	1,509	1,461	1,421
2	Foreign sales	15,475	11,479	17,698	1,936	1,296	2,678	2,115	1,523	1,359	1,085
3	**Net purchases, or sales (−)**	**2,753**	**2,676**	2,370	**119**	**9**	**−235**	**241**	**−14**	**103**	**336**
4	**Foreign countries**	**2,740**	**2,661**	2,416	**139**	**9**	**−235**	**244**	**−15**	**102**	**336**
5	Europe	336	1,006	1,233	39	−6	−152	−33	−91	−10	264
6	France	256	40	49	−39	−15	9	2	−4	1	−36
7	Germany	68	291	619	83	17	−54	24	−30	8	263
8	Netherlands	−199	22	−22	−18	9	−22	7	7	6	−9
9	Switzerland	−100	152	−584	−76	−52	−184	−115	−118	−88	−22
10	United Kingdom	340	613	1,218	101	50	110	54	58	67	74
11	Canada	324	65	74	−12	−16	−18	117	22	6	38
12	Latin America and Caribbean	155	127	151	33	−35	48	1	13	−2	16
13	Middle East[1]	1,803	1,390	781	59	69	−134	120	42	109	4
14	Other Asia	119	59	187	23	−5	35	35	−4	1	15
15	Africa	7	5	−13	−3	1	−12	5	2	−2	−1
16	Other countries	−4	8	3	*	*	−1	−1	2	1	1
17	**Nonmonetary international and regional organizations**	**13**	**15**	−46	**−21**	*	*	**−3**	**1**	**1**	*
	Bonds[2]										
18	Foreign purchases	5,529	7,739	7,954	669	1,029	872	611	727	437	884
19	Foreign sales	4,327	3,546	5,449	302	596	490	550	530	388	558
20	**Net purchases, or sales (−)**	**1,202**	**4,192**	2,505	**367**	**433**	**383**	**61**	**197**	**49**	**326**
21	**Foreign countries**	**1,243**	**4,096**	2,096	**295**	**411**	**330**	**64**	**137**	**39**	**134**
22	Europe	86	1,863	966	157	387	137	80	89	25	152
23	France	39	−34	30	−3	13	6	−2	−10	3	17
24	Germany	−49	−20	119	14	18	38	−5	−12	6	10
25	Netherlands	−29	72	19	−7	11	18	19	−4	−1	−6
26	Switzerland	155	94	−100	5	−74	−20	43	9	9	39
27	United Kingdom	23	1,703	936	154	416	89	*	110	9	115
28	Canada	96	141	102	6	14	24	16	−5	*	6
29	Latin America and Caribbean	94	64	78	2	−8	17	11	13	−1	5
30	Middle East[1]	1,179	1,695	810	91	135	99	−73	−19	−8	−21
31	Other Asia	−165	338	140	39	−116	52	29	60	23	−5
32	Africa	−25	−6	−1	*	*	*	*	*	*	*
33	Other countries	−21	*	1	*	*	1	*	*	*	−3
34	**Nonmonetary international and regional organizations**	**−41**	**96**	409	**72**	**22**	**53**	**−3**	**60**	**10**	**192**
		Foreign securities									
35	**Stocks, net purchases, or sales (−)**	**−323**	**−410**	523	**−61**	**10**	**51**	**−69**	**−19**	**163**	**−12**
36	Foreign purchases	1,937	2,255	3,661	247	333	382	261	299	360	232
37	Foreign sales	2,259	2,665	3,138	308	323	331	330	318	197	244
38	**Bonds, net purchases, or sales (−)**	**−8,774**	**−5,095**	−3,892	**−636**	**−291**	**−196**	**33**	**−677**	**−448**	**170**
39	Foreign purchases	4,932	8,040	10,996	1,095	921	982	759	941	854	1,020
40	Foreign sales	13,706	13,134	14,888	1,730	1,212	1,178	726	1,618	1,302	851
41	**Net purchases, or sales (−) of stocks and bonds**	**−9,097**	**−5,504**	−3,369	**−697**	**−281**	**−145**	**−36**	**−696**	**−285**	**157**
42	**Foreign countries**	**−7,199**	**−3,947**	−3,192	**−742**	**−283**	**−150**	**−70**	**−507**	**−305**	**116**
43	Europe	−850	−1,100	16	−220	−171	94	−86	13	−102	102
44	Canada	−5,245	−2,404	−3,237	−420	−146	−161	−41	−747	−246	−24
45	Latin America and Caribbean	−3	−80	203	−68	8	−17	−12	−17	16	*
46	Asia	−733	−97	412	192	44	54	69	236	21	32
47	Africa	48	2	−441	−44	−25	−123	−1	1	1	*
48	Other countries	−416	−267	−146	−182	7	3	1	6	4	5
49	**Nonmonetary international and regional organizations**	**−1,898**	**−1,557**	−177	**45**	**2**	**5**	**34**	**−189**	**20**	**41**

1 Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Includes state and local government securities, and securities of U.S. govt. agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.23 SHORT-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

	Type, and area or country	Liabilities to foreigners: 1977 Sept.	1977 Dec.	1978 Mar.	1978 June	1978 Sept.p	Claims on foreigners: 1977 Sept.	1977 Dec.	1978 Mar.	1978 June	1978 Sept.p
1	**Total**	**r7,243**	**r7,910**	**r8,361**	**8,792**	**9,645**	**r15,223**	**r16,221**	**r18,399**	**18,162**	**18,260**
	By type:										
2	*Payable in dollars*	*r6,386*	*r7,109*	*r7,477*	*7,967*	*8,794*	*r14,120*	*r14,803*	*r16,636*	*16,598*	*16,291*
3	*Payable in foreign currencies*	*857*	*801*	*884*	*825*	*851*	*r1,104*	*r1,418*	*r1,763*	*1,564*	*1,969*
4	Deposits with banks abroad in reporter's name	....	....	....	....	....	414	r613	r783	673	804
5	Other	....	....	....	....	....	r690	r805	r980	890	1,165
	By area or country:										
6	**Foreign countries**	**r7,089**	**r7,695**	**r8,214**	**8,661**	**9,521**	**r15,222**	**r16,220**	**r18,397**	**18,160**	**18,258**
7	*Europe*	*r2,317*	*r2,491*	*r2,820*	*2,993*	*3,159*	*r5,062*	*r5,764*	*r5,508*	*5,273*	*5,887*
8	Austria	19	21	26	26	33	24	24	21	28	25
9	Belgium-Luxembourg	126	116	171	167	165	226	211	187	155	172
10	Denmark	16	14	23	22	17	44	56	47	40	34
11	Finland	11	9	12	3	4	59	13	13	53	50
12	France	170	238	273	302	260	430	513	545	533	622
13	Germany	226	284	335	356	391	r395	r450	r420	436	534
14	Greece	78	85	108	82	71	52	41	42	40	44
15	Italy	107	128	104	156	188	r351	387	r381	451	400
16	Netherlands	180	232	253	220	222	161	166	184	192	175
17	Norway	12	7	9	18	23	38	r40	r40	45	42
18	Portugal	12	11	7	25	11	34	69	27	54	34
19	Spain	74	77	94	105	110	307	387	408	376	351
20	Sweden	41	28	37	38	51	91	117	117	78	80
21	Switzerland	257	263	r211	282	308	146	220	r202	285	346
22	Turkey	97	108	93	92	102	32	39	35	29	31
23	United Kingdom	r765	r735	r937	962	1,058	r2,479	r2,795	r2,619	2,338	2,818
24	Yugoslavia	92	90	82	84	76	20	20	24	27	23
25	Other Western Europe	9	10	8	18	17	15	25	33	24	28
26	U.S.S.R.	11	24	15	19	27	62	55	44	37	33
27	Other Eastern Europe	14	12	23	17	25	96	135	121	51	45
28	*Canada*	*451*	*504*	*530*	*524*	*566*	*2,649*	*r2,681*	*r3,428*	*3,502*	*3,724*
29	*Latin America*	*r1,038*	*r1,201*	*r1,353*	*1,421*	*1,532*	*4,619*	*r4,467*	*r5,943*	*6,001*	*5,142*
30	Argentina	50	40	53	74	131	53	53	53	61	65
31	Bahamas	r248	r329	r327	321	353	1,963	r2,019	r3,122	3,081	2,350
32	Brazil	76	49	62	63	87	414	r493	r482	479	418
33	Chile	13	17	14	23	14	40	45	40	37	40
34	Colombia	24	42	26	42	42	85	84	80	79	69
35	Cuba	*	*	*	*	*	*	*	*	*	1
36	Mexico	103	114	169	185	235	302	314	312	331	382
37	Panama	12	22	12	71	59	222	91	175	97	76
38	Peru	13	15	22	17	19	30	32	30	30	25
39	Uruguay	4	3	5	9	7	5	5	6	4	5
40	Venezuela	r210	r216	r264	185	232	251	269	306	309	284
41	Other Latin American republics	122	118	107	101	121	257	281	268	229	223
42	Netherlands Antilles	9	25	41	30	19	8	12	24	19	21
43	Other Latin America	154	209	250	299	213	989	r768	r1,045	1,245	1,183
44	*Asia*	*r2,583*	*r2,835*	*r2,814*	*3,008*	*3,517*	*r2,398*	*r2,777*	*r2,970*	*r2,810*	*2,905*
45	China, (Mainland)	1	8	1	1	4	12	9	22	21	23
46	China, (Taiwan)	152	156	167	170	176	139	157	144	173	157
47	Hong Kong	25	40	32	30	61	73	98	85	92	127
48	India	44	37	26	10	23	42	38	85	93	85
49	Indonesia	60	56	57	59	49	r184	375	185	152	167
50	Israel	58	63	68	59	68	46	38	47	43	86
51	Japan	604	695	761	807	865	1,026	1,068	1,379	1,142	1,157
52	Korea	75	103	99	107	103	153	171	133	168	161
53	Philippines	78	74	95	107	157	111	99	94	96	107
54	Thailand	17	17	11	27	43	24	23	32	30	29
55	Other Asia	r1,469	r1,588	r1,498	1,631	1,968	r587	r702	r764	800	804
56	*Africa*	*588*	*r571*	*r594*	*603*	*661*	*r340*	*r386*	*r402*	*430*	*441*
57	Egypt	45	13	19	25	34	r18	r34	31	36	29
58	Morocco	105	112	130	148	145	10	21	22	16	16
59	South Africa	29	20	30	36	34	75	75	71	88	74
60	Zaire	48	46	55	57	56	19	15	11	16	12
61	Other Africa	361	r380	r360	338	391	r218	r241	r268	274	311
62	*Other countries*	*111*	*93*	*104*	*111*	*85*	*153*	*146*	*145*	*143*	*158*
63	Australia	93	75	89	97	72	113	111	111	109	118
64	All other	18	18	14	14	14	41	35	34	34	40
65	**Nonmonetary international and regional organizations**	**154**	**215**	**147**	**132**	**125**	**1**	**1**	**1**	**2**	**2**

NOTE. Reported by exporters, importers, and industrial and commercial concerns and other nonbanking institutions in the United States. Data exclude claims held through U.S. banks and intercompany accounts between U.S. companies and their affiliates.

3.24 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Large Nonbanking Concerns in the United States

Millions of dollars, end of period

Type and country	1974	1975	1976	1977r	1978					
					Juner	Julyr	Aug.r	Sept.r	Oct.	Nov.p
1 **Total**	**3,357**	**3,799**	**5,720**	**7,136**	**8,812**	**8,949**	**10,098**	**8,635**	**10,503**	**11,223**
By type:										
2 *Payable in dollars*	*2,660*	*3,042*	*4,984*	*6,121*	*7,670*	*7,643*	*8,818*	*7,409*	*9,240*	*9,981*
3 Deposits	2,591	2,710	4,505	5,703	7,129	7,172	8,282	6,985	8,688	9,362
4 Short-term investments [1]	69	332	479	418	541	471	536	424	552	619
5 *Payable in foreign currencies*	*697*	*757*	*735*	*1,015*	*1,142*	*1,305*	*1,280*	*1,225*	*1,263*	*1,241*
6 Deposits	429	511	404	547	599	689	660	730	789	771
7 Short-term investments [1]	268	246	331	468	543	616	620	495	474	470
By country:										
8 United Kingdom	1,350	1,306	1,838	2,120	1,660	1,878	1,869	2,246	2,949	3,137
9 Canada	967	1,156	1,698	1,777	2,559	2,537	3,013	2,452	2,858	2,833
10 Bahamas	391	546	1,355	1,896	2,946	3,217	3,543	2,247	2,819	3,033
11 Japan	398	343	133	153	258	279	276	250	234	249
12 All other	252	446	716	1,190	1,389	1,038	1,397	1,440	1,643	1,971

1 Negotiable and other readily transferable foreign obligations payable on demand or having a contractural maturity of not more than 1 year from the date on which the obligation was incurred by the foreigner.

NOTE. Data represent the assets abroad of large nonbanking concerns in the United States. They are a portion of the total claims on foreigners reported by nonbanking concerns in the United States and are included in the figures shown in table 3.26.

3.25 LONG-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

Area and country	1977		1978			1977		1978		
	Sept.	Dec.	Mar.	June	Sept.p	Sept.	Dec.	Mar.	June	Sept.p
	Liabilities to foreigners					Claims on foreigners				
1 **Total**	**r3,331**	**r3,175**	**r3,149**	**3,077**	**3,122**	**r4,719**	**r5,077**	**r5,143**	**5,067**	**5,007**
2 Europe	r2,555	r2,425	r2,498	2,422	2,471	r833	r864	r937	943	927
3 Germany	407	255	295	282	290	r79	r74	r75	71	76
4 Netherlands	272	287	292	266	275	81	82	81	76	74
5 Switzerland	224	241	241	236	246	42	49	48	55	58
6 United Kingdom	r1,237	r1,222	r1,228	1,214	1,253	282	310	332	363	341
7 Canada	r67	r62	r58	56	65	1,462	1,776	1,792	1,811	1,779
8 Latin America	289	284	r248	248	234	1,367	1,402	1,387	1,298	1,283
9 Bahamas	151	148	142	141	138	36	40	42	2	2
10 Brazil	7	7	6	7	7	134	144	154	143	144
11 Chile	1	1	1	1	1	201	203	194	190	176
12 Mexico	30	30	r27	26	29	187	177	183	188	217
13 Asia	358	342	284	290	289	829	817	810	803	812
14 Japan	319	305	250	255	254	94	66	83	78	70
15 Africa	3	2	2	2	3	165	161	156	154	149
16 All other[1]	59	60	60	60	61	63	59	60	59	56

1 Includes nonmonetary international and regional organizations.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Per cent per annum

Country	Rate on Jan. 31, 1979		Country	Rate on Jan. 31, 1979		Country	Rate on Jan. 31, 1979	
	Per cent	Month effective		Per cent	Month effective		Per cent	Month effective
Argentina	18.0	Feb. 1972	France	9.5	Aug. 1977	Norway	7.0	Feb. 1978
Austria	4.5	June 1978	Germany, Fed. Rep. of	3.0	Dec. 1977	Sweden	6.5	July 1978
Belgium	6.0	July 1978	Italy	10.5	Sept. 1978	Switzerland	1.0	Feb. 1978
Brazil	33.0	Nov. 1978	Japan	3.5	Mar. 1978	United Kingdom	12.5	Nov. 1978
Canada	11.25	Jan. 1979	Mexico	4.5	June 1942	Venezuela	5.0	Oct. 1970
Denmark	8.0	July 1977	Netherlands	6.5	Oct. 1978			

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Per cent per annum, averages of daily figures

Country, or type	1976	1977	1978	1978					1979
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Euro-dollars	5.58	6.03	8.74	8.48	9.12	10.12	11.51	11.62	11.16
2 United Kingdom	11.35	8.07	9.18	9.42	9.29	10.44	12.00	12.28	12.61
3 Canada	9.39	7.47	8.52	8.77	9.08	9.68	10.37	10.44	10.87
4 Germany	4.19	4.30	3.67	3.64	3.67	3.90	3.81	4.09	3.85
5 Switzerland	1.45	2.56	0.74	0.67	0.58	0.24	0.20	0.22	0.05
6 Netherlands	7.02	4.73	6.53	6.27	6.91	11.23	8.86	10.25	8.69
7 France	8.65	9.20	8.10	7.39	7.40	7.37	7.06	6.59	6.55
8 Italy	16.32	14.26	11.40	11.75	10.94	10.99	11.17	11.24	11.12
9 Belgium	10.25	6.95	7.14	7.09	7.24	8.55	9.19	9.28	8.93
10 Japan	7.70	6.22	4.75	4.64	4.51	4.44	4.78	4.76	4.52

NOTE. Rates are for 3-month interbank loans except for—Canada, finance company paper; Belgium, time deposits of 20 million francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1976	1977	1978	1978					1979
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Australia/dollar	122.15	110.82	114.41	115.41	115.29	116.87	114.53	114.15	114.04
2 Austria/schilling	5.5744	6.0494	6.8958	6.9490	7.0102	7.4526	7.1808	7.2621	7.3821
3 Belgium/franc	2.5921	2.7911	3.1809	3.1834	3.2207	3.4503	3.3389	3.3637	3.4276
4 Canada/dollar	101.41	94.112	87.729	87.690	85.739	84.546	85.244	84.763	84.041
5 Denmark/krone	16.546	16.658	18.156	18.171	18.411	19.584	19.025	19.063	19.487
6 Finland/markka	25.938	24.913	24.337	24.381	24.586	25.454	24.932	24.957	25.252
7 France/franc	20.942	20.344	22.218	22.998	22.909	23.767	22.958	23.178	23.570
8 Germany/deutsche mark	39.737	43.079	49.867	50.084	50.778	54.430	52.508	53.217	54.056
9 India/rupee	11.148	11.406	12.207	12.483	12.445	12.643	12.458	12.174	12.185
10 Ireland/pound	180.48	174.49	191.84	194.06	195.95	200.75	196.08	198.61	200.53
11 Italy/lira	.12044	.11328	.11782	.11952	.12050	.12317	.11857	.11863	.11955
12 Japan/yen	.33741	.37342	.47981	.53002	.52656	.54478	.52066	.51038	.50571
13 Malaysia/ringgit	39.340	40.620	43.210	43.433	43.603	45.627	45.415	45.524	45.487
14 Mexico/peso	6.9161	4.4239	4.3896	4.3758	4.3907	4.3904	4.3881	4.3950	4.4038
15 Netherlands/guilder	37.846	40.752	46.284	46.203	46.733	50.017	48.512	49.120	50.082
16 New Zealand/dollar	99.115	96.893	103.64	105.42	105.58	107.37	105.41	105.45	105.64
17 Norway/krone	18.327	18.789	19.079	19.018	19.189	20.325	19.736	19.574	19.730
18 Portugal/escudo	3.3159	2.6234	2.2782	2.2042	2.1948	2.2342	2.1510	2.1472	2.1358
19 South Africa/rand	114.85	114.99	115.01	115.00	115.00	115.00	115.04	115.01	114.96
20 Spain/peseta	1.4958	1.3287	1.3073	1.3344	1.3605	1.4317	1.4051	1.4085	1.4293
21 Sri Lanka/rupee	11.908	11.964	6.3834	6.3926	6.3855	6.3757	6.4695	6.4700	6.4491
22 Sweden/krona	22.957	22.383	22.139	22.523	22.592	23.349	22.856	22.808	22.987
23 Switzerland/franc	40.013	41.714	56.283	60.013	63.765	65.117	59.766	59.703	59.840
24 United Kingdom/pound	180.48	174.49	191.84	194.06	195.95	200.75	196.08	198.61	200.53
MEMO:									
25 United States/dollar[1]	105.57	103.31	....	89.99	89.51	86.04	88.86	88.52	87.77

1 Index of weighted average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when more than half of figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
......	Cell not applicable.

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

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Summaries Only Printed in the Bulletin

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Structure and Performance Studies in Banking: A Summary and Evaluation, by Stephen A. Rhoades. Dec. 1977. 45 pp.
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Problems in Applying Discriminant Analysis in Credit Scoring Models, by Robert A. Eisenbeis. Jan. 1978. 28 pp.
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Interest Rate Ceilings and Disintermediation, by Edward F. McKelvey. Sept. 1978. 105 pp.
The Relationship Between Reserve Ratios and the Monetary Aggregates Under Reserves and Federal Funds Rate Operating Targets, by Kenneth J. Kopecky. Dec. 1978. 58 pp.
Tie-ins Between the Granting of Credit and Sales of Insurance by Bank Holding Companies and Other Lenders, by Robert A. Eisenbeis and Paul R. Schweitzer. Feb. 1978. 75 pp.

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Staff Studies shown under "Reprints."

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(Except for Staff Papers, Staff Studies, and some leading articles, most of the articles reprinted do not exceed 12 pages.)

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Assets and Liabilities of Foreign Branches of U.S. Banks. 2/72.
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An Assessment of Bank Holding Companies, *Staff Economic Study* by Robert J. Lawrence and Samuel H. Talley. 1/76.
Industrial Electric Power Use. 1/76.
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Revised Series for Member Bank Deposits and Aggregate Reserves. 4/76.
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Recent Growth in Activities of U.S. Offices of Banks. 10/76.
New Estimates of Capacity Utilization: Manufacturing and Materials. 11/76.
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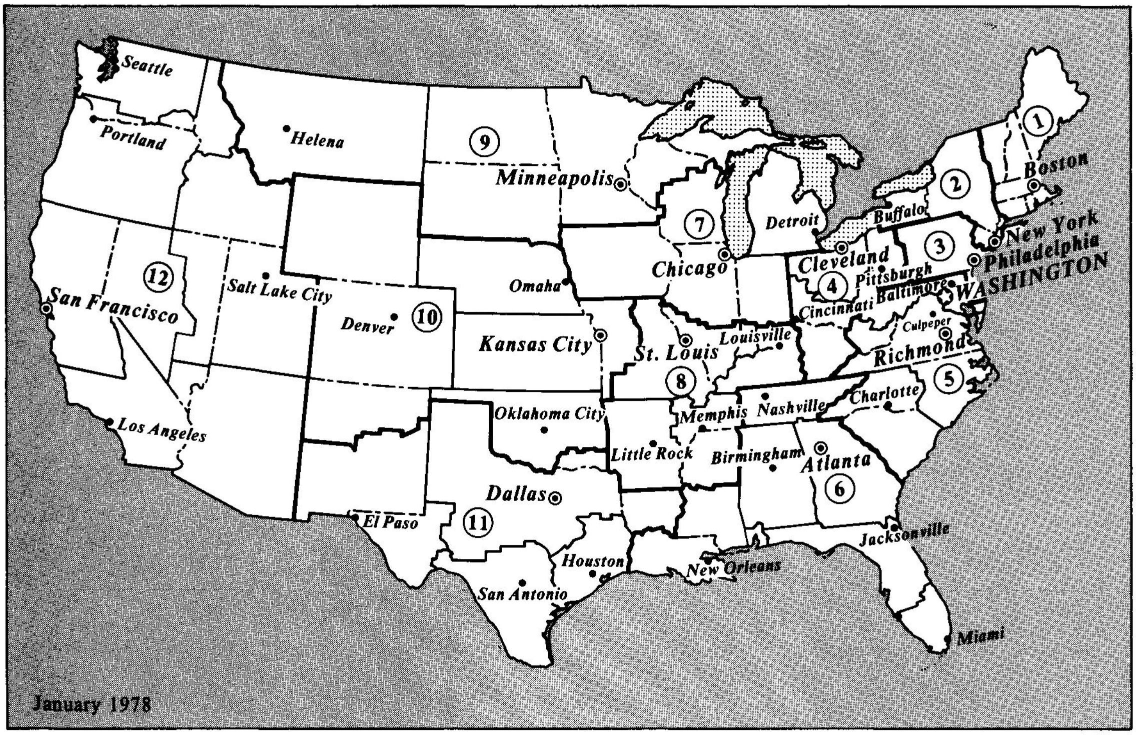
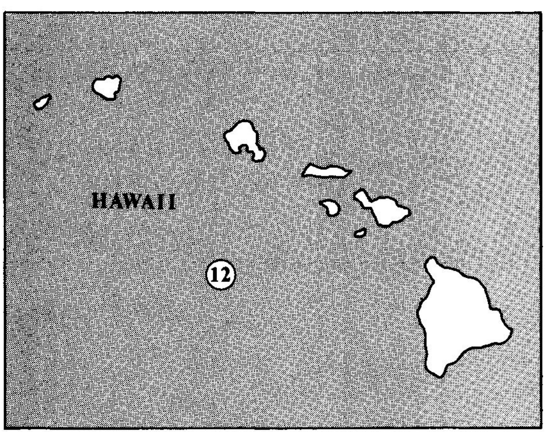
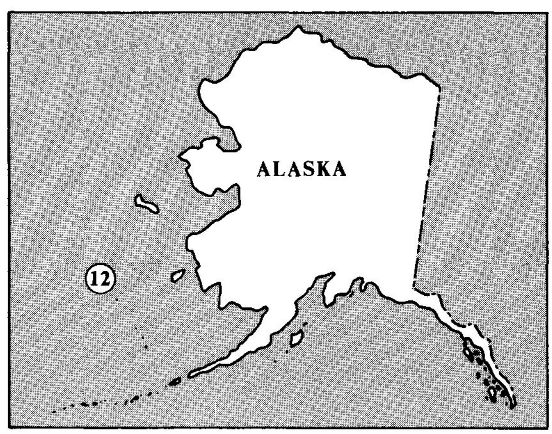
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories







Legend

Boundaries of Federal Reserve Districts

Boundaries of Federal Reserve Branch Territories

Board of Governors of the Federal Reserve System

Federal Reserve Bank Cities

Federal Reserve Branch Cities

Federal Reserve Bank Facility